

# **WALTON CANADIAN LAND 1 DEVELOPMENT CORPORATION**

**2021 Annual Report**

**Reporting for the period of  
January 1, 2021 to December 31, 2021**

**Dated May 31, 2022**

## 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 2021 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 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 2021 Annual Report covers the 12-month period from January 1, 2021 through to Canadian Land's fiscal year-end of December 31, 2021 (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 2021 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 2021 Annual Report are as defined in the Initial Order, the Enhancement Order or the Monitor's First through Forty-Sixth Reports.

The Monitor cautions that future oriented information contained within the Canadian Land 2021 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

### Canadian Land - Statement of Receipts and Disbursements

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

Walton Canadian Land 1 Development Corporation		Exhibit 1.0
Statement of Receipts and Disbursements		
January 1, 2021 to December 31, 2021		
CAD, \$000's		
Opening cash balance at January 1, 2021	1	733
<b>Receipts</b>		
Letter of credit releases	2	1,584
Trailing cost recoveries	3	1,124
Lot closing sales	4	148
Interaccount transfer	5	125
Interest income and other		9
<b>Total receipts</b>		<b>2,989</b>
<b>Disbursements</b>		
Dividend	6	(1,583)
Construction costs	7	(261)
Management fees	8	(220)
Interaccount transfer	5	(125)
G&A and other costs	9	(59)
CCAA professional fees	10	(46)
<b>Total Disbursements</b>		<b>(2,293)</b>
<b>Ending cash balance at Dec. 31, 2021</b>		<b>1,429</b>

#### Notes:

1. Opening cash as at January 1, 2021 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 letter of credit recoveries of \$1.5 million during the Reporting Period. Releases on Canadian Land's existing letters of credit are received as construction work is completed and obligations are satisfied. As at December 31, 2021, Canadian Land had \$1.3 million of letters of credit still outstanding with obligations left to complete.

3. Canadian Land collected trailing cost recoveries of \$1.1 million 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, 2021, approximately \$1.1 million of trailing recoveries are still expected to be collected, of which a portion is comprised of the forecasted sale of the School Site (defined below).

4. Receipts of approximately \$148,000 were received in 2021 associated with the sale of lots at Henley Heights LDP.
5. Funds of \$125,000 were transferred from the Canadian Land Arterial Road Account and net off accordingly at the consolidated account level.
6. A distribution of approximately \$1.5 million was made to the creditors of Canadian Land in December 2021. 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.
7. Construction costs of approximately \$261,000 were incurred by Canadian Land during the Reporting Period, related to the completion of remaining construction obligations at the Henley Heights LDP.
8. Management fees of approximately \$220,000 were paid to WGIL during the Reporting Period.
9. G&A and other costs were primarily comprised of charges paid for insurance, property tax, and IT services.
10. CCAA professional fees paid during the Reporting Period of approximately \$46,000 include the fees of Canadian Land's legal counsel, the Monitor, and the Monitor's legal counsel.

## **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 in 2022, which will result in Canadian Land receiving the release of cash-secured letters of credit and trailing cost recoveries. While a majority of the receipts are expected in 2022, the balance of trailing cost recoveries owing to Canadian Land are forecasted to be received in 2023.

In Q2 2022, the Monitor completed a third distribution which fully settled the proven unsecured claims filed against Canadian Land. With all amounts owing on the unsecured claims now settled, the Monitor estimates that a final distribution will be made to the limited partners of Canadian Land in 2023, after all remaining assets of Canadian Land have been fully realized.

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 - 2022 & 2023					
CAD, \$000's					
	Notes	2022	2023	Total	
Opening cash balance	a	1,429	-	1,429	
Receipts					
Release of cash secured LC	1	1,000	319	1,319	
Trailing cost recoveries	2	600	500	1,100	
Total receipts	b	1,600	819	2,419	
Funding less:					
Funding admin reserve	3	(562)	-	(562)	
Dividend completed in Q2 2022	4	(758)	-	(758)	
Total disbursements	c	(1,321)	-	(1,321)	
Funds available for distribution	a+b+c	1,708	819	2,526	

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.

