Walton Big Lake Development L.P.

ANNUAL REPORT
For the period ended December 31, 2010
Highlights

- **Planning:** Edmonton City Council unanimously approved the Big Lake Neighbourhood Structure Plan Bylaw in September 2010. Zoning and Subdivision plans for “Hawks Ridge Phase 1” were submitted to the City of Edmonton in October 2010.

- **Financing:** During Q4 2010, the partnership launched and completed an initial public offering and a private placement, raising the planned total of $22.5 million for the purposes of acquiring, managing and developing the 136.5 acre Big Lake property.

- **Land Acquisition:** Land acquisition was completed on December 31, 2010.

- **Builders:** Letters of intent were obtained from four builders during the first quarter of 2011, representing 67% of the Phase 1 single family and semi-detached lot inventory.

- **Construction Financing:** Construction financing of $27.4 million required to complete Phase 1 has been secured from a major Canadian financial institution.
Message from Walton CEO

We are pleased to present this Annual Report for Walton Big Lake Development L.P. (the “Big Lake Partnership”). Launched in 2010, the Big Lake Partnership is an exciting new project for the Walton Group of Companies. It is our second prospectus-based public offering - and our first prospectus-based offering for a development project. These qualities have earned Big Lake a special place in Walton’s history of over 300 land-based real estate projects.

To put the Big Lake Partnership into context, Walton was founded by my father in 1979. Although we have grown to be a global enterprise with over 800 employees, Walton continues to be a family-owned business which takes pride in the success we and our investors have enjoyed together over the past thirty-two years. We greatly appreciate the trust placed by our investors and partners in Walton’s expertise in researching, acquiring, managing and developing real estate assets.

As you read through this report, which details the Big Lake Partnership’s first period of operations, you will see the factors which contribute to our confidence that this project is on a positive track: good land, located in strong markets, a well-managed project, following a well-developed strategy which is consistent with local priorities.

This same formula has served our investors well in many other projects. It is the reason why, notwithstanding turbulent global markets in recent years, Walton maintains an optimistic outlook for carefully-selected real estate investments. Our experience is that, with patience and expert management, quality investments prevail. We believe strongly in the intrinsic value of good land assets, and in the value of professional management of those assets.

For Walton, the past year was another strong year. We continued to advance our investors’ interests, across North America and for the Big Lake Partnership, and we moved to take advantage of market opportunities for our investors:

- Since the beginning of 2010, Walton’s assets under management increased to over $2.8 billion, including over 60,000 acres of strategically located land
- We added a new market region — the Washington D.C. metropolitan area — to our existing portfolio of strategic investment holdings in Alberta, Ontario, Arizona, Texas and Georgia
- Globally, Walton has grown from 61,000 investors to over 72,000 investors

Walton projects continue to demonstrate their ability to perform in challenging market environments. We began calendar year 2010 having previously distributed $581.6 million to investors, thanks to exits on completed and partially-completed projects. During 2010, we distributed an additional $65.5 million to investors, bringing the amount distributed to date to a total of $647.1 million. Further, we ended 2010 with another $186 million of proposed exits making their way through the exit process.

Across North America, we consider our business and our investors to be well-positioned as Canada and the USA move from recession into the next phase of economic growth. Our experienced team is working collaboratively with local authorities to create successful and sustainable communities, which realize the highest and best use of our lands, and thereby attain your and our investment goals.

Thank you for your investment in the Big Lake Partnership, and thank you for your support and confidence in the Walton Group of Companies.

Best Regards,

Bill Doherty
Chief Executive Officer
Walton Big Lake Development Corporation, General Partner of Walton Big Lake Development L.P.
Letter to Unitholders

The first year of Walton Big Lake Development L.P. was an eventful one.

During autumn 2010, the partnership launched and completed an initial public offering and a private placement, raising the anticipated $22.5 million. We enjoyed the benefit of good support and counsel from a strong syndicate of leading financial institutions.

Having raised the required capital as planned, the partnership acquired the intended lands, specifically 136.5 acres in the emerging Big Lake area of northwest Edmonton. This transaction was completed on the terms and conditions outlined in the prospectus offering.

In September 2010, Edmonton City Council unanimously approved the Big Lake Neighbourhood Structure Plan Bylaw. In October, our development affiliate, Walton Development and Management Inc., submitted zoning and subdivision applications to the City of Edmonton for Phase 1 of the project.

In keeping with the City of Edmonton’s policy of naming neighbourhoods in the Big Lake area after native birds, the City approved “Hawks Ridge” as the name for the residential community which will emerge from the Big Lake development project.

Subsequent to the close of the year, we secured the necessary construction financing from a major Canadian financial institution, and we obtained letters of intent from four leading homebuilders, to date representing 67% of the single family lots in Phase 1 of the project.

Project Milestones

The following summarizes key planning milestones relating to the Big Lake development project:

**March 2011:** The Province of Alberta announces construction of the final section of the Edmonton Ring Road (also known as Anthony Henday Drive). The final 27-kilometre section is scheduled to open in 2016, completing a major project commenced over 40 years ago. The Ring Road serves the Big Lake community through the Highway 16/Yellowhead Trail interchange, which is scheduled to open in late 2011.

**Q1 2011:** Walton Development and Management L.P. (WDM) secured letters of intent from four builders who will participate in Phase 1 of the Big Lake/Hawks Ridge Project.

**October 2010:** Zoning and Subdivision plans for Phase 1 of the development project were submitted to the City of Edmonton for approval. It is anticipated that zoning will be approved by City Council in Q2 2011, followed by subdivision approval shortly thereafter.

**September 21, 2010:** The City of Edmonton approved “Hawks Ridge” as the formal name for the new community.

**September 13, 2010:** Edmonton City Council unanimously approved the Big Lake Area Structure Plan (ASP) Amendment and the Big Lake 3 Neighbourhood Structure Plan (NSP).
Prior to the formation of the Walton Big Lake Development L.P., there were a number of milestones which helped set the stage for the Big Lake project:

**April 2010:** The City of Edmonton commenced a transportation study regarding the extension of 215th Street north of Yellowhead Trail. Extension of this roadway would further improve access to the Big Lake lands.

**October 2009:** Construction commenced on the northwest leg of the Edmonton Ring Road (known as Anthony Henday Drive) from Highway 16/Yellowhead Trail to Manning Drive. Included in the expansion are interchanges, roadways and associated utility works, which improve the Big Lake area’s access to north and south Edmonton. Construction is scheduled for completion in late 2011.

**October 2009:** Development commenced in the adjacent community of Big Lake Neighbourhood 1 (now known as Trumpeter By Big Lake), located immediately to the east of the land today owned by Walton Big Lake Development L.P. The installation of infrastructure required to service the Trumpeter community will also service Hawks Ridge.

**October 2008:** Walton completed background studies including the Historical Resources Overview, an Environmental Site Assessment Phase 1, a Transportation Impact Analysis, an Ecological Design Report, a Geotechnical Report, a Neighbourhood Design Report, Water Network Analysis, an assessment of School Board needs and a Community Knowledge Campus Needs Assessment.
Market Environment

Balanced conditions are expected to characterize Edmonton’s housing market in 2011. Inventory levels are expected to continue to trend upward, as development activity continues to increase from the lows of 2009, but should remain under the peak levels reported in 2007 and 2008. First-time buyers should once again have a significant presence in the marketplace, driven by low interest rates and stable housing values.

