

WALTON EDGEMONT DEVELOPMENT CORPORATION

2020 Annual Report

Reporting for the period of
January 1, 2020 to December 31, 2020

Dated May 31, 2021

INTRODUCTION

Background

On April 28, 2017, Walton Edgemont Development Corporation ("Edgemont") 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 Edgemont pursuant to the terms of the Initial Order.

On May 9, 2017, the Alberta Court of Queen's Bench granted an Order (the "May 9 Order") approving a sale and investment solicitation process ("SISP") for the sale of certain real property owned by Edgemont (the "Woodhaven LDP"). The Woodhaven LDP was sold to Rohit Communities Inc. in a transaction approved by the Alberta Court of Queen's Bench pursuant to an Order granted November 2, 2017, as amended on November 21, 2017 (the "Edgemont Transaction"). The Edgemont Transaction closed on November 23, 2017 and provided for a purchase price of \$14.5 million. Following closing of the Edgemont Transaction, surplus sale proceeds were used to fully repay Edgemont's senior secured lender, Canadian Western Bank.

On April 20, 2018, the Monitor's powers were expanded over Edgemont pursuant to an Order (the "Enhancement Order"), which authorized the Monitor to manage and administer Edgemont and its remaining 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 "Edgemont 2020 Annual Report") on its website at www.ey.com/ca/wigi that provides the following information with respect to Edgemont:

- a) A statement of receipts and disbursements;
- b) A summary of all proceeds, including asset sales or other monetizations, realized by Edgemont 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 Edgemont of the Administrative Reserve during the fiscal year, including a breakdown of the fees, if any, that were paid to Walton Global Investments Ltd. ("WGIL") pursuant to the Management Agreement.

The Edgemont 2020 Annual Report covers the 12-month period from January 1, 2020 through to Edgemont's fiscal year-end of December 31, 2020 (the "Reporting Period").

TERMS OF REFERENCE AND DISCLAIMER

In preparing the Edgemont 2020 Annual Report, the Monitor has been provided with, and has relied upon, unaudited financial information, Edgemont's books and records, financial information prepared by Edgemont and discussions with WGIL.

Capitalized terms not defined in this Edgemont 2020 Annual Report are as defined in the Initial Order, the Enhancement Order or the Monitor's First through Forty-Fifth Reports.

Additionally, the Monitor has enclosed a forecast of the remaining receipts and disbursements of Edgemont, including the establishment of the Administrative Reserve and the issuance of distributions to creditors of Edgemont with claims proven in accordance with the Claims Procedure approved by a Court Order dated September 22, 2017, as subsequently amended.

The Monitor cautions that future oriented information contained within the Edgemont 2020 Annual Report has been prepared based upon hypothetical assumptions regarding future events. Therefore, actual results will likely differ from the information disclosed within this report and these differences may be material.

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 Edgemont during the Reporting Period.

Walton Edgemont Development Corporation		Exhibit 1.0
Statement of Receipts and Disbursements		
January 1, 2020 to December 31, 2020		
\$CAD '000s		
	Notes	
Opening cash balance at January 1, 2020	1	685
Receipts		
Trailing cost recoveries	2	2,002
Interest Income		10
Total receipts		2,013
Disbursements		
Construction costs	3	(1,628)
Management fees	4	(210)
CCAA professional fees	5	(34)
Other	6	(90)
Total disbursements		(1,963)
Net cash receipts / (disbursements) during Reporting Period		50
Ending cash balance at Dec. 31, 2020		734

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

1. Opening cash at January 1, 2020 consists of surplus proceeds from the Edgemont Transaction held in trust by the Monitor, cash held by Edgemont that was transferred to the Monitor's trust account from Edgemont, and net proceeds from the monetization of Edgemont's assets.
2. Edgemont collected trailing cost recoveries of \$2.0 million during the Reporting Period from the City of Edmonton and other developers via the Edgemont Cost Sharing Agreement.
3. Construction costs of \$1.6 million were incurred during the Reporting Period and relate to the completion of Edgemont's remaining construction obligations at the Woodhaven LDP.

As at the date of this Edgemont 2020 Annual Report, Edgemont has incurred construction costs of approximately \$264,000 million in fiscal 2021.

