

WALTON CANADIAN LAND 1 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 Canadian Land 1 Development Corporation ("Canadian Land") sought and obtained protection pursuant to the Companies Creditors' Arrangement Act, R.S.C. 1985, C-36, as amended, 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 Canadian Land pursuant to the terms of the Initial Order.

On May 9, 2017, the Alberta Court of Queen's Bench granted an Order approving a sale and investment solicitation process ("SISP") for the sale of certain real property owned by Canadian Land, including its interest in the Henley Heights residential land development project (the "Henley Heights LDP") and the Stony Industrial land development project (the "Stony Industrial LDP").

Henley Heights LDP

The Henley Heights LDP was sold by Canadian Land to Henley Heights JV Ltd., which sale was approved by the Alberta Court of Queen's Bench pursuant to an Order granted on November 20, 2017 (the "Henley Heights Transaction"). The Henley Heights Transaction closed on November 24, 2017 and provided for a purchase price of approximately \$8.8 million. Following closing of the Henley Heights Transaction, surplus sales proceeds were used to fully repay HSBC, the senior secured lender to Canadian Land on the Henley Heights LDP, in the amount of approximately \$6.5 million.

Stony Industrial LDP

The Stony Industrial LDP was removed from the SISP pursuant to an Order granted September 18, 2017, after no binding bids were received by Canadian Land to purchase and/or invest in the Stony Industrial LDP. After the removal of the Stony Industrial LDP from the SISP, Canadian Land and the Monitor actively worked to identify a monetization transaction or restructuring for the Stony Industrial LDP.

On June 22, 2018, Canadian Land and Royal West Property Corp. entered into an agreement for the sale of the Stony Industrial LDP (the "Stony Industrial Transaction"). The Stony Industrial Transaction was approved by the Alberta Court of Queen's Bench pursuant to an Order granted August 10, 2018 and closed effective September 19, 2018. The senior secured lender to Canadian Land on the Stony Industrial LDP is a syndicate of lenders (the "Stony Mortgagees") whose loans are secured by a first-ranking mortgage against the Stony Industrial LDP.

The purchase price under the Stony Industrial Transaction was approximately \$12.3 million, of which \$11.8 million was distributed to the Stony Mortgagees in partial settlement of the proven secured claim filed against the Stony Industrial LDP. Proceeds from the Stony Industrial Transaction were not sufficient to fully settle the proven secured claims filed by the Stony Mortgagees.

Enhancement Order

On July 19, 2018, the Monitor's powers were expanded over Canadian Land pursuant to an Order (the "Enhancement Order"), which authorized the Monitor to manage and administer Canadian Land and its property, business and undertakings. The Enhancement Order also included a Court-approved distribution protocol, which governs the monetization of Canadian Land's remaining property and distribution of the resulting funds.

Pursuant to the Enhancement Order, the Monitor is required to post a report (the "Canadian Land 2020 Annual Report") on its website at www.ey.com/ca/wigi that provides the following information with respect to Canadian Land:

- a) A statement of receipts and disbursements;
- b) A summary of all proceeds, including asset sales or other monetization's, realized by Canadian Land 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 Canadian Land 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 Canadian Land 2020 Annual Report covers the 12-month period from January 1, 2020 through to Canadian Land's fiscal year-end of December 31, 2020 (the "Reporting Period").

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

TERMS OF REFERENCE AND DISCLAIMER

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

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

The Monitor cautions that future oriented information contained within the Canadian Land 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 & SUMMARY OF PROCEEDS AND DISTRIBUTIONS

The Monitor has maintained three separate trust accounts for Canadian Land during these CCAA proceedings and has therefore provided a separate statement of receipts and disbursements for each of these Canadian Lands accounts during the Reporting Period, with a summary of each separate trust account as follows:

Canadian Land - Consolidated Statement of Receipts and Disbursements

The Monitor has established three trust accounts to maintain funds for Canadian Land and statement of receipts and disbursements for those accounts are identified in Exhibits 1.1 – 1.3.