Real estate investors are also forecast to make an appearance in 2011, taking advantage of low interest rates to buy up residential real estate in Edmonton as a long-term hold. For 2011, the number of homes changing hands in Edmonton is expected to mirror 2010 levels, while the average price is predicted to continue on its upward trajectory, rising three per cent to $339,000 by year-end 2011.

According to the Canada Mortgage and Housing Corporation1, net migration to Edmonton is expected to increase. Housing starts are anticipated to reach 8,600 units in 2010, up from 6,317 units in 2009.

At year end, the City of Edmonton’s chief economist, John Rose, estimated Edmonton’s 2010 growth at 3.2% to 3.5%, and presented a bullish forecast of 3.8% to 4.0% growth for 2011. Said Mr. Rose: “Even using a pessimistic scenario, Edmonton’s economy still continues to grow. So the real message here is that at least for the medium term, growth is baked into the pie for Edmonton.”2

Goals

Overall, the Big Lake development project is proceeding as planned.

Our goals for 2011 are to attain the zoning and subdivision approval for Phase 1, to proceed with the site grading, to undertake the roadway and underground utility construction, to complete the subdivision registration, to commence builder home construction, and to make the first distribution to limited partners before year end.

Thank You

We thank you for your involvement in this project, and we look forward to reporting on the ongoing progress of the Walton Big Lake development.

Sincerely,

D. Blair Nixon, QC, FCA, ICD.D
Chief Financial Officer
Walton Big Lake Development Corporation,
General Partner of Walton Big Lake Development L.P.

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1 CMHC: “Housing Market Outlook: Edmonton CMA”, Spring 2010
Management’s Discussion & Analysis

For the period from September 13, 2010 to December 31, 2010

April 20, 2011

The following management’s discussion and analysis (“MD&A”) is a review of the financial condition and results of operations of Walton Big Lake Development L.P. (the “Partnership”) for the period from September 13, 2010 to December 31, 2010. The MD&A should be read in conjunction with the Partnership’s audited financial statements for the period ended December 31, 2010.

All financial information is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In limited situations, Canadian GAAP has not issued rules and guidance applicable to the real estate investment and development industry. In such instances, the Partnership has followed guidance issued by the Real Property Association of Canada.

The preparation of financial information in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and equity at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant estimates are required in determining whether the carrying value of land held for development is impaired by comparing the carrying amount to the estimated net realizable value. Actual results could differ from those reported.

Additional information about the Partnership is available on SEDAR at www.sedar.com.

Responsibility of Management

This MD&A has been prepared by, and is the responsibility of, the management of the general partner of the Partnership, Walton Big Lake Development Corporation (the “General Partner”).
Business Overview

The Walton Big Lake Development L.P. was established on September 13, 2010 for the purpose of providing investors with the unique opportunity to participate in the development of the 136.5 acre “Big Lake” property located in Edmonton, Alberta (the “Property”).

The Partnership’s investment objectives are:

- To preserve limited partners’ capital; and
- To provide annual cash distributions to the limited partners beginning in 2011 until the completion of the project, which is anticipated to be in December of 2015, projected to represent a net internal rate of return of 13.5%.

The Partnership intends to meet its investment objectives through a four step strategy:

a) acquire the Property without the use of leverage

b) obtain contractual commitments from homebuilders to purchase lots to be serviced in each of the three planned phases of the development of the Property before construction commences on that phase

c) construct municipal services infrastructure on the Property in phases to provide a controlled supply of serviced lots to the marketplace, and

d) use the revenue from the sale of the serviced lots to repay construction loans and other obligations of the Partnership and then make distributions to the limited partners.

The Big Lake Property is located in Edmonton’s Northwest quadrant. It is situated approximately one kilometre north of Yellowhead Trail (Highway 16) and about two kilometres northwest of the major new interchange at Yellowhead Trail and Anthony Henday Drive (which is part of the new Edmonton Ring Road). The Property is situated just west of Edmonton’s Transportation Utility Corridor (TUC), in which the Edmonton Ring Road is being constructed to provide convenient access to the employment centres in both north and south Edmonton.

Overall, the Big Lake development plan consists of three phases of development over a five year time frame, including approximately 551 single family and semi-detached homes, plus one multi-family site and two mixed use sites. Project amenities include a central wetland area, a future school park site, Big Lake itself, Lois Hole Centennial Provincial Park which borders Big Lake to the north, and a series of interconnected walkways and trails that should enhance the overall amenity value of the community.

The Partnership grew out of the Walton Group of Companies’ extensive history in Alberta landholdings. The project is based upon land initially acquired and managed by the Walton Group through an earlier pre-development project. The history of Walton’s involvement with these particular lands dates back almost a decade, when Walton began researching land in Edmonton, including the promising Big Lake area. In 2004, Walton acquired its first Big Lake land, which was syndicated to investors as a pre-development project. During the subsequent six years, Walton’s development affiliate Walton Development and Management Inc. (“WDMI”), undertook concept planning and managed the land through the City of Edmonton’s planning processes. This lead to the approval of the Big Lake 3 Neighbourhood Structure Plan on September 13, 2010, and gave rise to the development opportunity that the Partnership is now pursuing.
Annual Financial Data

<table>
<thead>
<tr>
<th>WALTON BIG LAKE DEVELOPMENT L.P.</th>
<th>PERIOD ENDED DECEMBER 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets ($)</td>
<td>22,010,494</td>
</tr>
<tr>
<td>Total revenue ($)</td>
<td>22,238</td>
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<tr>
<td>Total expenses ($)</td>
<td>415,523</td>
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<tr>
<td>Net loss and comprehensive loss ($)</td>
<td>393,285</td>
</tr>
<tr>
<td>Weighted average units outstanding</td>
<td>769,409</td>
</tr>
<tr>
<td>Basic net loss per unit ($)</td>
<td>0.51</td>
</tr>
<tr>
<td>Limited partner units issued during the period</td>
<td>2,331,932</td>
</tr>
<tr>
<td>Limited partner units outstanding – end of period¹</td>
<td>2,331,932</td>
</tr>
</tbody>
</table>

¹ Total units outstanding exclude the general partner unit issued. Based on the terms of the Limited Partnership Agreement, the holder of the general partner unit does not share equally in the income/loss of the Partnership but instead receives 0.001% of the net income/loss.

Review of Operations

Summary

Fiscal year 2010 (the “Period”) marked the first period of operations for the Partnership. Accordingly, the main priority for the Partnership was to raise capital, which was accomplished through an initial public offering (“IPO”) and private placement offering (“Private Placement”). The proceeds from the IPO and the Private Placement are to be used by the Partnership to execute its investment strategy as outlined in its prospectus (the “Prospectus”) and offering memorandum (“Offering Memorandum”).

On October 29, 2010, the Partnership filed the Prospectus for the IPO of its limited partnership units. This was followed by a non-brokered Private Placement of limited partnership units which was filed on November 19, 2010. The IPO and the Private Placement were successfully completed on November 17, 2010 and December 21, 2010, respectively, resulting in the issuance of 2,250,000 units for total consideration of $22,500,000.

