Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements

December 31, 2013 and 2012

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2013 and 2012

	Page(s)
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Schedule of Investments	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Partners' Capital	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–16

Independent Auditor's Report

To the General Partner of
Walton U.S. Land Fund 3, LP.

We have audited the accompanying consolidated financial statements of Walton U.S. Land Fund 3, LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets, including the consolidated schedule of investments, as of December 31, 2013 and 2012 and the related consolidated statements of operations, of changes in partners' capital and of cash flows for the year ended December 31, 2013 and period from December 18, 2012 (inception) to December 31, 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the consolidated 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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walton U.S. Land Fund 3, LP and its subsidiaries at December 31, 2013 and 2012, and the results of their operations, changes in their partners' capital and their cash flows for the year ended December 31, 2013 and period from December 18, 2012 (inception) to December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 20, 2014

PricewaterhouseCoopers LLP, 601 South Figueroa, Los Angeles, CA 90017
T: (213) 356 6000, F: (813) 637 4444, www.pwc.com/us

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
Assets		
Investments in undivided interests in land, at fair value		
(cost $65,765,198 and $1,734,073 for 2013 and 2012)	$ 66,100,000	$ 2,736,329
Cash	-	350,323
Restricted cash (Note 2)	18,408,300	961,433
Accounts receivable	474	-
Total assets	$ 84,508,774	$ 4,048,085
Liabilities and Partners' Capital		
Accounts payable and accrued liabilities	$ 85,399	$ 25,750
Due to affiliate (Note 5)	186,207	2,324
Total liabilities	271,606	28,074
Commitments and contingencies (Note 7)		
Partners' capital	84,237,168	4,020,011
Total liabilities and partners' capital	$ 84,508,774	$ 4,048,085

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2013 and 2012

				2013			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost**	**Fair Market Value**	**Ownership Interest %**	**% of Partners' Capital**
River Park	North Carolina	December 28, 2012	UDI - Land	$ 1,812,407	$ 3,050,000	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,049,756	1,900,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,426,664	22,200,000	95%	26%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	9,897,445	14,600,000	95%	17%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,508,180	7,250,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,070,746	17,100,000	95%	20%
				$ 65,765,198	$ 66,100,000		78%

				2012			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost**	**Fair Market Value**	**Ownership Interest %**	**% of Partners' Capital**
River Park	North Carolina	December 28, 2012	UDI - Land	$ 1,734,073	$ 2,736,329	95%	68%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Operations
Year Ended December 31, 2013 and Period from December 18, 2012 (Inception) to December 31, 2012

	2013	2012
Operating expenses		
Organizational costs	$ 830,774	$ 30,926
Professional fees	58,905	25,785
Management fees	846,999	1,914
Property maintenance	21,793	-
Other expenses	1,038	-
Total operating expenses	1,759,509	58,625
Net investment loss	(1,759,509)	(58,625)
Unrealized (depreciation) appreciation on investments	(667,454)	1,002,256
Net (decrease) increase in partners' capital resulting from operations	$ (2,426,963)	$ 943,631

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Year Ended December 31, 2013 and Period from December 18, 2012 (Inception) to December 31, 2012

	Class A Limited	Class B Limited	Total
Balances at December 18, 2012 (Inception)	$ -	$ -	$ -
Partner contributions, net of syndication costs of $301,931	3,076,380	-	3,076,380
Net investment loss	(58,625)	-	(58,625)
Unrealized appreciation on investments	765,460	236,796	1,002,256
Balances at December 31, 2012	3,783,215	236,796	4,020,011
Partner contributions, net of syndication costs of $8,377,313	82,644,120	-	82,644,120
Net investment loss	(1,759,509)	-	(1,759,509)
Unrealized depreciation on investments	(552,988)	(114,466)	(667,454)
Balances at December 31, 2013	$ 84,114,838	$ 122,330	$ 84,237,168

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Year Ended December 31, 2013 and Period from December 18, 2012 (Inception) to December 31, 2012

	2013	2012
Cash flows from operating activities		
Net (decrease) increase in partners' capital resulting from operations	$ (2,426,963)	$ 943,631
Adjustments to reconcile net (decrease) increase in partners' capital resulting from operations to net cash used in operating activities		
Payments made from expense reserve for operating expenses and liabilities	767,717	-
Unrealized depreciation (appreciation) on investment	667,454	(1,002,256)
Changes in assets and liabilities		
Accounts payable and accrued liabilities	3,843	25,750
Due to affiliate	157,175	1,950
Net cash used in operating activities	(830,774)	(30,925)
Cash flows from investing activities		
Investments in undivided interests in land	(63,782,959)	(1,733,699)
Partner contributions to restricted cash	(18,380,710)	(961,433)
Net cash used in investing activities	(82,163,669)	(2,695,132)
Cash flows from financing activities		
Contributions from partners, net	82,644,120	3,076,380
Net cash provided by financing activities	82,644,120	3,076,380
Net change in cash	(350,323)	350,323
Cash		
Beginning of period	350,323	-
End of period	$ -	$ 350,323
Supplemental disclosure of non-cash activities (Note 2)		
Investments in undivided interests in land in Accounts payable and accrued liabilities	$ 55,806	$ -
Investments in undivided interests in land in Accounts receivable	474	-
Investments in undivided interests in land in Due to affiliate	27,082	374

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the “Partnership”) was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A limited Shareholders on December 18, 2012. Accordingly, the consolidated financial statements are presented for the year ended December 31, 2013 and the period from December 18, 2012 (Inception) to December 31, 2012. The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. During the period ended December 31, 2012, the Partnership acquired the River Park Property from an affiliate, Walton North Carolina, LLC (“Walton North Carolina”). During the year ended December 31, 2013, the Partnership acquired the Redwood Meadows Property from an affiliate, Walton Texas, LP (“Walton Texas”), the Dobson Creek Property from an affiliate, Walton Maryland, LLC (“Walton Maryland”), the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC (“Walton Florida”), the Vista Ranch Property from an affiliate, Walton Arizona, LLC (“Walton Arizona”) and the Harvest Grove North Property from an affiliate, Walton Acquisitions FL, LLC (“Walton Florida”) (collectively the “Investments”). The Partnership will hold the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiary of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the “Walton Affiliates”) will retain the remaining interests in the Investment. Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona are subsidiaries of Walton International Group (USA) Inc. (“Walton USA”).

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the “General Partner”). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the “Partnership Agreement”). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership’s behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner’s discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 5).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the “Base Amount”), and (b) an amount sufficient to provide to each original subscriber of Units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the “Preference Amount”). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

The Partnership's ability to meet its cash flow needs may depend on its ability to borrow funds pursuant to a Funding Agreement (the "Funding Agreement") with Walton USA.

If the Partnership is unable to borrow funds from Walton USA, it may need to secure additional funding from a third party source. There can be no assurance that the Partnership can borrow such funds or, if it can, that it can do so at rates acceptable to the Partnership. The Partnership believes the cash reserves for future pre-development costs and administrative services, and its ability to borrow funds under the Funding Agreement will be adequate to fund its cash flow needs beyond December 31, 2014. To the extent that actual results or events differ from the Partnership's financial projections or business plans, its liquidity may be adversely impacted. See Note 5 to the financial statements for a discussion of the Funding Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Partnership prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 River Park GP WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Restricted Cash

The Partnership carries its restricted cash balances in a noninterest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2013.

