

# WALTON DEVELOPMENT AND MANAGEMENT GP LTD.

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 Development and Management GP Ltd. (“WDM 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 WDM GP pursuant to the terms of the Initial Order. WDM GP was responsible for providing development management services to members of the Walton Group of Companies (the “Walton Group”), including both CCAA Applicants and non-Applicant entities, 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. WDM 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 WDM GP’s Management Agreements to WGIL.

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

### Reporting

Pursuant to the Enhancement Order, the Monitor is required to post a report (the “WDM GP 2020 Annual Report”) on its website at [www.ey.com/ca/wigi](http://www.ey.com/ca/wigi) that provides the following information with respect to WDM GP:

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

## TERMS OF REFERENCE AND DISCLAIMER

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

Capitalized terms not defined in this WDM GP 2020 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 WDM GP during the Reporting Period.

Walton Development and Management GP Ltd.		Exhibit 1.0
Statement of Receipts and Disbursements		
January 1, 2020 to December 31, 2020		
	Notes	\$CAD '000s
Opening cash balance at January 1, 2020		1,714
Receipts		
Collection of accounts receivable	1	1,410
Interest Income and other		18
Total receipts		1,428
Disbursements		
Distribution to unsecured creditors	2	(2,664)
CCAA professional fees	3	(18)
Other	4	(46)
Total disbursements		(2,728)
Net cash receipts / (disbursements) during Reporting Period		(1,300)
Ending cash balance at Dec. 31, 2020		415

## SUMMARY OF PROCEEDS AND DISTRIBUTIONS

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

Note 1 - WDM GP collected accounts receivable of \$1.4 million during the Reporting Period. Please refer to Appendix 'A' for a summary of accounts receivable owing to WDM GP.

Note 2 – WDM GP distributed approximately \$2.7 million to its proven unsecured creditors during the Reporting Period. Please refer to Appendix ‘B’ for a summary of proven unsecured claims and distributions made by WDM GP.

Note 3 – CCAA professional fees incurred during the Reporting Period of \$18,000 includes fees of WDM GP’s legal counsel, the Monitor and the Monitor’s legal counsel.

Note 4 – Other disbursements of \$46,000 relate to GST remittances during the Reporting Period.

#### 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 WDM GP’s annual budget for operating and administrative costs, as determined in good faith by the Monitor. The Monitor has set WDM GP’s Administrative Reserve at \$340,000.

WDM GP is party to an intercorporate settlement agreement (the “Intercorporate Settlement Agreement”), the terms of which govern WDM 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 WDM GP is no longer carrying on any active operations, the Administrative Reserve was determined based on WDM GP incurring an estimated \$60,000 per year in CCAA professional fees until the Maturity Date, with an added contingency for 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 WDM GP and reimbursing WDM GP’s share of the CCAA fee reallocation.

#### Management fees

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

#### 2021 DISTRIBUTION

The Enhancement Order provides that the Monitor is authorized to make a distribution of the proceeds from the monetization of WDM 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.

In 2020, the Monitor on behalf of WDM GP made a first distribution to the proven unsecured creditors of WDM GP in the amount of \$2.7 million.

As at the date of this WDM GP 2020 Annual Report, the Monitor on behalf of WDM GP has elected to undertake a second distribution to the proven unsecured creditors of WDM GP, in

the amount of \$1.7 million (the "Second Distribution"). The Second Distribution will be processed in early-June 2021.

A listing of WDM GP's proven unsecured creditors is attached hereto as Appendix 'B'.

#### FUTURE DISTRIBUTIONS

Based on the Monitor maintaining an Administrative Reserve of \$340,000, WDM GP currently does not have sufficient funds to make a distribution to its creditors. The timing and quantum of any potential distributions to WDM GP's unsecured creditors with proven claims will be driven by the time required for WDM 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 WDM GP is attached hereto as Appendix 'A'.

Additional details on any potential distributions will be posted on the Monitor's website at [www.ey.com/ca/wigi](http://www.ey.com/ca/wigi).

APPENDIX 'A'

Entity	Accounts Receivable	Collections	Remaining Accts Receivable
<b>CCAA Applicants</b>			
Walton Asset Management L.P.	8,798,867	2,039,633	6,759,234
Walton Development and Mgmt (Ontario) LP	2,256,436	574,656	1,681,780
Brant County Riverbend Development LP	615,267	615,267	-
Walton Development and Management Inc.	109,185	-	109,185
Walton Vita Crystallina Development LP	32,344	9,367	22,977
Walton Canadian Land Development L.P. 1	24,585	12,696	11,889
McConachie Development Limited Partnership	17,956	13,448	4,508
Walton Pilot Sound Industrial Development LP	16,702	5,891	10,812
Walton Capital Management Inc.	2,876	-	2,876
Walton Ontario Land L.P. 1	2,457	2,457	-
Walton Edgemont Development Corporation	212	-	212
Riverbend Asset Management Corporation	210	210	-
	<u>11,877,096</u>	<u>3,273,623</u>	<u>8,603,473</u>
<b>Non-Applicants</b>			
Walton Northpoint East Development LP	23,148	-	23,148
Walton Niagara Limited Partnership No. 7	21,425	-	21,425
Walton Global Investments Ltd.	11,331	6,464	4,867
Walton USA	10,600	-	10,600
Walton Brant County Land LP 1	6,566	-	6,566
Walton Residential Ltd.	4,974	2,570	2,404
Brant County LP No. 1	3,124	-	3,124
Walton FLA Seaton Oaks LP	1,876	-	1,876
Walton Brant County Land LP 2	1,396	-	1,396
Walton Ottawa Region LP	1,122	-	1,122
Walton Northpoint East Anderson Development LP	1,080	-	1,080
Ottawa Valley LP No.5	1,078	-	1,078
Brant County LP No. 2	968	-	968
Ottawa Valley LP3	653	-	653
Ottawa Valley LP4	602	-	602
Northpoint Development LP	533	-	533
Walton Hong Kong	363	-	363
Walton Tutela Heights Ontario LP	361	-	361
	<u>91,200</u>	<u>9,034</u>	<u>82,166</u>
<b>Total accounts receivable</b>	<u><u>11,968,297</u></u>	<u><u>3,282,657</u></u>	<u><u>8,685,639</u></u>

APPENDIX 'B'

Claimant	Claim Value	2020 Pro Rata Distribution	2021 Pro Rata Distribution	Remaining Claim Value
<b>Third party claims</b>				
1703295 Ontario Inc. (o/a SterlingBridge)	23,474	6,290	4,038	13,147
[REDACTED]	46,154	12,366	7,939	25,849
[REDACTED]	362,500	97,128	62,351	203,021
[REDACTED]	5,231	1,402	900	2,930
MTE Consultants Inc.	6,555	1,756	1,127	3,671
Select Engineering Consultants Ltd.	10,839	2,904	1,864	6,071
Yeoman & Company Paralegal Professional Corporation	12,713	3,406	2,187	7,120
	<u>467,465</u>	<u>125,252</u>	<u>80,405</u>	<u>261,808</u>
<b>Intercompany claims</b>				
Walton International Group Inc.	9,472,240	2,537,977	1,629,253	5,305,009
RUC Holdings ULC	1,500	402	258	840
Walton Global Holdings, Ltd.	1,146	307	197	642
	<u>9,474,886</u>	<u>2,538,686</u>	<u>1,629,708</u>	<u>5,306,491</u>
<b>Total proven unsecured claims</b>	<u><u>9,942,351</u></u>	<u><u>2,663,938</u></u>	<u><u>1,710,114</u></u>	<u><u>5,568,299</u></u>