As outlined in the Prospectus and Offering Memorandum (collectively the “Offering Documents”), the total proceeds raised of $22,500,000 were to be used:

- to acquire a 95.8% interest in the Property for $17,884,791;
- to establish working capital of $3,050,018 for the ongoing operating and administrative expenses, management fee, development fee, pre-development costs, grading costs and construction costs of the Partnership; and
- to pay organizational costs, offering costs, commissions and work fees of $1,565,191.

The remaining 4.2% interest in the Property was acquired during the Period from Walton International Group Inc. ("WIGI") at fair value in exchange for 81,932 limited partnership units.
In addition to the offerings and the land acquisition, during 2010 and in the period since, the Partnership has taken additional significant steps towards fulfilment of the project plan:

- During October, 2010, WDMI completed Big Lake’s Phase 1 Zoning and Subdivision plans, and submitted these to the City of Edmonton. In the normal course of events, subdivision approval is anticipated in the second quarter of 2011.
- Letters of intent have been obtained from four builders, to date representing 67% of Phase 1’s anticipated single family and semi-detached lot inventory.
- Financing of $27.4 million to complete Phase 1 has been obtained from a major financial institution, consisting of $25.2 million in construction financing and $2.2 million in letters of credit.

Overall, the project is proceeding as anticipated, as described in the Offering Documents and in line with the Partnership’s investment objectives.

**Land Held for Development**

The total cost capitalized to land held for development during the Period was $18,694,717. This amount was comprised of the cost to acquire a 95.8% interest in the Property for $17,884,791, and the cost to acquire the remaining 4.2% interest in the Property from Walton International Group Inc. ("WIGI") for an equivalent value of $776,306. The remaining costs which were capitalized to the land were for title insurance and registration. The total costs capitalized to the Property during the Period were consistent with the costs anticipated by management in the Partnership’s original plans.

**Land Development Costs**

During the Period, the Partnership incurred total land development costs of $230,674. This amount was comprised of costs to secure financing for Phase 1 of the project, as well as pre-development and concept planning costs for all phases of the project. Total land development costs incurred during the Period were consistent with the costs anticipated by management in the Partnership’s original plans.

**Issuance of Units**

During the Period, the Partnership issued a total of 2,331,932 limited partnership units. These units were issued through an IPO, Private Placement, and land for unit exchange with WIGI.

The unit issuance conducted through the IPO and the Private Placement resulted in the issuance of 2,250,000 limited partnership units for total gross proceeds of $22,500,000.

In accordance with the terms of the Walton Contribution Agreement, the Partnership acquired WIGI’s 4.2% interest in the Property in exchange for 81,932 units of the Partnership.

The total offering costs, commissions and work fees incurred by the Partnership in connection with the issuance of units was $1,227,691.

Although the Partnership is authorized to issue an unlimited number of limited partnership units, the Partnership does not plan to issue any additional units over its remaining life.
Asset Management Fees

During the Period, the Partnership incurred total asset management fees of $42,826. This amount was paid in accordance with the Management Services Agreement between the Partnership and Walton Asset Management L.P. ("WAM"). Under the terms of the Management Services Agreement, WAM will provide management and administrative services to the Partnership at an annual fee equal to 2% of the net proceeds raised through the IPO and the Private Placement. The amount of the asset management fee is consistent with the costs anticipated by management as outlined in the Partnership’s Offering Documents.

Servicing Fees

During the Period, the Partnership entered into Agency Agreements with the agents contracted to sell units in the Partnership through the IPO and Private Placement. Under the terms of the Agency Agreements, the Partnership has a servicing fee payable to agents equal to 0.5% of the net proceeds raised through the IPO and the Private Placement. The servicing fee incurred by the Partnership during the period was $10,623. The amount of the servicing fee is payable semi-annually, and the terms of the Agency Agreements are consistent with management’s expected use of funds as outlined in the Partnership’s Offering Documents.

Organizational Costs

Organizational costs represent legal, accounting, audit, printing, filing, transfer agent and other costs incurred by the Partnership associated with the preparation of the IPO and the Private Placement. The total organizational costs incurred by the Partnership during the Period were $337,500. As the Private Placement was completed on December 21, 2010, no additional organizational costs are expected for the remaining life of the Partnership. The total organizational costs incurred by the Partnership were consistent with management’s expectations for these costs as outlined in the Partnership’s Offering Documents.

Transactions with Related Parties

On January 1, 2011, Walton Development and Management L.P. ("WDM") acquired from WDMI all of its contracts and agreements, including WDMI’s Project Management Agreement with the Partnership. As the management and staff of WDMI were also acquired as part of the transaction, the change in the counterparty of the Project Management Agreement is not expected to have any impact on the future operations of the Partnership.

WIGI, WAM, WDM, WDMI and the Partnership are all related to the General Partner of the Partnership by virtue of common management. All transactions entered into between the related parties during the Period were under normal terms and conditions and have been measured at the exchange amount.

WAM

In accordance with the Management Services Agreement with WAM, the Partnership incurred total asset management fees of $42,826 during the Period. The full amount of the asset management fee was outstanding as at December 31, 2010.

In accordance with the Agency Agreements, the Partnership incurred total servicing fees of $10,623 during the Period. The full amount of the servicing fee is owed to WAM, who is responsible for the distribution of the servicing fee to agents.
WDM

The Partnership has entered into the Project Management Agreement, under which the fees and costs for services provided by WDM are divided into the following two categories:

WDM will receive a development fee, plus applicable taxes equal to 2% of certain development costs incurred in the calendar quarter. The development fee will be paid to the project manager on or before the 60\textsuperscript{th} day following the last day of the calendar quarter.

WDM will receive a performance fee, plus applicable taxes, equal to 25% of cash distributions after all partners have received an amount equal to their initial investment, plus a 6% priority return. The priority return is calculated on the partners’ investment amount until December 31, 2015, and thereafter on any portion of unreturned capital.

As the Partnership did not incur any eligible development costs during the Period, no development fees were incurred during the Period.

As the Partnership did not provide any cash distributions to limited partners during the Period, no performance fee was incurred by the Partnership during the Period.

WIGI

As at December 31, 2010, the Partnership owed $245,324 to WIGI. This amount was comprised of land development costs and director fees which were initially funded by WIGI, but must be repaid by the Partnership.

Non-Financial Indicators

Until project lot sales commence, the amount of income generated by the Partnership is not expected to be significant. As a result, the financial statements alone are not a good indicator of the progress of the Partnership toward its investment objectives. The Partnership makes use of key non-financial indicators in evaluating the performance of the Partnership.