	Expense Reserve	Concept Planning Fund Reserve	Total
Balances at December 18, 2012 (Inception)	$ -	$ -	$ -
Additions through syndications	492,002	469,431	961,433
Balances at December 31, 2012	492,002	469,431	961,433
Additions through syndications	13,654,965	4,725,745	18,380,710
Rental income	3,360	-	3,360
Payments for investment in undivided interests in land	(90,582)	(78,904)	(169,486)
Payments for operating expenses and liabilities	(767,717)	-	(767,717)
Balances at December 31, 2013	$ 13,292,028	$ 5,116,272	$ 18,408,300

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

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
The Partnership applies ASC 820-10, Fair Value Measurements and Disclosures (formerly SFAS No.157), which defines fair value and establishes a framework for measuring fair value. In accordance with the principles set forth in ASC 820-10, the General Partner values each portfolio position using, to the extent possible, independent, observable inputs for that exact instrument. In the event that observable inputs for the exact instrument are unavailable, the General Partner also may use observable inputs for similar instruments and/or other observable market information and data.

Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

Investments made by the Partnership, by their nature, are generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the General Partner. The valuations of investments are determined using methods considered by the General Partner to be appropriate. These methods include, but are not limited to, market rates, discounted cash flows, recent comparable sale transactions, and company specific information. Because of the inherent uncertainties in valuing the investments, the values reflected in the financial statements may materially differ from the value determined upon sale of these investments.

At the General Partner's discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. Investments in undivided interests in land costs of $248,166 and $374, net of incidental income, were capitalized for the year ended December 31, 2013 and the period ended December 31, 2012, respectively.

The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use. Incidental income from rental operations totaling $3,360 and $0 for the year ended December 31, 2013 and the period ended December 31, 2012, respectively, was accounted for as a reduction of capitalized costs of investments in undivided interest in land in the accompanying balance sheets.

Income Taxes
Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2013 and 2012.

3. Investments in Undivided Interests in Land, at Fair Value

Fair Value Measurements

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In some cases, the inputs used to measure fair value might fall in different levels of the hierarchy. The level in the hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The Partnership has determined that only Level 3 inputs were obtainable; however, in accordance with GAAP the Partnership is required to include the following discussion of the measurement hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner’s perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner’s assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

During the year ended December 31, 2013 and the period ended December 31, 2012, the Partnership invested in investments which are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments.

The Partnership’s investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership’s Investments fall into as of December 31, 2013:

	2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 66,100,000	$ -	$ -	$ 66,100,000

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership’s Investments fall into as of the period ended December 31, 2012:

	2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 2,736,329	$ -	$ -	$ 2,736,329

The table below presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2013 and the period ended December 31, 2012:

Balance at December 18, 2012 (Inception)	$ -
Purchases	1,734,073
Unrealized appreciation	1,002,256
Balance at December 31, 2012	2,736,329
Purchases	63,782,959
Capitalized costs	248,166
Unrealized depreciation	(667,454)
Balance at December 31, 2013	$ 66,100,000

Total unrealized appreciation (depreciation) recorded for Level 3 investments are reported as the net increase (decrease) in unrealized appreciation (depreciation) on investments in the accompanying consolidated statements of operations for investments held at December 31, 2013 and 2012.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2013.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$ 20,004	N/A

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2012.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$19,032 - $37,353	$ 28,266

Land
The significant unobservable inputs used in the fair value measurement of the Partnership's undivided interest in land are the selection of certain comparable sales under the market approach and the quoted price per lot or price per acre. Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements, respectively.

Investment Activity
The Partnership has purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5%

undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

4. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investments of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

5. Related Party Transactions

Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

Due to affiliate consists of expenses paid by Walton USA on behalf of the Partnership totaling $23,410 and $410 at December 31, 2013 and 2012, respectively. Management fees payable totaled $162,797 and $1,914 at December 31, 2013 and 2012, respectively, which is also included in Due to affiliate in the accompanying balance sheets. The amount due is unsecured, non-interest bearing and payable on demand.

The Partnership pays Walton USA a management fee annually for managing the investments through the preliminary development period. A management fee of $846,999 and $1,914 was incurred during the year ended December 31, 2013 and the period ended December 31, 2012, respectively.

The Partnership sells limited partnership units through Walton Securities, Inc., a wholly owned subsidiary of Walton USA, and registered broker dealer, through a series of syndications to accredited investors. Commissions and marketing fees of $8,377,313 and $301,931, which are allocated in accordance with the percentages defined in the Confidential Private Placement Memorandum, related to syndication costs of the managing broker dealer were paid to Walton Securities, Inc., by the Partnership for the year ended December 31, 2013 and the period ended December 31, 2012, respectively. Fees paid to Walton Securities, Inc. are net of reduced selling commissions and fees of $805,367 and $39,889 for the year ended December 31, 2013 and the period ended December 31, 2012, respectively.

Organization costs of $830,774 and $30,926 associated with the formation of the Partnership were paid to Walton USA by the Partnership for the year ended December 31, 2013 and the period ended December 31, 2012, respectively.

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2013 and 2012.

The Partnership, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Walton USA receives no compensation for providing services as manager of the Investments.

6. Partners' Capital

Through final syndication at December 31, 2013, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,377,313 to the Class A Limited Partners and 1 Class B limited partner unit.

7. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

8. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the year ended December 31, 2013 and the period ended December 31, 2012. The highlights are based on the allocation methodology described in Note 1 to these financial statements.

	2013	2012
Total return		
Internal rate of return since Inception	(18.12)%	3,822.85 %
Ratios to average limited partners' capital		
Operating expenses	3.37 %	2.19 %
Net investment loss	(3.37)%	(2.19)%

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2013 and 2012. The timing of the investments in addition to the asset appreciation resulted in a significant increase to the Fund's IRR calculation and is not an indication of future performance. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

In the year of Inception, the expense and net investment loss ratios are calculated for the limited partners taken as a whole using weighted average capital contributions for the year. Subsequent to the year of Inception, the expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

9. Subsequent Events

In preparing the financial statements, the Partnership evaluated subsequent events occurring through March 20, 2014, the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements

December 31, 2014 and 2013

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2014 and 2013

Page(s)

Independent Auditor's Report 1

Consolidated Financial Statements

Consolidated Balance Sheets 2

Consolidated Schedule of Investments 3

Consolidated Statements of Operations 4

Consolidated Statements of Changes in Partners' Capital 5

Consolidated Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7–16

pwc

Independent Auditor's Report

To the General Partner of
Walton U.S. Land Fund 3, LP,

We have audited the accompanying consolidated financial statements of Walton U.S. Land Fund 3, LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets, including the consolidated schedule of investments, as of December 31, 2014 and 2013 and the related consolidated statements of operations, of changes in partners' capital and of cash flows for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the consolidated 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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walton U.S. Land Fund 3, LP and its subsidiaries at December 31, 2014 and 2013, and the results of their operations, changes in their partners' capital and their cash flows for the years ended December 31, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

March 5, 2015

PricewaterhouseCoopers LLP, 601 South Figueroa Street, Los Angeles, CA 90017
T: (213) 356 6000, F: (813) 637 4444, www.pwc.com/us

Independent Auditor's Report

To the General Partner of
Walton U.S. Land Fund 3, LP,

We have audited the accompanying consolidated financial statements of Walton U.S. Land Fund 3, LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets, including the consolidated schedule of investments, as of December 31, 2014 and 2013 and the related consolidated statements of operations, of changes in partners' capital and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated 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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walton U.S. Land Fund 3, LP and its subsidiaries at December 31, 2014 and 2013, and the results of their operations, changes in their partners' capital and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 31, 2015