Exhibit 1.0 below is a statement of receipts and disbursements for Canadian Land during the Reporting Period, consolidating the transactions within these three trust accounts.

Walton Canadian Land 1 Development Corporation	Exhibit 1.0
Statement of Receipts and Disbursements	
January 1, 2020 to December 31, 2020	
CAD, \$000's	
Opening cash balance at January 1, 2020	2,066
Receipts	
Trailing cost recoveries	94
Interest income	25
Total receipts	119
Disbursements	
Construction costs	(1,262)
Management fees	(109)
CCAA professional fees	(46)
G&A and other costs	(36)
Total Disbursements	(1,453)
Ending cash balance at Dec. 31, 2020	733

Canadian Land General Account

This trust account was established for Canadian Land for purposes of collecting proceeds from the monetization of Canadian Land's property and settling post-filing costs incurred by Canadian Land, including general and administrative costs, construction costs and CCAA professional fees, amongst others.

Exhibit 1.1 below provides a statement of receipts and disbursements for the Canadian Land General trust account established for Canadian Land:

Walton Canadian Land 1 Development Corporation		Exhibit 1.1
Statement of Receipts and Disbursements		
January 1, 2020 to December 31, 2020		
CAD, \$000's		
	Notes	
Opening cash balance at January 1, 2020	1	1,506
Receipts		
Trailing cost recoveries	2	94
Interest income		13
Total receipts		<u>107</u>
Disbursements		
Construction costs	3	(1,262)
Management fees	4	(109)
CCAA professional fees	5	(46)
G&A and other costs		<u>(36)</u>
Total Disbursements		<u>(1,453)</u>
Ending cash balance at Dec. 31, 2020		<u>160</u>

Notes:

1. Opening cash as at January 1, 2020 consists of surplus proceeds from the sale of the Henley Heights LDP held in trust by the Monitor, cash held by Canadian Land that was transferred to the Monitor's trust account established for Canadian Land, and net proceeds from the monetization of Canadian Land's assets.
2. Canadian Land collected trailing cost recoveries of \$94,000 during the Reporting Period.

Trailing cost recoveries to Canadian Land are the result of Canadian Land incurring certain construction expenditures that benefit surrounding residential developments (e.g. arterial roads, storm water ponds, drainage infrastructure, etc.) to the Henley Heights LDP. This infrastructure and the associated construction expenditures are required to be incurred by Canadian Land to obtain approval to sell developed lots and the undeveloped land monetized in the Henley Heights Transaction.

As nearby developments progress and tie into existing infrastructure put in place by Canadian Land, Canadian Land is entitled to receive cost recoveries from adjacent developers via the City of Edmonton PAC and ARA systems.

At December 31, 2020, approximately \$2.0 million of trailing recoveries are expected to be collected following completion of Canadian Land's construction obligations at the Henley Heights LDP.

3. Construction costs of approximately \$1.3 million were incurred by Canadian Land during the Reporting Period, related to the completion of remaining construction obligations at the Henley Heights LDP.
4. Management fees of approximately \$109,000 were paid to WGIL during the Reporting Period.
5. CCAA professional fees paid during the Reporting Period of approximately \$46,000 include the fees of Canadian Land's legal counsel, the Monitor, the Monitor's legal counsel.

Canadian Land Arterial Road Agreement

Under the Henley Heights Transaction, Canadian Land and MLC Group ("MLC"), a related party to Henley Heights JV Ltd. as Purchaser of the Henley Heights LDP, agreed to enter into an Arterial Road Agreement, pursuant to which MLC agreed to provide project management services for the completion of certain arterial road improvement obligations of Canadian Land in exchange for a management fee.