For Phase 1 of the project, key indicators used by management include those presented in the Offering Documents and summarized in the table below.
Walton Big Lake Development L.P. – Key Project Milestones for Phase 1

<table>
<thead>
<tr>
<th>ANTICIPATED STEPS TO COMPLETION</th>
<th>ANTICIPATED COMPLETION DATE</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form homebuilder syndicate and meet lender pre-sale test requirement</td>
<td>October – December, 2010</td>
<td>Completed Q1 2011</td>
</tr>
<tr>
<td>Initiate preliminary grading of Phase 1 lands for show homes only</td>
<td>November – December, 2010</td>
<td>Anticipated Q2 2011</td>
</tr>
<tr>
<td>Purchase Property</td>
<td>December 2010 – February 2011</td>
<td>Completed December 2010</td>
</tr>
<tr>
<td>Submit application to subdivide Property and obtain subdivision approval.</td>
<td>January – February, 2011</td>
<td>Application submitted October 2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approval anticipated Q2 2011</td>
</tr>
<tr>
<td>Negotiate final terms of bank financing for Construction Loan</td>
<td>January – February, 2011</td>
<td>Completed November 2010</td>
</tr>
<tr>
<td>Execute homebuilder purchase and sale agreements for Phase 1 single family lots and obtain deposits</td>
<td>January, 2011</td>
<td>Anticipated April 2011</td>
</tr>
<tr>
<td>Complete onsite grading</td>
<td>April – May, 2011</td>
<td>Anticipated as forecast</td>
</tr>
<tr>
<td>Complete underground utility construction (onsite and offsite)</td>
<td>June – July, 2011</td>
<td>Anticipated as forecast</td>
</tr>
<tr>
<td>Complete roadway construction (onsite and offsite)</td>
<td>August – September, 2011</td>
<td>Anticipated as forecast</td>
</tr>
<tr>
<td>Obtain subdivision plan registration</td>
<td>October, 2011</td>
<td>Anticipated as forecast</td>
</tr>
</tbody>
</table>

In comparison to the anticipated completion dates included in the initial Prospectus, most milestones for Phase 1 are on schedule, or in certain cases one or two months behind initial expectations. Management expects that the overall Phase 1 development schedule will be achieved as originally projected.

**Lot Activity Report**

WDM will not initiate construction on any phase of the project until contractual commitments to acquire a minimum of 40% of the single family home lots are secured. For Phase 1, the Partnership anticipates securing such contractual commitments, in excess of the minimum commitment level, during April 2011. The Partnership has already secured letters of intent from builders for approximately 67% of Phase 1 single family lot inventory.

**Phases 2 & 3**

The steps to complete Phases 2 & 3 of the Project are substantially the same as the milestones for Phase 1. The commencement dates of Phase 2 and Phase 3 have not yet been determined, and the completion dates of their milestones will be determined closer to the commencement of those phases.
Supplemental Information

Liquidity and Capital Resources

The Partnership has two sources of capital to finance its operations:

- Of the gross proceeds raised under the IPO and the Private Placement, approximately 13.8% ($3.1 million) was set aside by the Partnership to pay for its ongoing administrative and operating expenses, management fee, development fee, pre-development costs, grading costs, construction costs and other expenses of the Partnership. As at December 31, 2010, the Partnership had total cash on hand of $2,626,501, and a receivable of $458,602.
- The Partnership has a construction loan with a Canadian financial institution to help finance Phase 1 of the project. The construction loan consists of a $25.2 million non-revolving loan facility and $2.2 million letter(s) of credit. The construction loan bears interest at a rate of prime +1.5%. The loan is secured by a first priority security interest in all present and after acquired personal property of the Partnership, a floating charge over all of the Partnership’s present and after acquired real and other property, and a first fixed and specific demand collateral land mortgage over the Property. This loan is partially guaranteed by WIGI, who is required to maintain a minimum level of net worth stated in the borrowing agreement. It is anticipated that further construction loans will be required to fund the costs of development for Phases 2 and 3 of the project.

Management regularly reviews the levels of its cash reserves to determine if sufficient cash is available to fund the ongoing costs of the Partnership over the next twelve months. As at December 31, 2010, no cash has been drawn on the construction loan, and sufficient capital exists to fund the Partnership’s activities for at least the next 12 months. WIGI monitors, on a monthly basis, its net worth to ensure compliance with its obligations as guarantor. As at December 31, 2010, WIGI was in compliance with this requirement, and foresees no circumstances which may be reasonably likely to cause any breach of its obligations as guarantor over the next 12 months.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as at December 31, 2010.

Financial Instruments

The Partnership’s financial instruments consist of cash, other receivable, accounts payable and accrued liabilities, and due to related parties. The fair value of these financial instruments approximate their carrying value due to the short term nature of these items.

It is management’s opinion that the Partnership is not exposed to significant liquidity, credit, interest or currency risk.

Outstanding Units

As of the date of this MD&A, the Partnership has 2,331,932 limited partnership units outstanding.
Commitments

The table below outlines the contractual commitments of the Partnership over the next five years. These commitments will be funded through future revenues generated by the Partnership, and capital resources available to the Partnership.

<table>
<thead>
<tr>
<th>Year</th>
<th>Servicing Fee</th>
<th>Management Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2012</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2013</td>
<td>104,674</td>
<td>433,976</td>
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</tr>
<tr>
<td>2014</td>
<td>104,674</td>
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<td>538,650</td>
</tr>
<tr>
<td>2015</td>
<td>94,051</td>
<td>433,976</td>
<td>528,027</td>
</tr>
<tr>
<td></td>
<td><strong>512,747</strong></td>
<td><strong>2,169,880</strong></td>
<td><strong>2,682,627</strong></td>
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</table>

Changes in Accounting Policies

The Canadian Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada converged with the International Financial Reporting Standards ("IFRS") on January 1, 2011, and certain entities were required to report in accordance with IFRS for periods beginning after January 1, 2011. The Partnership is currently reporting under GAAP, but transitioned to IFRS on January 1, 2011. The first set of financial statements the Partnership will issue under IFRS will be for the interim period ended March 31, 2011.

Included below are the key areas of the financial statements which will be affected by the adoption of IFRS.

Financial statement presentation

- Except in limited circumstances, IFRS requires that a classified balance sheet be prepared. This would result in a statement of financial position which would clearly separate current assets from non-current assets, and current liabilities from non-current liabilities. This presentation will be adopted by the Partnership.

Changes to note disclosures

- IFRS requires that the financial statement note disclosures provide an unreserved statement of compliance with IFRS.
- Additional related party disclosures are required under IFRS, including disclosure of compensation arrangements for key management personnel.

The Partnership also assessed the demands that IFRS would place on its existing resources. Detailed below were some of the key areas evaluated as part of our IFRS conversion plan.

Information technology and data system

- Management performed an assessment of its information technology and data systems, and concluded that no changes to these systems were required for the preparation of financial statements under IFRS.
Internal control over financial reporting

• Management evaluated its internal controls over financial reporting, and concluded that existing controls were adequate for the preparation of IFRS compliant financial statements.

Financial reporting expertise

• Management performed an assessment of its financial reporting group, and based on this evaluation concluded that the group has sufficient expertise to prepare IFRS compliant financial statements and disclosures.

Impact on business activities

• Given the nature of operations of the Partnership, as well as the capital resources available to it, IFRS will not have a significant impact on the business activities or agreements entered into by the Partnership.
Financial Statements

Walton Big Lake Development L.P.
For the period ended December 31, 2010
April 20, 2011

Independent Auditor’s Report

To the Partners of
Walton Big Lake Development L.P.