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Investments in undivided interests in land, at fair value		
(cost $66,822,274 and $65,765,198 for 2014 and 2013)	$ 69,410,000	$ 66,100,000
Restricted cash (Note 2)	15,545,400	18,408,300
Accounts receivable	929	474
Prepaid Insurance	4,403	-
Total assets	$ 84,960,732	$ 84,508,774
Liabilities and Partners' Capital		
Accounts payable and accrued liabilities	$ 139,146	$ 85,399
Due to affiliate (Note 5)	6,661	186,207
Total liabilities	145,807	271,606
Commitments and contingencies (Note 7)		
Partners' capital	84,814,925	84,237,168
Total liabilities and partners' capital	$ 84,960,732	$ 84,508,774

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

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Schedule of Investments

December 31, 2014 and 2013

2014

Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 1,973,071	$ 3,215,000	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,063,707	1,970,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,791,310	23,470,000	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,125,932	15,420,000	95%	18%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,493,305	7,235,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,374,950	18,100,000	95%	21%
				$ 66,822,275	$ 69,410,000		82%

2013

Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 1,812,407	$ 3,050,000	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,049,756	1,900,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,426,664	22,200,000	95%	26%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	9,897,445	14,600,000	95%	17%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,508,180	7,250,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,070,746	17,100,000	95%	20%
				$ 65,765,198	$ 66,100,000		78%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Operating expenses		
Organizational costs	$ -	$ 830,774
Professional fees	41,246	58,905
Management fees	1,527,553	846,999
Property maintenance	99,245	21,793
Other expenses	7,123	1,038
Total operating expenses	1,675,167	1,759,509
Net investment loss	(1,675,167)	(1,759,509)
Unrealized appreciation (depreciation) on investments	2,252,924	(667,454)
Net increase (decrease) in partners' capital resulting from operations	$ 577,757	$ (2,426,963)

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2014 and 2013

	Class A Limited Partners	Class B Limited Partner	Total
Balances at December 31, 2012	$ 3,783,215	$ 236,796	$ 4,020,011
Partner contributions, net of syndication costs of $8,377,313	82,644,120	-	82,644,120
Net investment loss	(1,759,509)	-	(1,759,509)
Unrealized depreciation on investments	(552,988)	(114,466)	(667,454)
Balances at December 31, 2013	84,114,838	122,330	84,237,168
Net investment loss	(1,675,167)	-	(1,675,167)
Unrealized appreciation on investments	2,252,924	-	2,252,924
Carried interest (Note 1 & Note 3)	82,111	(82,111)	-
Balances at December 31, 2014	$ 84,774,706	$ 40,219	$ 84,814,925

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net increase (decrease) in partners' capital resulting from operations	$ 577,757	$ (2,426,963)
Adjustments to reconcile net increase (decrease) in partners' capital resulting from operations to net cash used in operating activities		
Payments made from expense reserve for operating expenses and liabilities	1,827,782	767,717
Unrealized (appreciation) depreciation on investments	(2,252,924)	667,454
Changes in assets and liabilities		
Accounts payable and accrued liabilities	1,391	3,843
Due to affiliate	(154,006)	157,175
Net cash used in operating activities	-	(830,774)
Cash flows from investing activities		
Investments in undivided interests in land	-	(63,782,959)
Partner contributions to restricted cash	-	(18,380,710)
Net cash used in investing activities	-	(82,163,669)
Cash flows from financing activities		
Contributions from partners, net	-	82,644,120
Net cash provided by financing activities	-	82,644,120
Net change in cash	-	(350,323)
Cash		
Beginning of year	-	350,323
End of year	$ -	$ -
Supplemental disclosure of non-cash activities (Note 2)		
Investments in undivided interests in land in Accounts payable and accrued liabilities	$ 108,162	$ 55,806
Investments in undivided interests in land in Accounts receivable	929	474
Investments in undivided interests in land in Due to affiliate	1,542	27,082

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A limited Shareholders on December 18, 2012. The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), the Partnership acquired an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida") (collectively the "Investments" or "Properties"). The Partnership will hold the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiary of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 5).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

The Partnership's ability to meet its cash flow needs may depend on its ability to borrow funds pursuant to a Funding Agreement (the "Funding Agreement") with Walton USA.

If the Partnership is unable to borrow funds from Walton USA, it may need to secure additional funding from a third party source. There can be no assurance that the Partnership can borrow such funds or, if it can, that it can do so at rates acceptable to the Partnership. The Partnership believes the cash reserves for future pre-development costs and administrative services, and its ability to borrow funds under the Funding Agreement will be adequate to fund its cash flow needs beyond December 31, 2015. To the extent that actual results or events differ from the Partnership's financial projections or business plans, its liquidity may be adversely impacted. See Note 5 for a discussion of the Funding Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes and as such, the Partnership prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-08, "Financial Services — Investment Companies (Topic 946) — Amendments to the Scope, Measurement, and Disclosure Requirements." The Fund has adopted ASU 2013-08 in 2014 and accordingly, required disclosures are included within the financial statements and related footnotes, as applicable.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Restricted Cash

The Partnership carries its restricted cash balances in a noninterest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and

subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2013.

	Expense Reserve	Concept Planning Fund Reserve	Total
Balances at December 31, 2012	$ 492,002	$ 469,431	$ 961,433
Additions through syndications	13,654,965	4,725,745	18,380,710
Rental income	3,360	-	3,360
Payments for investment in undivided interests in land	(90,582)	(78,904)	(169,486)
Payments for operating expenses and liabilities	(767,717)	-	(767,717)
Balances at December 31, 2013	13,292,028	5,116,272	18,408,300
Rental income	42,478	-	42,478
Payments for investment in undivided interests in land	(113,976)	(963,620)	- (1,077,596)
Payments for operating expenses and liabilities	(1,827,782)	-	(1,827,782)
Balances at December 31, 2014	$ 11,392,748	$ 4,152,652	$ 15,545,400

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

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
The Partnership applies ASC 820-10, *Fair Value Measurements and Disclosures*, which defines fair value and establishes a framework for measuring fair value. In accordance with the principles set forth in ASC 820-10, the General Partner values each portfolio position using, to the extent possible, independent, observable inputs for that exact instrument. In the event that observable inputs for the exact instrument are unavailable, the General Partner also may use observable inputs for similar instruments and/or other observable market information and data.

Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

Investments made by the Partnership, by their nature, are generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the General Partner. The valuations of Investments are determined using methods considered by the General Partner to be appropriate. These methods include, but are not limited to, market rates, discounted cash flows, recent comparable sale transactions, and company specific information. Because of the inherent uncertainties in valuing the Investments, the values reflected in the financial statements may materially differ from the value determined upon sale of these investments.

At the General Partner’s discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investment in undivided interests in land. The Partnership also incurs costs related to holding the investment in undivided interests in land, including property taxes and interest, which are capitalized into the investment in undivided interests in land. Investment in undivided interests in land costs of $1,057,076 and $248,166, net of incidental income, were capitalized for the years ended December 31, 2014 and 2013, respectively.

The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use. Incidental income from rental operations totaling $42,931 and $3,360 for the years ended December 31, 2014 and 2013, respectively, was accounted for as a reduction of capitalized costs of investment in undivided interest in land in the accompanying balance sheets.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2014 and 2013.