Exhibit 1.2 below provides a statement of receipts and disbursements for the Canadian Land Arterial Road trust account established for Canadian Land:

Walton Canadian Land 1 Development Corporation		Exhibit 1.2
Statement of Receipts and Disbursements		
January 1, 2020 to December 31, 2020		
CAD, \$000's		
	Notes	
Opening cash balance at January 1, 2020	1	271
Receipts		
Interest income	2	3
Total receipts		3
Disbursements		-
Ending cash balance at Dec. 31, 2020		274

Notes:

1. Opening cash as at January 1, 2020 consists of net proceeds held in trust by the Monitor from the collection of accounts receivable related to closings of lot sales and completion of construction obligations at the Henley Heights LPD.
2. Canadian Land collected approximately \$3,000 of interest income during the Reporting Period.

Canadian Land Road Completion Account

This trust account was established for purposes of collecting proceeds from certain lot closings and using the proceeds thereof to complete the construction of a roadway at the Henley Heights LDP. The construction of the roadway has been substantially completed.

Canadian Land and Crimson Cove Acquisitions Inc. ("Crimson Cove"), amongst other parties, entered into a Road Completion Agreement effective June 6, 2017 (the "Effective Date"), to facilitate the completion of Canadian Land's obligations at certain lands within the Henley Heights LDP that were not subject to the Henley Heights Transaction. In particular, the construction of a road that provided access to a new public school and certain residential lots purchased by Crimson Cove from Canadian Land. These lots were sold to Crimson Cove by Canadian Land pursuant to an Agreement of Purchase and Sale dated July 1, 2016, prior to the date of the Initial Order; however, the sale of these lots had not closed as at the Effective Date of the Road Completion Agreement.

As Canadian Land did not have sufficient funds to complete its remaining obligations at the Henley Heights LDP following the granting of the Initial Order, under the Road Completion Agreement, Crimson Cove agreed to payout the number of lots required to provide sufficient funds to Canadian Land to complete those obligations.

Exhibit 1.3 below provides a statement of receipts and disbursements for the Canadian Land Road Completion trust account established for Canadian Land:

Walton Canadian Land 1 Development Corporation		Exhibit 1.3
Statement of Receipts and Disbursements		
January 1, 2020 to December 31, 2020		
CAD, \$000's		
	Notes	
Opening cash balance at January 1, 2020	1	289
Receipts		
Interest income	2	10
Total receipts		10
Disbursements		-
Ending cash balance at Dec. 31, 2020		299

Notes:

1. Opening cash as at January 1, 2020 consists of net proceeds held in trust by the Monitor from the collection of accounts receivable related to closings of lot sales and completion of construction obligations at the Henley Heights LPD.
2. Canadian Land collected approximately \$10,000 of interest income during the Reporting Period.

FORECAST RECEIPTS AND DISBURSEMENTS

Exhibit 2.0 below provides a forecast statement of the remaining receipts and disbursements of Canadian Land and funds available for distribution on a consolidated basis.

The Monitor expects the majority of Canadian Land's remaining construction and maintenance obligations will be completed by Q3 2021, which will result in Canadian Land receiving funds of approximately \$4.0 million, related to the release of cash-secured letters of credit and trailing cost recoveries. The balance of trailing cost recoveries owing to Canadian Land of approximately \$1.0 million are forecasted to be received in Q1 2022.

Based on the above, the Monitor estimates that a second and final distribution to Canadian Land's unsecured creditors will be made in Q3 2021, which is expected to fully settle proven unsecured claims filed against Canadian Land and provide a return to equity holders. The Monitor estimates that a second and final distribution will be made to equity holders in Q2 2022, after all remaining assets of Canadian Land have been fully realized and all amounts owing under Court-ordered charges settled.

As the monetization of Canadian Land's remaining assets is primarily driven by the progression of residential developments near the Henley Heights LDP, the Monitor makes no representations as to the timing and quantum of forecasted distributions to unsecured creditors.