We have audited the accompanying financial statements of Walton Big Lake Development L.P., which comprise the balance sheet as at December 31, 2010 and the statements of loss and comprehensive loss and deficit, and cash flows for the period from September 13, 2010 to December 31, 2010, and the related notes including a summary of significant accounting policies.

Management’s responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

“PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Walton Big Lake Development L.P. as at December 31, 2010 and the results of its operations and its cash flows for the period from September 13, 2010 to December 31, 2010 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Walton Big Lake Development L.P.
Balance Sheet
AS AT DECEMBER 31, 2010

(expressed in Canadian dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land held for development</td>
<td>18,694,717</td>
</tr>
<tr>
<td>Land development cost</td>
<td>230,674</td>
</tr>
<tr>
<td>Cash</td>
<td>2,626,501</td>
</tr>
<tr>
<td>Other receivable</td>
<td>458,602</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>22,010,494</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>56,341</td>
</tr>
<tr>
<td>Due to related parties (note 4)</td>
<td>298,773</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>355,114</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTNERS’ EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners’ capital (note 5)</td>
<td>22,048,665</td>
</tr>
<tr>
<td>Deficit</td>
<td>(393,285)</td>
</tr>
<tr>
<td><strong>Total Partners’ Equity</strong></td>
<td><strong>21,655,380</strong></td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of these statements.

Approved on behalf of the Board of Directors of the General Partner:

Clifford H. Fryers  Director

Jon N. Hagan  Director
Walton Big Lake Development L.P.
Statement of Loss and Comprehensive Loss and Deficit
FOR THE PERIOD SEPTEMBER 13, 2010 TO DECEMBER 31, 2010
(expressed in Canadian dollars)

2010

$  

REVENUE

Interest income 22,238

EXPENSES

Professional fees 10,000
General and administrative expenses 438
Director fees 14,136
Asset management fees (note 4) 42,826
Servicing fees (note 4) 10,623
Organizational costs (note 4) 337,500

415,523

Net Loss and comprehensive loss for the period (393,285)

Deficit – Beginning of period -

Accumulated deficit – End of period (393,285)

Basic and diluted loss per unit (note 5) (0.51)

The accompanying notes to the financial statements are an integral part of these statements.
Walton Big Lake Development L.P.
Statement of Changes in Partners’ Equity
FOR THE PERIOD SEPTEMBER 13, 2010 TO DECEMBER 31, 2010
(expressed in Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>LIMITED PARTNERSHIP UNIT AMOUNT</th>
<th>GENERAL PARTNER UNIT AMOUNT</th>
<th>LOSS AND DEFICIT AMOUNT</th>
<th>TOTAL $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units issued</td>
<td>23,276,356</td>
<td>50</td>
<td>-</td>
<td>23,276,406</td>
</tr>
<tr>
<td>Unit offering expenses and work fee</td>
<td>(1,227,691)</td>
<td>-</td>
<td>-</td>
<td>(1,227,691)</td>
</tr>
<tr>
<td>Initial limited partner unit redeemed</td>
<td>(50)</td>
<td>-</td>
<td>-</td>
<td>(50)</td>
</tr>
<tr>
<td>Net loss and comprehensive loss</td>
<td>-</td>
<td>-</td>
<td>(393,285)</td>
<td>(393,285)</td>
</tr>
<tr>
<td><strong>BALANCE – DECEMBER 31, 2010</strong></td>
<td><strong>22,048,615</strong></td>
<td>50</td>
<td>(393,285)</td>
<td>21,655,380</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of these statements.
Walton Big Lake Development L.P.
Statement of Cash Flows
FOR THE PERIOD SEPTEMBER 13, 2010 TO DECEMBER 31, 2010
(expressed in Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH PROVIDED BY (USED IN)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(393,285)</td>
</tr>
<tr>
<td>Changes in working capital items</td>
<td></td>
</tr>
<tr>
<td>Increase in land held for development</td>
<td>(17,918,411)</td>
</tr>
<tr>
<td>Increase in land development cost</td>
<td>(230,674)</td>
</tr>
<tr>
<td>Increase in other receivable</td>
<td>(458,602)</td>
</tr>
<tr>
<td>Increase in accounts payable and accrued liabilities</td>
<td>56,341</td>
</tr>
<tr>
<td>Increase in due to related parties</td>
<td>298,773</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions from partners (net of issuance cost) (note 5)</td>
<td>21,272,309</td>
</tr>
<tr>
<td>Issuance of general partner unit</td>
<td>50</td>
</tr>
<tr>
<td><strong>Increase in cash</strong></td>
<td></td>
</tr>
<tr>
<td>Cash – Beginning of Period</td>
<td>-</td>
</tr>
<tr>
<td>Cash – End of Period</td>
<td>2,626,501</td>
</tr>
<tr>
<td><strong>NON-CASH TRANSACTION</strong></td>
<td></td>
</tr>
<tr>
<td>Ordinary units issued to acquire land held for development (note 4)</td>
<td>776,306</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of these statements.
1. Nature of Business

Walton Big Lake Development L.P. (the “Partnership”) was formed on September 13, 2010 when the certificate of limited partnership was filed under the Partnership Act (Alberta). The Limited Partnership Agreement was entered into between Walton Big Lake Development Corporation (the “General Partner”), and the initial limited partner.

The Partnership was formed for the purposes of (i) purchasing an interest in a property comprised of 136.5 acres of undeveloped land in Edmonton, Alberta (the “Property”), (ii) holding the Property as inventory for the purpose of development thereof on a residential and commercial basis, (iii) eventually selling or otherwise disposing of the Property over time in a number of parcels with a view to making a profit, and (iv) performing such other activities as may be incidental or ancillary to or arising from the foregoing purposes as may be reasonably determined by the General Partner. The Partnership is entitled to sell all or any part or parts of the Property or its assets at any time during the development thereof even if the Property or assets have not been fully developed.

2. Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with Canadian generally accepted accounting principles (“GAAP”).

Allocation of Partnership Income or Loss

Income or loss is allocated to the limited partners and to the General Partner. These financial statements include only the assets, liabilities, and operations of the Partnership, and do not include other assets, liabilities, revenues or expenses of the limited partners.

Net income or net loss of the Partnership for a fiscal year will be allocated as follows: (a) the General Partner will be allocated, in its capacity as General Partner, 0.001% of the net income or net loss; and (b) the balance of the net income or net loss will be allocated to limited partners of record on the last day of such fiscal year in accordance with their respective sharing ratios at that time.

Income Taxes

No provision has been made for income taxes of the Partnership, the liability for which is the responsibility of the partners.
Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. The most significant estimates are related to the recoverability of the value of the land.

Cash

Cash includes cash in the Partnership’s bank account.

Land Held for Development

Land is stated at the lower of acquisition cost or the anticipated net realizable value on disposition. The Partnership’s acquisition cost is based on the price paid by the Partnership and other direct purchase expenses.