Trailing cost recoveries include the collection of sale proceeds from the forecasted sale of the School Site (defined below).

3. 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.
4. In Q2 2022, the Monitor completed a third distribution which fully settled the proven unsecured claims filed against Canadian Land.

### Forecast Administrative Reserve

Exhibit 3.0 provides an overview of the forecast established of the Administrative Reserve including forecast additions and withdrawals during 2022 and 2023. The Monitor estimates that all remaining assets of Canadian Land will be realized fully in 2023.

Walton Canadian Land 1 Development Corporation		Exhibit 3.0	
Forecast Administrative Reserve - 2022 & 2023			
CAD, \$000's			
Administrative Reserve	2022	2023	Total
Additions	562	-	562
Withdrawals	(472)	(91)	(562)
<b>Net change in administrative reserve</b>	<b>91</b>	<b>(91)</b>	<b>-</b>
Opening balance	-	91	-
<b>Ending balance</b>	<b>91</b>	<b>-</b>	<b>-</b>

Exhibit 4.0 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 4.0****Forecast Administrative Reserve Disbursement - 2022 & 2023****CAD, \$000's**

<b>Disbursements</b>	<b>Notes</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Construction costs	1	(200)	-	(200)
Additional payables	2	(117)	-	(117)
Management fees	3	(80)	(41)	(121)
Professional fees	4	(75)	(50)	(125)
<b>Total disbursements</b>		<b>(472)</b>	<b>(91)</b>	<b>(562)</b>

**Notes:**

1. Estimated construction 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. Additional payables relate to legacy payables owed to WGIL for items funded post-CCAA filing. Amounts funded relate specifically to insurance, management fees, and vendor balances owed.
3. Management fees payable by Canadian Land to WGIL for project management services in accordance with the Management Agreement; and
4. 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.

**School Site**

In 2021, the Monitor was made aware Canadian Land held title in a piece of property located at 22803 97 Ave NW, Edmonton, AB (the "**School Site**"). A third-party appraisal of the property was completed in June 2021 and suggested a value on the asset of \$960,000 (the "**Appraisal**"). The City of Edmonton is required to purchase this property title as directed under the Alberta Municipal Government Act. As a result, the City of Edmonton has since submitted an offer to the Monitor to purchase the property for \$500,000. At the time of the Canadian Land 2021 Annual Report, the Monitor was still in negotiations with the City of Edmonton to align the purchase price of the School Site with the Appraisal.

**SUMMARY OF THE USE OF THE ADMINISTRATIVE RESERVE**

As identified above, the administration of Canadian Land is expected to be completed by the end of 2023; therefore, the Monitor has set the Administrative Reserve at \$562,000 based upon remaining costs forecast to be incurred by Canadian Land, per Exhibit 4.0 above.

**Management Fees**



Management fees of approximately \$220,000 were paid to the WGIL during the Reporting Period, in accordance with the Management Agreement. On December 31, 2021, WGIL elected to halt monthly management fee charges based on the reduced activity levels of the development. Management fees going forward will be solely comprised of a percentage of receipts when received.

### ***Lawsuit***

In May 2021, an action was filed in the Court of Queen's Bench of Alberta naming Canadian Land as well as various Walton Entities, affiliates, and some of those entities' directors and officers, as Defendants (the "**Action**"). In the Action, the Plaintiffs allege various wrongdoings arising out of investments in various Canadian Walton entities. Certain Walton defendants also filed a counterclaim in the Action in December 2021 (the "**Counterclaim**").

The Action is proceeding, and Walton and the other named defendants deny any wrongdoing and intend to continue vigorously defending the Action and to seek remedies pursuant to the Counterclaim. Walton is confident the Courts will find in favour of the Defendants.

