

WALTON DEVELOPMENT AND MANAGEMENT GP LTD.

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 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 2021 Annual Report**”) on its website at 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 2021 Annual Report covers the 12-month period from January 1, 2021 through to WDM GP’s fiscal year-end of December 31, 2021 (the “**Reporting Period**”).

TERMS OF REFERENCE AND DISCLAIMER

In preparing the WDM GP 2021 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 2021 Annual Report are as defined in the Initial Order, the Enhancement Order or the Monitor's First through Forty-Sixth 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. Statement of Receipts and Disbursements January 1, 2021 to December 31, 2021		Exhibit 1.0
	Notes	\$CAD '000s
Opening cash balance at January 1, 2021		415
Receipts		
Collection of accounts receivable	1	2,306
Interest Income and other		5
Total receipts		2,311
Disbursements		
Distribution to unsecured creditors	2	(2,387)
CCAA professional fees	3	(43)
Other	4	(1)
Total disbursements		(2,431)
Net cash receipts / (disbursements) during Reporting Period		(120)
Ending cash balance at Dec. 31, 2021		295

SUMMARY OF PROCEEDS AND DISTRIBUTIONS

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

Note 1 - WDM GP collected accounts receivable of \$2.3 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 \$2.3 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 \$43,000 includes fees of WDM GP's legal counsel, the Monitor and the Monitor's legal counsel.

Note 4 - Other disbursements of \$1,000 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 \$250,000.

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.

Lawsuit

In May 2021, an action was filed in the Court of Queen's Bench of Alberta naming WDM GP 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.

WDM GP 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 WDM GP 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 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 2021, the Monitor on behalf of WDM GP made its second and third distributions to the proven unsecured creditors of WDM GP in the total amount of \$2.3 million.

As at the date of this WDM GP 2021 Annual Report, the Monitor on behalf of WDM GP has elected to undertake a fourth distribution to the proven unsecured creditors of WDM GP, in the amount of \$1.2 million (the "**Fourth Distribution**"). The Fourth Distribution will be processed in June 2022.

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

FUTURE DISTRIBUTIONS

The timing and quantum of any future 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.

APPENDIX 'A'

Entity	Accounts Receivable	Collections	Remaining Accts Receivable
CCAA Applicants			
Walton Asset Management L.P.	8,798,867	2,425,429	6,373,438
Walton Development and Mgmt (Ontario) LP	2,256,436	1,253,128	1,003,308
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	20,734	3,851
McConachie Development Limited Partnership	17,956	22,199	- 4,243
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	215	- 3
Riverbend Asset Management Corporation	210	210	-
	11,877,096	4,354,896	7,522,201
Non-Applicants			
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	9,076	2,255
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
	91,200	11,646	79,554
Total accounts receivable	11,968,297	4,366,542	7,601,754

APPENDIX 'B'

Claimant	Claim Value	2020 Pro Rata Distribution	2021 Pro Rata Distributions	Remaining Claim Value
Third party claims				
1703295 Ontario Inc. (o/a SterlingBridge)	23,474	6,290	5,634	11,550
[REDACTED]	46,154	12,366	11,077	22,711
[REDACTED]	362,500	97,128	86,996	178,376
[REDACTED]	5,231	1,402	1,256	2,573
MTE Consultants Inc.	6,555	1,756	1,573	3,226
Select Engineering Consultants Ltd.	10,839	2,904	2,601	5,334
Yeoman & Company Paralegal Professional Corporation	12,713	3,406	3,051	6,256
	467,465	125,252	112,188	230,025
Intercompany claims				
Walton International Group Inc.	9,472,240	2,537,977	2,273,242	4,661,021
RUC Holdings ULC	1,500	402	1,200	-
Walton Global Holdings, Ltd.	1,146	307	275	564
	9,474,886	2,538,686	2,274,717	4,661,585
Total proven unsecured claims	9,942,351	2,663,938	2,386,905	4,891,610