

WALTON ASSET MANAGEMENT GP LTD.

2019 Annual Report

Reporting for the period of
January 1, 2019 to December 31, 2019

Dated May 31, 2020

INTRODUCTION

Background

On April 28, 2017, Walton Asset Management GP Ltd. ("WAM GP") sought and obtained protection pursuant to the Companies Creditors' Arrangement Act, R.S.C. 1985, C-36, as amended (the "CCAA"), pursuant to an Order of the Alberta Court of Queen's Bench (the "Initial Order").

Ernst & Young Inc. was appointed as Monitor ("EYI" or the "Monitor") of WAM GP pursuant to the terms of the Initial Order. WAM GP was responsible for the creation, structuring and monitoring of investments in the Walton Group of Companies' (the "Walton Group") investment products and development projects, as well as sourcing debt financing for the Walton Group's Canadian subsidiaries, pursuant to various management agreements (the "Management Agreements").

The Management Agreements were assigned to Walton Global Investments Ltd. ("WGIL") pursuant to an Order of the Alberta Court of Queen's Bench granted March 22, 2018. WAM GP no longer has any business or employees and generates no revenue. Its remaining assets consist of receivables due from other members of the Walton Group for management fees. These receivables arose prior to the assignment of WAM GP's Management Agreements to WGIL.

On June 8, 2018, the Monitor's powers were expanded over WAM GP pursuant to an Order (the "Enhancement Order"), which authorized the Monitor to manage and administer WAM GP and its property, business and undertakings. The Enhancement Order also included a Court-approved distribution protocol, which governs the monetization of Edgemont's remaining property and distribution of the resulting funds.

Reporting

Pursuant to the Enhancement Order, the Monitor is required to post a report (the "WAM GP 2019 Annual Report") on its website at www.ey.com/ca/wigi that provides the following information with respect to WAM GP:

- a) A statement of receipts and disbursements;
- b) A summary of all proceeds, including asset sales or other monetizations, realized by WAM GP during the fiscal year, together with a breakdown showing the Property that was monetized during the fiscal year;
- c) A summary of all distributions of Proceeds; and
- d) A summary of the use by WAM GP of the Administrative Reserve during the fiscal year, including a breakdown of the fees, if any, that were paid to the Walton Global Investments Ltd. ("WGIL") pursuant to the Management Agreement.

The WAM GP 2019 Annual Report covers the 12-month period from January 1, 2019 through to WAM GP's fiscal year-end of December 31, 2019 (the "Reporting Period").

TERMS OF REFERENCE AND DISCLAIMER

In preparing the WAM GP 2019 Annual Report, the Monitor has been provided with, and has relied upon, unaudited financial information, WAM GP's books and records, financial information prepared by WAM GP and discussions WGIL.

Capitalized terms not defined in this WAM GP 2019 Annual Report are as defined in the Initial Order, the Enhancement Order or the Monitor's First through Forty-Fifth Reports.

All references to dollars are in Canadian currency unless otherwise noted.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Exhibit 1.0 below provides a statement of receipts and disbursements for WAM GP during the Reporting Period.

Walton Asset Management GP Ltd.		Exhibit 1.0
Statement of Receipts and Disbursements		
January 1, 2019 to December 31, 2019		
	Notes	\$CAD '000s
Opening cash balance at January 1, 2019		730
Receipts		
Interest income		9
Other receipts		20
Total receipts		29
Disbursements		
CCAA fee reallocation	1	(528)
CCAA professional fees	2	(20)
Total disbursements		(548)
Net cash receipts / (disbursements) in Reporting Period		(519)
Ending cash balance at Dec. 31, 2019		210

The accompanying notes provide summaries of the proceeds received and the distribution of proceeds.

Note 1 - Pursuant to the CCAA fee reallocation that was approved by the Alberta Court of Queen's Bench pursuant to an Order granted April 18, 2019, WAM GP was responsible for reimbursing \$528,000 of CCAA fees to certain other Walton CCAA Applicants.

Note 2 - CCAA professional fees includes fees of WAM GP's legal counsel, the Monitor and the Monitor's legal counsel.

SUMMARY OF THE USE OF THE ADMINISTRATIVE RESERVE

Pursuant to the Enhancement Order, the Monitor is required to maintain an Administrative Reserve equal to 200% of WAM GP's annual budget for operating and administrative costs, as determined in good faith by the Monitor. The Monitor has set WAM GP's Administrative Reserve at \$400,000.