3. Investment in Undivided Interests in Land, at Fair Value

Fair Value Measurements

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In some cases, the inputs used to measure fair value might fall in different levels of the hierarchy. The level in the hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The Partnership has determined that only Level 3 inputs were obtainable; however, in accordance with GAAP the Partnership is required to include the following discussion of the measurement hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner’s perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

During the years ended December 31, 2014 and 2013, the Partnership invested in Investments which are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership's Investments fall into as of December 31, 2014:

	2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 69,410,000	$ -	$ -	$ 69,410,000

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership's Investments fall into as of December 31, 2013:

	2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 66,100,000	$ -	$ -	$ 66,100,000

The table below presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2013:

Balance at December 31, 2012	$ 2,736,329
Purchases	63,782,959
Capitalized costs	248,166
Unrealized depreciation	(667,454)
Balance at December 31, 2013	66,100,000
Capitalized costs	1,057,076
Unrealized appreciation	2,252,924
Balance at December 31, 2014	$ 69,410,000

Total unrealized appreciation (depreciation) recorded for Level 3 investments are reported as the net increase (decrease) in unrealized appreciation (depreciation) on investments in the accompanying consolidated statements of operations for investments held at December 31, 2014 and 2013.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2014.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$19,767 - $39,621	$ 29,783

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2013.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$19,032 - $37,353	$ 28,266

Land
The significant unobservable inputs used in the fair value measurement of the Partnership's undivided interest in land are the selection of certain comparable sales under the market approach and the quoted price per lot or price per acre. Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements, respectively.

Investment Activity
The Partnership has purchased a 95% undivided interest in the River Park Property, 143.99 gross

acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

4. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

5. Related Party Transactions

Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

Due to affiliate consists of expenses paid by Walton USA on behalf of the Partnership totaling $6,661 and $23,410 at December 31, 2014 and 2013, respectively. Management fees payable totaled $0 and $162,797 at December 31, 2014 and 2013, respectively, which is also included in Due to affiliate in the accompanying balance sheets. The amount due is unsecured, non-interest bearing and payable on demand.

The Partnership pays Walton USA a management fee annually for managing the investments through the preliminary development period. A management fee of $1,527,553 and $846,999 was incurred during the years ended December 31, 2014 and 2013, respectively.

The Partnership sells limited partnership units through Walton Securities, Inc., a wholly owned subsidiary of Walton USA, and registered broker dealer, through a series of syndications to accredited investors. Commissions and marketing fees of $0 and $8,377,313, which are allocated in accordance with the percentages defined in the Confidential Private Placement Memorandum, related to syndication costs of the managing broker dealer were paid to Walton Securities, Inc, by the Partnership for the years ended December 31, 2014 and 2013, respectively. Fees paid to Walton Securities, Inc. are net of reduced selling commissions and fees of $0 and $805,367 for the years ended December 31, 2014 and 2013, respectively.

Organization costs of $0 and $830,774 associated with the formation of the Partnership were paid to Walton USA by the Partnership for the years ended December 31, 2014 and 2013, respectively.

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2014 and 2013.

The Partnership, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Walton USA receives no compensation for providing services as manager of the Investments.

6. Partners' Capital

Through final syndication at December 31, 2014, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B limited partner unit.

7. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

8. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2014 and 2013. The highlights are based on the allocation methodology described in Note 1 to these financial statements.

	2014	2013
Total return		
Internal rate of return since Inception	(6.91)%	(18.12)%
Ratios to average limited partners' capital		
Operating expenses	2.01%	3.37%
Carried interest	(0.10)%	(0.22)%
Net investment loss	(2.01)%	(3.37)%

Internal rate of return (“IRR”) is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership’s investments as of December 31, 2014 and 2013. The timing of the investments in addition to the asset appreciation resulted in a significant increase to the Fund’s IRR calculation and is not an indication of future performance. The IRR is calculated for limited partners taken as a whole. An individual partner’s return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

In the year of Inception, the expense and net investment loss ratios are calculated for the limited partners taken as a whole using weighted average capital contributions for the year. Subsequent to the year of Inception, the expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner’s return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

9. Subsequent Events

In preparing the financial statements, the Partnership evaluated subsequent events occurring through March 31, 2015, the date the consolidated financial statements were available to be issued, in accordance with the Partnership’s procedures related to disclosures of subsequent events.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2015 and 2014

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2015 and 2014

Page(s)

Independent Auditor's Report 1

Consolidated Financial Statements

Consolidated Balance Sheets 2

Consolidated Schedule of Investments 3

Consolidated Statements of Operations 4

Consolidated Statements of Changes in Partners' Capital 5

Consolidated Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7–16

Independent Auditor's Report

To the General Partner of
Walton U.S. Land Fund 3, LP

We have audited the accompanying consolidated financial statements of Walton U.S. Land Fund 3, LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets, including the consolidated schedule of investments, as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in partners' capital and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated 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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walton U.S. Land Fund 3, LP and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations, changes in their partners' capital and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 11, 2016

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Balance Sheets

December 31, 2015 and 2014

	2015	2014
Assets		
Investments in undivided interests in land, at fair value		
(cost $67,715,391 and $66,822,275 for 2015 and 2014)	$ 70,972,072	$ 69,410,000
Restricted cash (Note 2)	12,908,901	15,545,400
Accounts receivable	24,396	929
Prepaid expenses	4,227	4,403
Total assets	$ 83,909,596	$ 84,960,732
Liabilities and Partners' Capital		
Accounts payable and accrued liabilities	$ 130,900	$ 139,146
Due to affiliate (Note 5)	-	6,661
Total liabilities	130,900	145,807
Commitments and contingencies (Note 7)		
Partners' capital	83,778,696	84,814,925
Total liabilities and partners' capital	$ 83,909,596	$ 84,960,732

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2015 and 2014

				2015			
Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 2,010,143	$ 3,252,072	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,077,649	1,620,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,960,622	23,260,000	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,324,098	16,080,000	95%	19%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,485,449	7,890,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,857,430	18,870,000	95%	23%
				$ 67,715,391	$ 70,972,072		85%

				2014			
Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 1,973,071	$ 3,215,000	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,063,707	1,970,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,791,310	23,470,000	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,125,932	15,420,000	95%	18%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,493,305	7,235,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,374,950	18,100,000	95%	21%
				$ 66,822,275	$ 69,410,000		82%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Operations
Years Ended December 31, 2015 and 2014

	2015	2014
Operating expenses		
Professional fees	46,298	41,246
Management fees	1,527,553	1,527,553
Property maintenance	123,190	99,245
Other expenses	8,144	7,123
Total operating expenses	1,705,185	1,675,167
Net investment loss	(1,705,185)	(1,675,167)
Unrealized appreciation on investments	668,956	2,252,924
Net (decrease) increase in partners' capital resulting from operations	$ (1,036,229)	$ 577,757

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2015 and 2014

	Class A Limited Partners	Class B Limited Partner	Total
Balances at December 31, 2013	$ 84,114,838	$ 122,330	$ 84,237,168
Net investment loss	(1,675,167)	-	(1,675,167)
Unrealized appreciation on investments	2,252,924	-	2,252,924
Carried interest (Note 1 & Note 3)	82,111	(82,111)	-
Balances at December 31, 2014	84,774,706	40,219	84,814,925
Net investment loss	(1,705,185)	-	(1,705,185)
Unrealized appreciation on investments	668,956	-	668,956
Carried interest (Note 1 & Note 3)	40,219	(40,219)	-
Balances at December 31, 2015	$ 83,778,696	$ -	$ 83,778,696

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net (decrease) increase in partners' capital resulting from operations	$ (1,036,229)	$ 577,757
Adjustments to reconcile net (decrease) increase in partners' capital resulting from operations to net cash used in operating activities		
Payments made from expense reserve for operating expenses and liabilities	1,698,462	1,827,782
Unrealized appreciation on investments	(668,956)	(2,252,924)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	11,842	1,391
Due to affiliate	(5,119)	(154,006)
Net cash used in operating activities	-	-
Cash		
Beginning of year	-	-
End of year	$ -	$ -
Supplemental disclosure of non-cash activities (Note 2)		
Investments in undivided interests in land in accounts receivable	$ 24,396	$ 929
Investments in undivided interests in land in due to affiliate	-	1,542
Investments in undivided interests in land in accounts payable and accrued liabilities	88,074	108,162

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A limited Shareholders on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida") (collectively the "Investments" or "Properties"). The Partnership holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiary of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 5).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

The Partnership's ability to meet its cash flow needs may depend on its ability to borrow funds pursuant to a Funding Agreement (the "Funding Agreement") with Walton USA.