4. Management fees of \$210,000 were paid to WGIL during the Reporting Period, in accordance with the Management Agreement.
5. CCAA professional fees of \$34,000 were incurred during the Reporting Period and relate to fees incurred by the Monitor, the Monitor's legal counsel and Edgemont's legal counsel in administering the CCAA.
6. Other costs incurred during the Reporting Period of \$90,000 include letter of credit renewal fees (\$45,000), GST remittances (\$42,000) and general and administrative costs.

FORECAST RECEIPTS AND DISBURSEMENTS

Edgemont is party to a cost sharing agreement ("Cost Sharing Agreement") with certain other adjacent developers near the Woodhaven LDP, pursuant to which Edgemont is entitled to receive trailing cost recoveries due to it incurring certain construction expenditures that benefit surrounding residential developments (e.g. arterial roads, lift stations, storm ponds, drainage infrastructure, etc.). As nearby developments progress and tie into existing infrastructure put in place by Edgemont, trailing cost recoveries are released from the adjacent developers via the City of Edmonton ARA and PAC system and under the Cost Sharing Agreement.

In the 2019 annual report, the Monitor forecasted all remaining construction obligations of Edgemont would be completed by December 31, 2020, with all remaining assets of Edgemont realized upon prior to December 31, 2021. The Monitor cautioned that approximately \$4.4 million of trailing cost recoveries forecasted to be collected in 2021 pursuant to the Cost Sharing Agreement may extend beyond 2021, given timing of collection is dependent on progression of nearby developments.

Under the Cost Sharing Agreement, trailing cost recoveries owing to Edgemont may require 5 to 7 years to be fully collected, based upon the current pace of development near the Woodhaven LDP.

The Monitor, with the assistance of WGIL, is evaluating alternatives to monetize the trailing cost recoveries on an expedited basis, including selling the trailing cost recoveries to a developer(s) that is also party to the Cost Sharing Agreement, or a third party. A sale of the trailing recoveries would reduce administrative expenses associated with administering Edgemont and avoid waiting 5 to 7 years for trailing recoveries to be collected in order to distributed to equity holders of Edgemont.

Remaining Receipts

At December 31, 2020, Edgemont's remaining assets includes trailing recoveries of \$8.2 million, to be collected pursuant to the Cost Sharing Agreement over an estimated period of 5 to 7 years, and the release of a cash-secured letter of credit held by the City of Edmonton in the amount of \$4.6 million. It is expected that upon completion of the remaining construction obligations, the cash-secured letter of credit will be released to Edgemont in 2021.

Remaining Disbursements

As at December 31, 2020, Edgemont had remaining construction obligations of approximately \$900,000. Other costs incurred by Edgemont will primarily include management fees payable to WGIL (at a cost of \$10,000/month + 5% of receipts) and CCAA professional fees (estimated to be \$30,000 to \$60,000/year).

FORECASTED DISTRIBUTIONS

Upon release of the final cash-secured letter of credit owing to Edgemont of \$4.6 million, which is expected prior to December 31, 2021, the Monitor will undertake a first distribution to fully repay the proven unsecured creditors of Edgemont.

Proven unsecured claims against Edgemont are approximately \$3.2 million, comprised of \$722,000 in unsecured third-party claims and \$2.5 million in unsecured intercompany claims. The aggregate value of proven unsecured claims filed against Edgemont is subject to the resolution of remaining unsecured claim filed against Edgemont, as discussed above.

There is one (1) proof of claim filed against Edgemont that remains unresolved as of the date of this Edgemont 2020 Annual Report. The Monitor currently expects this claim will be resolved by December 31, 2021.

A creditor listing for Edgemont is attached hereto at Appendix 'A'.

Given the uncertainty associated with the timing and quantum of remaining assets to be realized by Edgemont, the Monitor has not prepared a forecast of distributions to equity holders of Edgemont.

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

APPENDIX 'A'

Claimant	Claim Value
Third party claims	
Bee Tan	245,701
Canada Revenue Agency ¹	221,660
Computershare Trust Company of Canada	1,832
Cove Properties (Edgemont) Inc.	19,302
J.R. Paine & Associates Ltd.	1,491
Lafarge Canada Inc.	11,377
Rogers & Company	13,547
Sureway Construction Management Ltd.	32,895
Wilco Contractors Northwest Inc.	45,020
WSP Canada Group Limited	129,339
	<u>722,163</u>
Intercompany claims	
Walton Asset Management L.P.	2,483,981
Walton Development and Management L.P.	212
	<u>2,484,193</u>
Total claims	<u><u>3,206,356</u></u>

¹Unresolved claim; value to be determined