Canadian Land executed a joint retainer with the Defendants to retain Bennett Jones LLP to act as legal counsel to the Defendants in the Action. Pursuant to the Joint Retainer, Walton Global Holdings LLC will fund legal costs associated with defending the Action and it is not expected that Canadian Land will incur any costs associated with the Action.

### **2022 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.

**Proven claims of secured and unsecured Claimants against Canadian Land were fully repaid in 2022.**

Distributions issued by the Monitor to unsecured Claimants of Canadian Land included:

1. a distribution of \$2.5 million to Claimants in December 2019, representing 52% of the value of proven claims filed against Canadian Land;
2. In Q4 2021, following the settlement of certain remaining assets, the Monitor made a second distribution of \$1,582,670, representing 33% of the proven claims filed against Canadian Land; and

3. with the receipt of forecasted funds, the Monitor made a third and final distribution to fully settle the proven claims filed against Canadian Land in the amount of \$758,384.

With the receipts 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 its first distribution to the Limited Partners of Canadian Land in 2022 and 2023.

Exhibit 5.0 below sets out the Monitor's forecasted distributions of Canadian Land in 2022 and 2023.

**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 5.0
Forecasted Distributions - 2022 & 2023			
CAD, \$000's			
	2022	2023	Total
Funds available for distribution	1,708	819	2,526
Proven claims against Canadian Land	-	-	-
Funds available for equity holders	1,708	819	2,526
Settled recovery to Claimants	100%	100%	100%
Estimated recovery per LP unit	50%	24%	74%

There is one (1) unsecured claim filed against Canadian Land that remains unresolved as of the date of this Canadian Land 2021 Annual Report, and the Monitor currently expects this claim will be resolved in 2022. The Monitor has distributed a reserve amount for the pending resolution of this unresolved claim.

As indicated in Exhibit 5.0, the Claimants of Canadian Land have now received a full recovery on their claims and approximately \$2.5 million is estimated to be available for distribution to the limited partners of Walton Canadian Land Development LP 1 (the "**Limited Partners**").

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/wiqi](http://www.ey.com/ca/wiqi).

## APPENDIX 'A'

Claimant	Claim Value	Distributions	Outstanding Claim Value
<b><i>Third party claims</i></b>			
1994164 Alberta Ltd.	145,044	145,044	-
1996047 Alberta Ltd.	133,668	133,668	-
1173769 BC Ltd.	1,161,260	1,161,260	-
Bluetrain Inc.	9,222	9,222	-
Bryan and Company LLP	4,194	4,194	-
Canada Revenue Agency <sup>1</sup>	231,480	231,480	-
Color Right Now	542	542	-
Computershare Trust Company of Canada	1,082	1,082	-
Crimson Cove Acquisitions Inc.	15,871	15,871	-
J.R. Paine & Associates Ltd.	525	525	-
Jatec Electric Ltd.	291,805	291,805	-
K.R. Evans 2 Design Group Ltd.	12,454	12,454	-
PricewaterhouseCoopers LLP	32,469	32,469	-
Rogers & Company	30,569	30,569	-
Rural Creative	543	543	-
Select Engineering Consultants Ltd.	590	590	-
Stantec Consulting Ltd.	38,851	38,851	-
Sureway Construction Management Ltd.	171,110	171,110	-
Walton Global Investments Ltd. <sup>2</sup>	813,068	813,068	-
	<b>3,094,347</b>	<b>3,094,347</b>	<b>-</b>
<b><i>Intercompany claims</i></b>			
Walton Asset Management LP	1,720,002	1,720,002	-
Walton Development and Management LP	24,585	24,585	-
Walton International Group Inc.	2,119	2,119	-
	<b>1,746,706</b>	<b>1,746,706</b>	<b>-</b>
<b>Total claims</b>	<b>4,841,054</b>	<b>4,841,054</b>	<b>-</b>

<sup>1</sup>Unresolved claim; value to be determined

<sup>2</sup>Third party claim assigned to WGIL