If the Partnership is unable to borrow funds from Walton USA, it may need to secure additional funding from a third party source. There can be no assurance that the Partnership can borrow such funds or, if it can, that it can do so at rates acceptable to the Partnership. The Partnership believes the cash reserves for future pre-development costs and administrative services, and its ability to borrow funds under the Funding Agreement will be adequate to fund its cash flow needs beyond December 31, 2016. To the extent that actual results or events differ from the Partnership's financial projections or business plans, its liquidity may be adversely impacted. See Note 5 for a discussion of the Funding Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes and as such, the Partnership prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-08, "Financial Services — Investment Companies (Topic 946) — Amendments to the Scope, Measurement, and Disclosure Requirements." The Fund has adopted ASU 2013-08 in 2014 and accordingly, required disclosures are included within the financial statements and related footnotes, as applicable.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Restricted Cash

The Partnership carries its restricted cash balances in a noninterest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and

subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of restricted cash. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2015 and 2014, the Partnership had $12,658,901 and $15,295,400 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to restricted cash.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2013.

	Expense Reserve	Concept Planning Fund Reserve	Total
Balances at December 31, 2013	$ 13,292,028	$ 5,116,272	$ 18,408,300
Rental income	42,478	-	42,478
Payments for investments in undivided interests in land	(113,976)	(963,620)	(1,077,596)
Payments for operating expenses and liabilities	(1,827,782)	-	(1,827,782)
Balances at December 31, 2014	11,392,748	4,152,652	15,545,400
Rental income	14,421	-	14,421
Payments for investments in undivided interests in land	(169,664)	(782,794)	(952,458)
Payments for operating expenses and liabilities	(1,698,462)	-	(1,698,462)
Balances at December 31, 2015	$ 9,539,043	$ 3,369,858	$ 12,908,901

Organizational Costs

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

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy

The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value

The Partnership applies ASC 820-10, *Fair Value Measurements and Disclosures*, which defines fair value and establishes a framework for measuring fair value. In accordance with the principles set forth in ASC 820-10, the General Partner values each portfolio position using, to the extent possible, independent, observable inputs for that exact instrument. In the event that observable inputs for the exact instrument are unavailable, the General Partner also may use observable inputs for similar instruments and/or other observable market information and data.

Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

Investments made by the Partnership, by their nature, are generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the General Partner. The valuations of Investments are determined using methods considered by the General Partner to be appropriate. These methods include, but are not limited to, market rates, discounted cash flows, recent comparable sale transactions, and company specific information. Because of the inherent uncertainties in valuing the Investments, the values reflected in the financial statements may materially differ from the value determined upon sale of these investments.

At the General Partner's discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. Investments in undivided interests in land costs of $893,116 and $1,057,076, net of incidental income, were capitalized for the years ended December 31, 2015 and 2014, respectively.

The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use. Incidental income from rental operations totaling $37,889 and $42,931 for the years ended December 31, 2015 and 2014, respectively, was accounted for as a reduction of capitalized costs of investment in undivided interest in land in the accompanying balance sheets.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2015 and 2014.

3. Investment in Undivided Interests in Land, at Fair Value

Fair Value Measurements
ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In some cases, the inputs used to measure fair value might fall in different levels of the hierarchy. The level in the hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The Partnership has determined that only Level 3 inputs were obtainable; however, in accordance with GAAP the Partnership is required to include the following discussion of the measurement hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2015 and 2014, the Partnership holds investments which are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership's Investments fall into as of December 31:

	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 70,972,072	$ -	$ -	$ 70,972,072

	2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 69,410,000	$ -	$ -	$ 69,410,000

The table below presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2015 and 2014:

Balance at December 31, 2013	$ 66,100,000
Capitalized costs	1,057,076
Unrealized appreciation	2,252,924
Balance at December 31, 2014	69,410,000
Capitalized costs	893,116
Unrealized appreciation	668,956
Balance at December 31, 2015	$ 70,972,072

Total unrealized appreciation (depreciation) recorded for Level 3 investments are reported as the net increase (decrease) in unrealized appreciation (depreciation) on investments in the accompanying consolidated statements of operations for investments held at December 31, 2015 and 2014.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2015.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	\$16,194 - \$39,264	\$ 30,238

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2014.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	\$19,767 - \$39,621	\$ 29,783

Land
The significant unobservable inputs used in the fair value measurement of the Partnership's undivided interest in land are the selection of certain comparable sales under the market approach and the quoted price per lot or price per acre. Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements, respectively.

Investment Activity
The Partnership has purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for \$1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for \$2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for \$24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for \$9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for \$8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for \$19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

4. Risk Management

Valuation and Liquidity Risk
The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk
The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

5. Related Party Transactions

Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

Due to affiliate consists of expenses paid by Walton USA on behalf of the Partnership totaling $0 and $6,661 at December 31, 2015 and 2014, respectively. The amount due is unsecured, non-interest bearing and payable on demand.

The Partnership pays Walton USA a management fee annually for managing the investments through the preliminary development period. A management fee of $1,527,553 and $1,527,553 was incurred during the years ended December 31, 2015 and 2014, respectively.

The Partnership sells limited partnership units through Walton Securities, Inc., a wholly owned subsidiary of Walton USA, and registered broker dealer, through a series of syndications to accredited investors.

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2015 and 2014.

The Partnership, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Walton USA receives no compensation for providing services as manager of the Investments.

6. Partners' Capital

Through final syndication at December 31, 2014, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B limited partner unit.

7. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

8. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2015 and 2014. The highlights are based on the allocation methodology described in Note 1 to these financial statements.