Walton Canadian Land 1 Development Corporation				Exhibit 2.0	
Forecast Statement of Receipts and Disbursements - 2021 & 2022					
CAD, \$000's					
	Notes		2021	2022	Total
Opening cash balance	a		733	-	733
Receipts					
Release of cash secured LC	1		2,902	-	2,902
Trailing cost recoveries	2		1,004	969	1,973
Collection of A/R - lot sales	3		140	-	140
Total Receipts	b		4,046	969	4,875
Funding Less:					
Funding admin reserve	4	c	(701)	-	(701)
Funds available for distribution	a+b+c		4,078	969	5,047

Notes:

1. The City of Edmonton is holding cash-secured letters of credit as security for construction and development obligations associated with the Henley Heights LDP. As Canadian Land satisfies these obligations, the letters of credit are released by the City of Edmonton and the cash security is available to Canadian Land.

2. Trailing cost recoveries due to Canadian Land are the result of Canadian Land incurring certain construction expenditures that benefit surrounding residential developments (e.g. arterial roads, storm water ponds, drainage infrastructure, etc.) to the Henley Heights LDP. This infrastructure and the associated construction expenditures are required to be incurred by Canadian Land to obtain approval to sell developed lots and the undeveloped land monetized in the Henley Heights Transaction.

As nearby developments progress and tie into existing infrastructure put in place by Canadian Land, Canadian Land is entitled to receive cost recoveries from adjacent developers via the City of Edmonton PAC and ARA systems.

3. Collection of accounts receivable associated with the closing of one residential lot sale at the Henley Heights LDP.
4. Remaining costs associated with Canadian Land include construction costs, management fees and professional fees. Pursuant to the Enhancement Order, Canadian Land maintains an Administrative Reserve sufficient to settle such costs.

Forecast Administrative Reserve

Exhibit 3.0 provides an overview of the forecast establishment of the Administrative Reserve including forecast additions and withdrawals during 2021 and 2022. The Monitor estimates that all remaining assets of Canadian Land will be realized upon in 2022.

Walton Canadian Land 1 Development Corporation		Exhibit 3.0	
Forecast Administrative Reserve - 2021 & 2022			
CAD, \$000's			
Administrative Reserve	2021	2022	Total
Additions	701	-	701
Withdrawals	(577)	(123)	(701)
Net change in administrative reserve	123	(123)	-
Opening balance	-	123	-
Ending balance	123	-	-

Exhibit 3.1 identifies by category the costs that are forecast to be funded from the Administrative Reserve to be established for Canadian Land.

Walton Canadian Land 1 Development Corporation			Exhibit 3.1	
Forecast Administrative Reserve Disbursement - 2021 & 2022				
CAD, \$000's				
Disbursements	Notes	2021	2022	Total
Construction costs	1	(155)	-	(155)
Management fees	2	(322)	(48)	(371)
Professional fees	3	(100)	(75)	(175)
Total disbursements		(577)	(123)	(701)

Notes:

1. Estimated constructions costs to be incurred by Canadian Land in order to be eligible to collect trailing recoveries from adjacent developers and satisfy obligations to the City of Edmonton to affect the release of cash-secured letters of credit posted as security for these obligations;
2. Management fees payable by Canadian Land to WGIL for project management services in accordance with the Management Agreement. The Monitor and WGIL have agreed that the Management Agreement between WGIL and the Monitor, on behalf of Canadian Land, will be amended effective December 31, 2021, such that thereafter WGIL will only be entitled to 5% of gross proceeds on Canadian Land's remaining assets to be monetized in 2022 (based on estimated trailing cost recoveries of \$969,000); and
3. Restructuring costs estimated to be incurred by the Monitor, the Monitor's legal counsel and Canadian Land's legal counsel associated with administering the CCAA and completion of Canadian Land's remaining reporting obligations.

SUMMARY OF THE USE OF THE ADMINISTRATIVE RESERVE

As identified above, the administration of Canadian Land is expected to be completed during 2022; therefore, the Monitor has set the Administrative Reserve at \$701,000 based upon remaining costs forecast to be incurred by Canadian Land, per Exhibit 3.1 above.

Management Fees

Management fees of approximately \$109,000 were paid to the WGIL during the Reporting Period, in accordance with the Management Agreement.