WAM GP is party to an intercorporate settlement agreement (the "Intercorporate Settlement Agreement"), the terms of which govern WAM GP's collection of any intercompany claim against WGIL. The maturity date of the Intercorporate Settlement Agreement is January 31, 2025 (the "Maturity Date").

Given WAM GP is no longer carrying on any active operations, the Administrative Reserve was determined based on WAM GP incurring an estimated \$60,000 per year in CCAA professional fees until the Maturity Date, with an added contingency other operating and administrative costs.

During the Reporting Period, the Administrative Reserve was used by the Monitor for purposes of settling CCAA professional fees incurred by WAM GP and reimbursing WAM GP's share of the CCAA fee reallocation.

Management fees

WAM GP did not pay any management fees to WGIL during the Reporting Period.

2020 DISTRIBUTION

The Enhancement Order provides that the Monitor is authorized to make a distribution of the proceeds from the monetization of WAM GP's remaining property, over and above the Administrative Reserve, from time to time as and when the Monitor sees fit. Such distributions would be made on a pro rata basis amongst all unsecured creditors with proven claims.

As at the date of this WAM GP 2019 Annual Report, the Monitor has made aggregate distributions of \$2.9 million to the proven unsecured creditors of WAM GP.

A listing of WAM GP's creditors is attached hereto as Appendix 'A'.

FUTURE DISTRIBUTIONS

Based on the Monitor maintaining an Administrative Reserve of \$400,000, WAM GP currently does not have sufficient funds to make a distribution to its creditors. The timing and quantum of any potential distributions to WAM GP's unsecured creditors with proven claims will be driven by the time required for WAM GP to monetize its remaining assets (i.e. asset management fees receivable from other members of the Walton Group, both CCAA Applicants and non-Applicants).

An accounts receivable listing for WAM GP is attached hereto as Appendix 'B'.

Additional details on any potential distributions will be posted on the Monitor's website at www.ey.com/ca/wigi.

APPENDIX 'A'

Claimant	Claim Value	2020 Pro Rata Distribution	Outstanding Claim Value
Third party claims			
Madison Peak Securities Ltd.	75,351	8,413	66,939
PricewaterhouseCoopers LLP	1,047	117	930
WealthTerra Capital Management Inc.	36,431	4,067	32,364
	<u>112,830</u>	<u>12,597</u>	<u>100,233</u>
Intercompany claims			
Walton Development and Management L.P.	8,798,867	982,371	7,816,496
Walton Europe GmbH	6,799,327	759,128	6,040,199
Walton International Group Inc.	5,928,902	661,947	5,266,955
Walton Development and Mgmt (Ontario) LP	4,149,443	463,275	3,686,168
Walton Global Investments Ltd.	154,452	17,244	137,208
Walton Europe Distributions GmbH	14,715	1,643	13,072
	<u>25,845,706</u>	<u>2,885,608</u>	<u>22,960,098</u>
Total claims	<u>25,958,536</u>	<u>2,898,205</u>	<u>23,060,331</u>

APPENDIX 'B'

Entity	Accounts Receivable	Collections	Remaining Accts Receivable
CCAA Applicants			
Walton South Simcoe Residential Development Corporation	4,388,079	-	4,388,079
Walton Edgemont Development Corporation	2,483,981	-	2,483,981
Walton Canadian Land Development L.P. 1	1,720,002	888,237	831,765
Walton Vita Crystallina Development LP	42,189	12,218	29,971
Brant County Riverbend Development LP	35,301	35,301	-
	<u>8,669,552</u>	<u>935,756</u>	<u>7,733,796</u>
Non-Applicants			
Walton Global Investments Ltd.	3,556,122	814,375	2,741,747
Walton Northpoint East Development LP	1,537,983	86,722	1,451,261
Walton International Group Inc.	1,396,852	1,396,852	-
Walton Westphalia Development Corp	1,346,758	-	1,346,758
Walton Duggan Ranch Dev LP	20,294	-	20,294
Walton Duggan Ranch Sophisticated Inv LP	5,875	-	5,875
Walton NPE Sophisticated Investor LP	5,250	-	5,250
Walton Berhad	818	-	818
Walton Realty Management LP	147	-	147
Walton Northpoint East Anderson Development LP	75	-	75
	<u>7,870,174</u>	<u>2,297,949</u>	<u>5,572,225</u>
Total accounts receivable	<u>16,539,726</u>	<u>3,233,706</u>	<u>13,306,020</u>