	2015	2014
Total return		
Internal rate of return since Inception	(4.77)%	(6.91)%
Ratios to average limited partners' capital		
Operating expenses	2.02%	2.01%
Carried interest	(0.05%)	(0.10%)
Net investment loss	(2.02%)	(2.01%)

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2015 and 2014. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner’s return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

9. Subsequent Events

In preparing the financial statements, the Partnership evaluated subsequent events occurring through March 11, 2016, the date the consolidated financial statements were available to be issued, in accordance with the Partnership’s procedures related to disclosures of subsequent events.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2016 and 2015

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2016 and 2015

Page(s)

Independent Auditor's Report 1

Consolidated Financial Statements

Consolidated Balance Sheets 3

Consolidated Schedule of Investments 4

Consolidated Statements of Operations 5

Consolidated Statements of Changes in Partners' Capital 6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements 8–18

Report of Independent Auditors

To WUSF3 GP, LLC
as General Partner of Walton U.S. Land Fund 3, LP

We have audited the accompanying consolidated financial statements of Walton U.S. Land Fund 3, LP and its subsidiaries (the “Partnership”), which comprise the consolidated balance sheet, including the consolidated schedule of investments, as of December 31, 2016, and the related consolidated statements of operations, changes in partners’ capital and cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated 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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walton U.S. Land Fund 3, LP, and its subsidiaries as of December 31, 2016, and the results of their operations, changes in their partners' capital and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, www.pwc.com/ca

Other Matter

The consolidated financial statements of the Partnership as of December 31, 2015 and for the year then ended were audited by other auditors whose report, dated March 11, 2016, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
December 6, 2017

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Investments in undivided interests in land, at fair value		
(cost $68,313,083and $67,715,391 for 2016 and 2015)	$ 75,298,363	$ 70,972,072
Restricted cash (Note 2)	10,740,825	12,908,901
Accounts receivable	29,913	24,396
Prepaid expenses	-	4,227
Total assets	$ 86,069,101	$ 83,909,596
Liabilities and Partners' Capital		
Accounts payable and accrued liabilities (Note 5)	$ 255,260	$ 130,900
Due to affiliate (Note 5)	3,949	-
Total liabilities	259,209	130,900
Commitments and contingencies (Note 7)		
Partners' capital	85,809,892	83,778,696
Total liabilities and partners' capital	$ 86,069,101	$ 83,909,596

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2016 and 2015

Investment Description	Property Location	Date of Acquisition	Asset Type	2016 Cost	2016 Fair Market Value	2016 Ownership Interest %	2016 % of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 2,080,960	$ 3,350,363	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,084,340	1,643,500	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,130,963	24,006,500	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,375,935	20,461,000	95%	24%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,520,634	10,292,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,120,251	15,545,000	95%	18%
				$ 68,313,083	$ 75,298,363		88%

Investment Description	Property Location	Date of Acquisition	Asset Type	2015 Cost	2015 Fair Market Value	2015 Ownership Interest %	2015 % of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 2,010,143	$ 3,252,072	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,077,649	1,620,000	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	24,960,622	23,260,000	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,324,098	16,080,000	95%	19%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,485,449	7,890,000	95%	9%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	19,857,430	18,870,000	95%	23%
				$ 67,715,391	$ 70,972,072		85%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Operating expenses		
Professional fees	$ 38,810	$ 46,298
Management fees	1,525,639	1,527,553
Property maintenance	126,712	123,190
Other expenses	6,242	8,144
Total operating expenses	1,697,403	1,705,185
Net investment loss	(1,697,403)	(1,705,185)
Change in net unrealized appreciation on investments	3,728,599	668,956
Net (decrease) increase in partners' capital resulting from operations	$ 2,031,196	$ (1,036,229)

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2016 and 2015

	Class A Limited Partners	Class B Limited Partner	Total
Balances at December 31, 2014	$ 84,774,706	$ 40,219	$ 84,814,925
Net investment loss	(1,705,185)	-	(1,705,185)
Change in net unrealized appreciation on investments	668,956	-	668,956
Carried interest (Note 1 & Note 3)	40,219	(40,219)	-
Balances at December 31, 2015	83,778,696	-	83,778,696
Net investment loss	(1,697,403)	-	(1,697,403)
Change in net unrealized appreciation on investments	3,728,599	-	3,728,599
Balances at December 31, 2016	$ 85,809,892	$ -	$ 85,809,892

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net increase (decrease) in partners' capital resulting from operations	$ 2,031,196	$ (1,036,229)
Adjustments to reconcile net increase (decrease) in partners' capital resulting from operations to net cash used in operating activities		
Payments made from expense reserve for operating expenses and liabilities	1,653,848	1,698,462
Change in net unrealized appreciation on investments	(3,728,599)	(668,956)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	41,914	11,842
Due to affiliate	1,641	(5,119)
Net cash used in operating activities	-	-
Cash		
Beginning of year	-	-
End of year	$ -	$ -
Supplemental disclosure of non-cash activities (Note 2)		
Investments in undivided interests in land in accounts receivable	$ 5,517	$ 24,396
Investments in undivided interests in land in due to affiliate	$ 2,308	$ -
Investments in undivided interests in land in accounts payable and accrued liabilities	$ 170,520	$ 88,074

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A limited Shareholders on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida") (collectively the "Investments" or "Properties"). The Partnership holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 5).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

The Partnership's ability to meet its cash flow needs may depend on its ability to borrow funds pursuant to a Funding Agreement (the "Funding Agreement") with Walton USA.

If the Partnership is unable to borrow funds from Walton USA, it may need to secure additional funding from a third party source. There can be no assurance that the Partnership can borrow such funds or, if it can, that it can do so at rates acceptable to the Partnership. The Partnership believes the cash reserves for future pre-development costs and administrative services, and its ability to borrow funds under the Funding Agreement will be adequate to fund its cash flow needs beyond December 31, 2017. To the extent that actual results or events differ from the Partnership's financial projections or business plans, its liquidity may be adversely impacted. See Note 5 for a discussion of the Funding Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes and as such, the Partnership prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-08, "Financial Services — Investment Companies (Topic 946) — Amendments to the Scope, Measurement, and Disclosure Requirements." The Fund has adopted ASU 2013-08 in 2014 and accordingly, required disclosures are included within the financial statements and related footnotes, as applicable.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Restricted Cash

The Partnership carries its restricted cash balances in a noninterest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and

subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of restricted cash and accounts receivable. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2016 and 2015, the Partnership had $10,490,825 and $12,658,901 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to restricted cash.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2014.

	Expense Reserve	Concept Planning Fund Reserve	Total
Balances at December 31, 2014	$ 11,392,748	$ 4,152,652	$ 15,545,400
Rental income	14,421	-	14,421
Payments for investments in undivided interests in land	(169,664)	(782,794)	(952,458)
Payments for operating expenses and liabilities	(1,698,462)	-	(1,698,462)
Balances at December 31, 2015	9,539,043	3,369,858	12,908,901
Rental income	10,043	-	10,043
Payments for investments in undivided interests in land	(117,943)	(406,328)	(524,271)
Payments for operating expenses and liabilities	(1,653,848)	-	(1,653,848)
Balances at December 31, 2016	$ 7,777,295	$ 2,963,530	$ 10,740,825

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

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
The Partnership applies ASC 820-10, *Fair Value Measurements and Disclosures*, which defines fair value and establishes a framework for measuring fair value. In accordance with the principles set forth in ASC 820-10, the General Partner values each portfolio position using, to the extent possible, independent, observable inputs for that exact instrument. In the event that observable inputs for the exact instrument are unavailable, the General Partner also may use observable inputs for similar instruments and/or other observable market information and data.

Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

Investments made by the Partnership, by their nature, are generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the General Partner. The valuations of Investments are determined using methods considered by the General Partner to be appropriate. These methods include, but are not limited to, market rates, discounted cash flows, recent comparable sale transactions, and company specific information. Because of the inherent uncertainties in valuing the Investments, the values reflected in the financial statements may materially differ from the value determined upon sale of these investments.

At the General Partner’s discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. Investments in undivided interests in land costs of $597,692 and $893,116, net of incidental income, were capitalized for the years ended December 31, 2016 and 2015, respectively.