2021 DISTRIBUTION

The Enhancement Order provides that the Monitor is authorized to make a distribution of the proceeds from the monetization of Canadian Land'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 ("Claimants").

In the 2019 annual report, the Monitor forecasted making a second and final distribution to Claimants of Canadian Land prior to December 31, 2020, which was expected to fully settle remaining proven unsecured claims against Canadian Land. Due to the circumstances associated with COVID-19, the completion of Canadian Land's remaining construction obligations was delayed, thereby extending the timeline for release of cash-secured letters of credit and trailing cost recoveries.

The Monitor made an aggregate distribution of \$2.5 million to Claimants in December 2019, representing 52% of the value of proven claims filed against Canadian Land. Following the forecasted receipt in Q3 2021 of approximately \$4.0 million, comprised of the release of cash-secured letters of credit and collection of trailing cost recoveries, the Monitor expects to make a second and final distribution to Claimants of Canadian Land in Q3 2021, which is expected to fully settle proven unsecured claims against Canadian Land and provide a return to equity holders.

The Monitor estimates that a second and final distribution will be made to equity holders in Q2 2022, after all remaining assets of Canadian Land have been fully realized and all amounts owing under Court-ordered charges settled.

Exhibit 4.0 below sets out the Monitor's forecasted distributions of Canadian Land in 2021 and 2022.

Note: the timing and amount of distributions are subject to the receipt of proceeds from trailing recoveries, which are contingent upon adjacent developers proceeding with development, and the release of cash-secured letters of credit from the City of Edmonton.

Walton Canadian Land 1 Development Corporation			Exhibit 4.0
Forecasted Distributions - 2021 & 2022			
CAD, \$000's			
	2021	2022	Total
Funds available for distribution	4,078	969	5,047
Proven claims against Canadian Land	(2,341)	-	(2,341)
Funds available for equity holders	1,737	969	2,706
Estimated recovery to Claimants	100%	-	100%

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

As indicated in Exhibit 4.0, the Monitor expects Claimants of Canadian Land will receive a full recovery on their claims and approximately \$2.7 million is estimated to be available for distribution to the limited partners of Walton Canadian Land Development LP1.

A listing of Claimants of Canadian Land is attached hereto at Appendix 'A'.

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

APPENDIX 'A'

Claimant	Claim Value	Distributions	Outstanding Claim Value
Third party claims			
1994164 Alberta Ltd.	145,044	74,903	70,141
1996047 Alberta Ltd.	133,668	69,028	64,640
1173769 BC Ltd.	1,161,260	599,694	561,566
Bluetrain Inc.	9,222	4,762	4,460
Bryan and Company LLP	4,194	2,166	2,028
Canada Revenue Agency ¹	231,480	119,540	111,940
Color Right Now	542	280	262
Computershare Trust Company of Canada	1,082	559	523
Crimson Cove Acquisitions Inc.	15,871	8,196	7,675
J.R. Paine & Associates Ltd.	525	271	254
Jatec Electric Ltd.	291,805	150,693	141,112
K.R. Evans 2 Design Group Ltd.	12,454	6,431	6,023
PricewaterhouseCoopers LLP	32,469	16,767	15,701
Rogers & Company	30,569	15,786	14,782
Rural Creative	543	281	263
Select Engineering Consultants Ltd.	590	305	285
Stantec Consulting Ltd.	38,851	20,063	18,788
Sureway Construction Management Ltd.	171,110	88,364	82,746
Walton Global Investments Ltd. ²	813,068	419,882	393,186
	<u>3,094,347</u>	<u>1,597,972</u>	<u>1,496,375</u>
Intercompany claims			
Walton Asset Management LP	1,720,002	888,237	831,765
Walton Development and Management LP	24,585	12,696	11,889
Walton International Group Inc.	2,119	1,094	1,025
	<u>1,746,706</u>	<u>902,028</u>	<u>844,678</u>
Total claims	<u>4,841,054</u>	<u>2,500,000</u>	<u>2,341,054</u>

¹Unresolved claim; value to be determined

²Third party claim assigned to WGIL