Land Development Cost

The Partnership capitalizes all direct costs related to land development including carrying costs such as interest on debt specifically related to the development and property taxes. General and administrative overhead expenses are not allocated and capitalized to the Property. Land development costs are allocated to the land to which they relate and are relieved through cost of land sold on a per acre basis as sales are recognized. Where the net realizable value of any property in land inventory does not exceed its capitalized carrying value, all additional carrying costs relating to the Property are charged to current operations and not capitalized. The estimated unexpensed portions of costs are recorded as a liability at the time sales are recognized.

Revenue Recognition

The Partnership recognizes interest income on an accrual basis in the period when it is earned.

Organizational Cost

Organizational costs associated with the formation of the Partnership are expensed as incurred.
Financial Instruments

Financial instruments are any contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recognized initially at fair value, which is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties.

Subsequent measurement depends on how the financial instrument has been classified. Cash is classified as held for trading and is measured at fair value. Other receivables are classified as loans and receivables and are carried at amortized cost using the effective interest rate method. Accounts payable, accrued liabilities, and due to related parties have been classified as other financial liabilities and are carried at amortized cost using the interest rate method.

For financial instruments measured at fair value, a fair value hierarchy is used that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- **Level 1**: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- **Level 2**: Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- **Level 3**: Inputs that are unobservable. There is little or no market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The Partnership has classified all of its financial instruments carried at fair value as level 2 on the fair value hierarchy.

Comprehensive Loss

Comprehensive loss consists of net loss and other comprehensive loss ("OCL"). OCL represents changes in partners’ equity during a period arising from transactions and other events with non-owner sources, and includes unrealized gains and losses on financial assets classified as “available for sale”.

The Partnership did not have any OCL as at December 31, 2010.
3. Changes in Accounting Policies and Future Accounting Changes

IFRS

The Canadian Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada will converge with the International Financial Reporting Standards (“IFRS”) effective January 1, 2011 and certain entities will be required to report according to IFRS for the year ended December 31, 2011. The Partnership is currently reporting under GAAP and will move to IFRS under the timelines mentioned above.

4. Related Party Transactions

The balance due to related parties as at December 31, 2010 is as follows:

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walton Asset Management L.P.</td>
<td>$53,449</td>
</tr>
<tr>
<td>Walton International Group Inc.</td>
<td>$245,324</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$298,773</strong></td>
</tr>
</tbody>
</table>

The above amounts are unsecured, due on demand, bear no interest and have no fixed terms of repayment.

Walton Asset Management L.P.

On October 26, 2010, the Partnership entered into a Management Services Agreement with Walton Asset Management L.P. (“WAM”), whereby WAM will provide services in connection with offering, investor communication and reporting, facilities, equipment and supplies at an annual fee equal to 2% of the net proceeds of the Partnership’s initial public offering (“IPO”) and private placement offering (“Private Placement”). For the period ending December 31, 2010, an asset management fee of $42,826 has been charged and is still outstanding.

Commencing on December 31, 2010 and continuing until the earlier of the dissolution of the Partnership and December 31, 2015, a servicing fee will be paid by the Partnership to WAM equal to 0.50% annually of the net proceeds for each unit sold under the IPO and the Private Placement and held by clients of such agents, calculated from the date of the applicable closing
and calculated semi-annually and paid as soon as practicable. For the period ending December 31, 2010, a servicing fee of $10,623 has been charged and is still outstanding.

The Partnership paid WAM 1.5% of the gross proceeds for each unit sold under the IPO and the Private Placement; $337,500 representing the estimated organization costs.

Walton Development and Management Inc./Walton Development and Management L.P.

On October 26, 2010, the Partnership entered into the Project Management Agreement with Walton Development and Management Inc. ("WDMI"). Subsequently, on January 1, 2011, Walton Development and Management L.P. ("WDM") acquired from WDMI all of its contracts and agreements, including WDMI’s Project Management Agreement with the Partnership. As the management and staff of WDMI were also acquired as part of the transaction, the change in the counterparty is not expected to have any impact on the future operations of the Partnership.

Under the Project Management Agreement, the fees and costs for services provided by WDM are divided into the following two categories:

a) WDM will receive a development fee, plus applicable taxes equal to 2% of certain development costs incurred in the calendar quarter, payable within 60 days of the end of such quarter.

b) WDM will receive a performance fee, plus applicable taxes, equal to 25% of cash distributions after all partners have received an amount equal to their initial investment, plus a 6% priority return. The priority return is calculated on the partners’ investment amount until December 31, 2015, and on any portion of unreturned capital.

The Partnership did not incur any development costs which would result in development fees. In addition, the Partnership did not provide any cash distributions to the partners during the period and the initial investment and cumulative priority return amounts have not been received by the partners; therefore no performance fee was incurred by the Partnership.

Walton International Group Inc.

The amount of $245,324 is due to Walton International Group Inc. ("WIGI").

In addition, WIGI received a 3.5% interest (81,932 units valued at $776,306) in the Partnership, in exchange for its 4.2% ownership of the Property.

The above mentioned entities are related to the Partnership through common management.
5. Partners’ Capital

Authorized

1 general partner unit
1 initial limited partner unit
Unlimited number of ordinary limited partner units

<table>
<thead>
<tr>
<th>NUMBER OF UNITS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>General partner unit issued for cash</td>
<td>1</td>
</tr>
<tr>
<td>Initial limited partner unit issued for cash</td>
<td>1</td>
</tr>
<tr>
<td>Initial limited partner unit redeemed for cash</td>
<td>(1)</td>
</tr>
<tr>
<td>Ordinary units issued for cash – prospectus offering</td>
<td>1,785,594</td>
</tr>
<tr>
<td>Ordinary units issued for cash – private placement</td>
<td>464,406</td>
</tr>
<tr>
<td>Ordinary units issued to WIGI in exchange for land (note 4)</td>
<td>81,932</td>
</tr>
<tr>
<td>Less offering expenses and work fee</td>
<td>-</td>
</tr>
</tbody>
</table>

BALANCE – END OF PERIOD

2,331,933 22,048,665

Per Unit Amount

Basic and diluted loss per unit is calculated by dividing the Partnership’s net loss by the weighted average number of 769,409 units outstanding during the period, excluding the general partner unit.

General Partner

Walton Big Lake Development Corporation was incorporated on August 30, 2010 under the laws of the Province of Alberta to act as a General Partner and manage the affairs of the Partnership.
6. Capital Management

The Partnership has two sources of capital to finance its operations:

a) Of the gross proceeds raised under the IPO and the Private Placement, approximately 13.8% ($3.1 million) was set aside by the Partnership to pay for its ongoing administrative and operating expenses, management fee, development fee, pre-development costs, grading costs and construction costs. As at December 31, 2010, the Partnership had total cash remaining of $2,626,501 and a receivable of $458,602.

b) The Partnership has a construction loan with a Canadian financial institution to help finance Phase 1 of the project. The construction loan consists of a $25.2 million non-revolving loan facility and $2.2 million letter(s) of credit. The construction loan bears interest at a rate of prime +1.5%. The loan is secured by a first priority security interest in all present and after acquired personal property of the Partnership, a floating charge over all of the Partnership’s present and after acquired real and other property, and a first fixed and specific demand collateral land mortgage over the Property. This loan is partially guaranteed by WIGI, who is required to maintain a minimum level of net worth stated in the borrowing agreement. It is anticipated that further construction loans will be required to fund the costs of development for Phase 2 and 3 of the project.