The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use. Incidental income from rental operations totaling $15,560 and $37,889 for the years ended December 31, 2016 and 2015, respectively, was accounted for as a reduction of capitalized costs of investment in undivided interest in land in the accompanying balance sheets.

Income Taxes
Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2016 and 2015.

Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Company on January 1, 2019. Early adoption is permitted. This standard will not have an impact on the Company’s consolidated results of operations or financial position. The Company is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the effect the adoption of this standard will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

3. Investment in Undivided Interests in Land, at Fair Value

Fair Value Measurements

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In some cases, the inputs used to measure fair value might fall in different levels of the hierarchy. The level in the hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The Partnership has determined that only Level 3 inputs were obtainable; however, in accordance with GAAP the Partnership is required to include the following discussion of the measurement hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner’s perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner’s assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2016 and 2015, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

At December 31, 2016, the Level 3 input used to value Partnership's investment in the River Park property is the sales proceeds for this property pursuant to a purchase and sale agreement entered into in April 2017 in respect of this property.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

The following table summarizes the levels in the ASC 820-10 fair value hierarchy that the Partnership's Investments fall into as of December 31:

	2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 75,298,363	$ -	$ -	$ 75,298,363

	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments in undivided interests in land, at fair value	$ 70,972,072	$ -	$ -	$ 70,972,072

The table below presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015:

Balance at December 31, 2014	$ 69,410,000
Capitalized costs	893,116
Change in net unrealized appreciation	668,956
Balance at December 31, 2015	70,972,072
Capitalized costs	597,692
Change in net unrealized appreciation	3,728,599
Balance at December 31, 2016	$ 75,298,363

Total change in net unrealized appreciation recorded for Level 3 investments are reported as the change in net unrealized appreciation on investments in the accompanying consolidated statements of operations for investments held at December 31, 2016 and 2015.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2016.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$15,916 - $42,027	$ 30,665

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2015.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$16,194 - $39,264	$ 30,238

Land
The significant unobservable inputs used in the fair value measurement of the Partnership's undivided interest in land are the selection of certain comparable sales under the market approach and the quoted price per lot or price per acre. Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements, respectively.

Investment Activity
The Partnership has purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

4. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

5. Related Party Transactions

Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

Due to affiliate consists of expenses paid by Walton USA on behalf of the Partnership totaling $3,949 and $0 at December 31, 2016 and 2015, respectively. The amount due is unsecured, non-interest bearing and payable on demand.

Accounts payable and accrued liabilities includes expenditures paid by Walton Development & Management (USA), Inc. ("WDMI"), an entity which is affiliated with Walton USA, on behalf of the Partnership. Amounts payable to WDMI amounted to $215,770 and $102,751 as at December 31, 2016 and 2015, respectively. These amounts due are unsecured, non-interest bearing and payable on demand. Total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $635,495 and $1,017,576 during the year ended December 31, 2016 and 2015, respectively.

The Partnership pays Walton USA a management fee annually, calculated as 2% of the net purchase price for the respective properties, for managing the investments through the preliminary development period not to exceed eight years. A management fee of $1,525,639 and $1,527,553 was incurred during the years ended December 31, 2016 and 2015, respectively.

The Partnership sells limited partnership units through Walton Securities, Inc., a wholly owned subsidiary of Walton USA, and registered broker dealer, through a series of syndications to accredited investors.

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2016 and 2015.

The Partnership, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Walton USA receives no compensation for providing services as manager of the Investments.

6. Partners' Capital

Through final syndication at December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B limited partner unit.

7. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

8. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2016 and 2015. The highlights are based on the allocation methodology described in Note 1 to these financial statements.

	2016	2015
Total return		
Internal rate of return since Inception	(2.83)%	(4.77)%
Ratios to average limited partners' capital		
Operating expenses	2.05%	2.02%
Carried interest	N/A	(0.05%)
Net investment loss	(2.05%)	(2.02%)

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2016 and 2015. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

9. Subsequent Events

In preparing the financial statements, the Partnership evaluated subsequent events occurring through December 6, 2017, the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.

Effective April 3, 2017, the Partnership entered into a purchase and sale agreement (the "PSA") with an unrelated third party purchaser to sell all 143.99 gross acres of its River Park property for proceeds of $3,345,756. Under the terms of an amendment to this PSA dated November 29, 2017, the first closing relating to this sale is to occur on December 8, 2017 for proceeds of $1,805,756 relating to approximately 17.46 gross acres representing 47 platted lots and associated common lands. The second and final closing under this PSA for the remaining approximate 126.53 non-platted gross acres of this property is to occur not more than twelve months following the initial close for proceeds of $1,540,000.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2017 and 2016

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2017 and 2016

Page(s)

Independent Auditors' Report 1

Consolidated Financial Statements

Consolidated Balance Sheets 2

Consolidated Schedule of Investments 3

Consolidated Statements of Operations 4

Consolidated Statements of Changes in Partners' Capital 5

Consolidated Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7–17

Independent Auditors' Report

To the General Partner of Walton U.S. Land Fund 3, LP:

We have audited the accompanying consolidated financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries**, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated schedule of investments, consolidated statements of operations, changes in partners' capital, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Walton U.S. Land Fund 3, LP and Subsidiaries** at December 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on 2016 Consolidated Financial Statements

The 2016 consolidated financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries** were audited by other auditors who expressed an unmodified opinion on those statements on December 6, 2017.

Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada
September 21, 2018

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Investments in undivided interests in land, at fair value (cost \$67,453,691 and \$68,313,083 for 2017 and 2016) (*Note 3*)	\$ 65,181,000	\$ 75,298,363
Restricted cash (*Note 2*)	8,677,093	10,740,825
Accounts receivable	156,587	29,913
Due from affiliates (*Note 5*)	29,958	-
Cash	1,585,619	-
Total assets	\$ 75,630,257	\$ 86,069,101
Liabilities and Partners' capital		
Accounts payable and accrued liabilities (*Note 5*)	\$ 51,526	\$ 255,260
Due to affiliate (*Note 5*)	56,165	3,949
Total liabilities	107,691	259,209
Commitments and contingencies (*Note 7*)		
Partners' capital (*Note 6*)	75,522,566	85,809,892
Total liabilities and partners' capital	\$ 75,630,257	\$ 86,069,101

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2017 and 2016

				2017			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost**	**Fair Market Value**	**Ownership Interest %**	**% of Partners' Capital**
River Park	North Carolina	December 28, 2012	UDI - Land	$ 996,585	$ 1,540,000	95%	2%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,155	1,995,000	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,280,983	22,800,000	95%	30%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,390,865	17,100,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,508,582	6,356,000	95%	8%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,141,242	15,390,000	95%	20%
				$ 67,407,412	$ 65,181,000		86%

				2016			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost**	**Fair Market Value**	**Ownership Interest %**	**% of Partners' Capital**
River Park	North Carolina	December 28, 2012	UDI - Land	$ 2,080,960	$ 3,350,363	95%	4%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,084,340	1,643,500	95%	2%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,130,963	24,006,500	95%	28%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,375,935	20,461,000	95%	24%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,520,634	10,292,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,120,251	15,545,000	95%	18%
				$ 68,313,083	$ 75,298,363		88%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016

	2017	2016
Operating expenses		
Management fees (*Note 5*)	$ 1,527,553	$ 1,525,639
Professional fees	60,194	38,810
Property maintenance	9,441	126,712
Other expenses	5,608	6,242
Total operating expenses	1,602,796	1,697,403
Gain on sale of investment (*Note 3*)	527,162	-
Net investment loss	(1,075,634)	(1,697,403)
Change in net unrealized (depreciation) appreciation on investments	(9,211,692)	3,728,599
Net (decrease) increase in partners' capital resulting from operations	$ (10,287,326)	$ 2,031,196