Management regularly reviews the levels of its cash reserves to determine if sufficient cash is available to fund the ongoing costs of the Partnership over the next twelve months. As at December 31, 2010, no cash has been drawn on the construction loan, and sufficient capital exists to fund the Partnership’s activities for at least the next 12 months. WIGI monitors, on a monthly basis, its net worth to ensure compliance with its obligations as guarantor. As at December 31, 2010, WIGI was in compliance with this requirement, and foresees no circumstances which may be reasonably likely to cause any breach of its obligations as guarantor over the next 12 months.

7. Financial Instruments

The Partnership’s financial instruments consist of cash, other receivable, accounts payable and accrued liabilities, and amounts due to related parties. The fair values of these financial instruments carried at amortized cost approximate their carrying value due to the short-term maturities of these items.
The following table presents the level in the fair value hierarchy into which the fair values of financial instruments that are carried at fair value on the balance sheet are categorized:

<table>
<thead>
<tr>
<th>Financial Instruments at fair value as at December 31</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash – level 2</td>
<td>$2,626,501</td>
</tr>
</tbody>
</table>

a) Risk – Overview

The Partnership’s financial instruments and the nature of the risks to which they may be subject are as set out in the following table.

<table>
<thead>
<tr>
<th>RISK</th>
<th>CREDIT</th>
<th>LIQUIDITY</th>
<th>INTEREST RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured at cost or amortized cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivable</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Due to related parties</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Measured at fair value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held with banks and financial institutions and other receivable. While the maximum exposure to credit risk is equal to the carrying value of these financial instruments, management believes the Partnership’s exposure to credit risk is minimal for the following reasons:

Cash - Cash is on deposit with a major financial institution which substantially minimizes the exposure of cash to credit risk.

Other receivable - The balance of receivables outstanding is typically not material and is settled monthly. As a result, exposure to credit risk relating to these receivables is not significant.
c) Liquidity Risk

Liquidity risk arises from the possibility that the Partnership will encounter difficulties in meeting its financial obligations as they become due. The Partnership manages its liquidity risk by maintaining significant bank balances, continuously monitoring working capital and by managing cash receipts and payments.

The liabilities which expose the Partnership to credit risk are a result of the normal operations of the Partnership and are current in nature. Management considers exposure to such credit risk to be minimal however, as the balances owing at December 31, 2010 will be funded through the working capital of the Partnership, and obligations relating to such future commitments will be funded through a combination of future revenues generated by the Partnership, and capital resources available to the Partnership as disclosed in note 6.

d) Interest Rate Risk

Changes in market interest rates will cause fluctuations in the future interest earned on cash balance. Any resulting impact on the Partnership’s financial results would not be material.

8. Commitments

The Partnership’s future commitments under the Management Services Agreement are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SERVICING FEE</th>
<th>MANAGEMENT FEE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2011</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2012</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2013</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2014</td>
<td>104,674</td>
<td>433,976</td>
<td>538,650</td>
</tr>
<tr>
<td>2015</td>
<td>94,051</td>
<td>433,976</td>
<td>528,027</td>
</tr>
<tr>
<td></td>
<td>512,747</td>
<td>2,169,880</td>
<td>2,682,627</td>
</tr>
</tbody>
</table>
Walton Group of Companies

The Walton Group of Companies constitutes one of North America’s leading land-based real estate investment and development groups. Our professional teams research, acquire, syndicate, plan, develop and manage land assets with the goal of achieving their highest and best potential – and in doing so, maximizing returns for clients and investors.

In business for over 30 years, the Walton Group currently manages approximately $2.8 billion of pre-development and development real estate assets, including over 60,000 acres of land in Alberta, Ontario, Arizona, Texas, Georgia, Virginia and Maryland, on behalf of more than 72,000 investors and clients in North America, Asia and Europe. Headquartered in Calgary, the Walton Group has over 800 employees in Canada, the United States, Asia and Europe.

The following members of the Walton Group of Companies are involved in the Walton Big Lake Development L.P.:

Walton Big Lake Development Corporation
is the General Partner of the Walton Big Lake Development L.P.

Walton Asset Management L.P.
is the manager of the Walton Big Lake Development L.P.

Walton Development and Management L.P.
is the development manager of the Big Lake development project. The WDM team is comprised of 39 real estate development professionals bringing over 400 years of combined experience in engineering, land development, land planning, project management, finance, marketing and municipal affairs. WDM currently manages seven Walton Group land development projects in Alberta and Ontario with total incurred and/or budgeted construction costs of approximately $760 million.

Walton International Group Inc.
is a partner in the Walton Big Lake Development L.P., with a minority interest.

Walton Capital Management Inc.
is a registered exempt market securities dealer which distributed limited partnership units for Walton Big Lake Development L.P.

Walton Global Investments Ltd.
is the parent company of the Walton Group of Companies.
David Mallory
Director
Walton Big Lake Development Corporation

David Mallory has over 20 years of executive finance experience. He is currently CEO, President and Co-founder of BLZ Energy Ltd., a private oil and gas exploration and production company based in Calgary. David co-founded and served as a Director of publicly-listed Quinterra Energy Corporation. He has served as Director and CFO of Guardian Exploration Inc.; and of Flowing Energy Corporation; and as Director and Audit Committee Chair for Lemontonic Inc.; and spent a decade in increasingly senior finance roles with TransAlta Group. David is a Chartered Accountant who has practiced with Ernst & Young in Calgary and Toronto, and is a member of the Institutes of Chartered Accountants of Alberta and Ontario. He holds a Bachelor of Business Administration degree from the University of New Brunswick, and has completed Queen’s University’s Executive Development Program and the Canadian Securities Course.

William (Bill) Doherty
Chief Executive Officer
Walton Big Lake Development Corporation

Bill Doherty leads the Walton Group of Companies as Chief Executive Officer of Walton Global Investments Ltd., and as an actively-involved Director and Executive with several Walton Group affiliates. Overseeing an innovative and dynamic enterprise which has grown into a leading North American real estate investment and development group, Bill is deeply involved in Walton’s growing array of business relationships with leading international investment banks, broker-dealers, financial advisors, and institutional investors. He is central to Walton’s strategic direction and expansion, and has directed the launch of Walton’s Asian, USA and European operations; recruited experienced industry leaders to form Walton Development and Management L.P.; and has overseen the diversification of Walton’s real estate portfolio from an original base in Calgary to significant positions in and around Edmonton, Ottawa, Toronto, Phoenix-Tucson, Dallas-Fort Worth, Austin-San Antonio, Atlanta, and Washington D.C.

Jon N. Hagan
Director
Walton Big Lake Development Corporation

Jon Hagan is Principal of JN Hagan Consulting, providing assistance to major corporations regarding real estate capital markets and transactions across North America and in China. He is a director of First Capital Realty Inc., and member of the audit committee. He is a director of the Bentall Kennedy Group, and member of the audit committee. Mr. Hagan has served as a trustee of Sunrise Senior Living Real Estate Investment Trust, and as Chairman of Teranet Income Fund. In addition to board service, Mr. Hagan has held a number of senior executive finance positions with real estate industry leaders including Oxford, Cambridge Shopping Centres, Empire Company Limited, and Cadillac Fairview Corporation. He is a Chartered Accountant, holds a B.Sc. in Mechanical Engineering from the University of Saskatchewan, and attended University of Alberta’s Executive MBA program.

Clifford H. Fryers
Director
Walton Big Lake Development Corporation

Cliff Fryers is Vice Chair of the Board of Advisors of Walton Global Investments Ltd., and Chair of the Governance Committee. He is Chairman and Chief Executive Officer of the White Iron Group of Companies, of Stampede Entertainment Inc., and of Kanata Development Ltd. He is Chairman of the Board of Directors of Enmax Corporation and of the Manning Centre for Building Democracy. Previously, Cliff served as Chief of Staff to Leader of the Official Opposition in Canada’s Parliament. He was a Managing Partner with the law firm of Milner Fenerty LLP (now Fraser Milner Casgrain LLP) and was General Counsel for Mobil Oil Canada Ltd. Cliff holds the ICD.D designation granted by the Institute of Corporate Directors.

D. Blair Nixon, QC, FCA, ICD.D
Chief Financial Officer
Walton Big Lake Development Corporation

Blair Nixon is Chief Financial Officer of Walton Global Investments Ltd., responsible for finance operations across the Walton Group of Companies. Mr. Nixon is both an experienced tax lawyer and a chartered accountant. He was Co-Managing Partner of law firm Felesky Flynn LLP, where he practiced tax law for 20 years. He is ranked as a leading business lawyer by Chambers Global, Lepset and Martindale-Hubbell. He has been a guest lecturer for the Canadian Tax Foundation, the Institute of Chartered Accountants of Alberta and the Canadian Institute of Chartered Accountants. Mr. Nixon is an elected Member and Vice President of the Council for the Institute of Chartered Accountants of Alberta, and past Chair of the Canadian Bar Association’s National Commodity Tax, Customs and Trade Section. He was appointed Queen’s Counsel by the Province of Alberta, awarded the FCA designation by the Institute of Chartered Accountants of Alberta, and holds the ICD.D certification granted by the Institute of Corporate Directors.

Leslie L. Fryers, QC, ICD.D
Corporate Secretary
Walton Big Lake Development Corporation

Leslie Fryers, Executive Vice President, Law for Walton Global Investments Ltd., oversees worldwide legal services for the Walton Group of Companies. Previously, Leslie enjoyed three decades of successful private practice, concentrating on mergers and acquisitions. She has lectured extensively at legal seminars, and is a past Chair of the Legal Education Society of Alberta Board of Directors and a Member of The Association of General Counsel of Alberta. Leslie was appointed Queen’s Counsel by the Province of Alberta, and has been granted the ICD.D distinction from the Institute of Corporate Directors. She is a Member of the Law Society of Alberta, and holds a Law degree from McGill University.
Graham Macmillan
President
Walton Asset Management L.P.

Graham Macmillan is President of Walton Asset Management L.P., responsible for structuring development investment opportunities for institutional and retail investors seeking long-term cash flow-generating real estate investments. Graham brings Walton tremendous experience gained through more than twenty years in successful investment banking, as Managing Director at RBC Capital Markets, and head of the bank’s multi-billion-dollar Retail Structured Product Division. As RBC’s senior Corporate Finance/Investment Banking Ottawa representative, he led numerous financing and financial advisory assignments for leading companies. He served as Special Advisor to Canada’s Department of Finance, advising on financings for the PEI Bridge project, the Canada Student Loan Program and defeasance of the Petro-Canada debt. Graham holds a Master of Business Administration from Queens University and is a Certified Business Valuator.

Andrew Smitiuch
Executive Vice President
Walton Asset Management L.P.

Andrew Smitiuch is Executive Vice President of Walton Asset Management L.P., specializing in working with institutional investors and broker dealers. Andrew has over fifteen years experience in investment banking, and has served as Managing Director at RBC Capital Markets and Dundee Securities Corporation. He has experience covering a wide range of industries, involvement in numerous financing and advisory transactions, and in providing securities and structured products to institutional and retail investors. Before going into investment banking, Andrew worked in finance roles at John Labatt Limited and Allstate Canada. He holds a Bachelor of Science degree from the University of Western Ontario and a Master of Business Administration degree from Queen’s University.

John Plastiras
President
Walton Development and Management L.P.

As President of Walton Development and Management L.P. and of Walton Development and Management (USA), Inc., John Plastiras leads Walton’s activities in real estate planning, approvals and development. John has more than 29 years of private and public sector experience in numerous facets of the real estate industry, particularly land planning and development. His longstanding industry and government relationships combined with his extensive experience are key components of Walton’s success. Prior to leaving Stantec and joining Walton, John held the position of Vice President and Corporate Practice Area Leader for Planning and Landscape Architecture, with responsibility for consulting services across North America. John holds a Bachelor of Arts degree in Urban Geography (Planning) from the University of Victoria. He is a member of the Urban Development Institute (UDI) in Canada and a member of the Urban Land Institute (ULI) in the USA.

Thilo Kaufmann
Chief Financial Officer
Walton Development and Management L.P.

Thilo Kaufmann is Chief Financial Officer for Walton Development and Management L.P., responsible for financial reporting, financial due diligence on development projects, and managing relationships with lenders in senior debt placements. Prior to joining Walton, Thilo spent 12 years in the financial services industry, managing real estate finance teams, completing senior debt placements to large developer and builder groups, and providing advice and guidance to real estate companies seeking alternative debt and equity structures. He has assisted in arranging long-term debt placements and in providing sophisticated payments and cash management solutions, both domestically and globally. Thilo holds a Bachelor of Arts in Economics (Honours) with a minor in Political Science from McMaster University.

Claudio Palumbo, P.Eng.
Chief Operating Officer
Walton Development and Management L.P.

Claudio Palumbo is Chief Operating Officer of Walton Development and Management L.P., leading a Canadian team responsible for over 24,000 acres of real estate projects. He has over 20 years experience in consulting, earning a reputation for leadership through professional work on real estate development projects and through contributions to the Urban Development Institute (UDI). Prior to Walton, Claudio was Regional Practice Leader for Stantec Consulting’s Urban Land Engineering practice. He has been Chairman of the UDI Calgary Technical Committee and Associate Vice-Chairman for UDI’s Calgary Board of Directors. He holds a Bachelor of Science in Civil Engineering from the University of Calgary.

Craig Dickie, P.Eng.
General Manager, Alberta
Walton Development and Management L.P.

Craig Dickie is General Manager, Alberta for Walton Development and Management L.P., overseeing the development of residential and industrial real estate projects in Edmonton and Calgary. Responsible for planning and development of Walton’s Alberta portfolio, Craig maintains strong professional relationships with municipal officials, administrators, consultants and contractors. Before joining Walton, Craig spent more than seven years as a land development consultant and project manager with two established consulting firms, assisting clients with residential, multi-family and industrial projects, comprising over 1,000 acres of development experience. Craig holds a Bachelor of Science degree in Civil Engineering from the University of Calgary, and maintains his professional engineering status in the province of Alberta.
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