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2017 and 2016

	Class A Limited Partners	Class B Limited Partner	Total
Balances at January 1, 2016	$ 83,778,696	$ -	$ 83,778,696
Net investment loss	(1,697,403)	-	(1,697,403)
Change in net unrealized appreciation on investments	3,728,599	-	3,728,599
Balances at December 31, 2016	85,809,892	-	85,809,892
Net investment loss	(1,075,634)		(1,075,634)
Change in net unrealized depreciation on investments	(9,211,692)	-	(9,211,692)
Balances at December 31, 2017	$ 75,522,566	-	$ 75,522,566

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net increase (decrease) in partners' capital resulting from operations	$(10,287,326)	$ 2,031,196
Adjustments to reconcile net increase (decrease) in partners' capital resulting from operations to net cash used in operating activities		
Realized gain on sale of investment in undivided land interest	(527,162)	-
Payments made from expense reserve for operating expenses and liabilities	1,693,454	1,653,848
Change in net unrealized depreciation (appreciation) on investments	9,211,692	(3,728,599)
Changes in operating assets and liabilities		
Accounts receivable	(105,981)	-
Accounts payable and accrued liabilities	(36,893)	41,914
Due to affiliate	52,216	1,641
Net cash used in operating activities	-	-
Cash flows from investing activities		
Proceeds from sale of investments	1,585,619	-
Net cash from investing activities	1,585,619	-
Net change in cash	1,585,619	-
Cash		
Beginning of year	-	-
End of year	$ 1,585,619	$ -
Supplemental disclosure of non-cash activities (Note 2)		
Investments in undivided interests in land in accounts receivable	$ 26,210	$ 5,517
Investments in undivided interests in land in due from affiliate	$ 29,958	$ -
Investments in undivided interests in land in due to affiliate	$ 2,308	$ 2,308
Investments in undivided interests in land in accounts payable and accrued liabilities	$ 3,679	$ 170,520

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the “Partnership”) was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A Limited Partners on December 18, 2012 (“Inception”). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC (“Walton North Carolina”), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP (“Walton Texas”), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC (“Walton Maryland”), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC (“Walton Florida”), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC (“Walton Arizona”) and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Florida (collectively the “Investments” or “Properties”). The Partnership currently holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the “Walton Affiliates”) will retain the remaining interests in the Investments. The Walton Affiliates are subsidiaries of Walton International Group (USA) Inc. (“Walton USA”).

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the “General Partner”). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the “Partnership Agreement”). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership’s behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner’s discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 5).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the “Base Amount”), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the “Preference Amount”). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

The Partnership's ability to meet its cash flow needs may depend on its ability to borrow funds pursuant to a Funding Agreement (the "Funding Agreement") with Walton USA.

If the Partnership is unable to borrow funds from Walton USA, it may need to secure additional funding from a third party source. There can be no assurance that the Partnership can borrow such funds or, if it can, that it can do so at rates acceptable to the Partnership. The Partnership believes the cash reserves for future pre-development costs and administrative services, and its ability to borrow funds under the Funding Agreement will be adequate to fund its cash flow needs beyond December 31, 2018. To the extent that actual results or events differ from the Partnership's financial projections or business plans, its liquidity may be adversely impacted. See Note 5 for a discussion of the Funding Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes and as such, the Partnership prepares its consolidated financial statements in accordance with US general accepted accounting principles ("GAAP") for investment companies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Concentration of Risk

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of restricted cash and accounts receivable. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2017 and 2016, the Partnership had $10,012,712 and $10,490,825 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to cash and restricted cash.

Restricted Cash

The Partnership carries its restricted cash balances in a noninterest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2014.

	Expense Reserve	Concept Planning Fund Reserve	Total
Balances at January 1, 2016	$ 9,539,043	$ 3,369,858	$ 12,908,901
Rental income	10,043	-	10,043
Payments for investments in undivided interests in land	(117,943)	(406,328)	(524,271)
Payments for operating expenses and liabilities	(1,653,848)	-	(1,653,848)
Balances at December 31, 2016	7,777,295	2,963,530	10,740,825
Payments for investments in undivided interests in land	-	(370,278)	(370,278)
Payments for operating expenses and liabilities	(1,693,454)	-	(1,693,454)
Balances at December 31, 2017	6,083,841	2,593,252	8,677,093

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

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period.

The most significant estimate is related to the fair value of the investment in undivided interests in land. The Partnership relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail to estimate the expected proceeds on sale. Assumptions underlying these estimates are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. By nature, these estimates are subjective and do not necessarily result in precise determinations.

Should the underlying assumptions change, the estimated proceeds from the ultimate sale may change by a material amount and result in a write down of the investment in undivided interests in land.

Actual results could differ from those reported.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

At the General Partner’s discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land.

The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use. Incidental income from rental operations totaling $46,281 and $15,560 for the years ended December 31, 2017 and 2016, respectively, was accounted for as a reduction of capitalized costs of investment in undivided interest in land in the accompanying balance sheets.

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In some cases, the inputs used to measure fair value might fall in different levels of the hierarchy. The level in the hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The Partnership has determined that only Level 3 inputs were obtainable; however, in accordance with GAAP the Partnership is required to include the following discussion of the measurement hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2017 and 2016, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

At December 31, 2016, the Level 3 input used to value Partnership's investment in the River Park property is the sales proceeds for this property pursuant to a purchase and sale agreement entered into in April 2017 in respect of this property.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

Income Taxes
Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2017 and 2016.

Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments and ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-18 provides guidance for the requirement that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-15 and ASU 2016-18 will be effective for the Partnership on January 1, 2019. Early adoption is permitted. This standard will not have an impact on the Partnership's consolidated results of operations or financial position. The Partnership is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

3. Investment in Undivided Interests in Land, at Fair Value

The Partnership has purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

In 2017, WUSF3 River Park, LLC entered into a Purchase and Sale Agreement (the "PSA") to sell 47 lots of the River Park Property. Under the PSA, 47 lots were sold as part of the first closing on December 14, 2017. The Partnership received cash proceeds of $1,586,195 net of settlement charges and deposits in escrow of $105,981 included in accounts receivable and recognized a realized gain of $527,162 on the sale. The second closing, which is expected to occur during 2018, is to sell the remainder of the River Park Property for $1,540,000.

The table below presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016:

Balance at January 1, 2016	$ 70,972,072
Capitalized costs	597,692
Change in net unrealized appreciation	3,728,599
Balance at December 31, 2016	75,298,363
Capitalized costs	282,738
Cost of sales – River Park Property	(1,188,409)
Change in net unrealized depreciation	(9,211,692)
Balance at December 31, 2017	$ 65,181,000

Total unrealized appreciation (depreciation) recorded for Level 3 investments are reported as the change in net unrealized appreciation (depreciation) on investments in the accompanying consolidated statements of operations for investments held at December 31, 2017 and 2016.

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2017.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	\$3,700 - \$48,353	\$24,954

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2016.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	\$15,916 - \$42,027	\$30,665

4. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk
The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

5. Related Party Transactions

Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

Due from affiliate consists of rental income collected by Walton Development & Management (USA), Inc. ("WDMI"), an entity which is affiliated with Walton USA, on behalf of the Partnership totaling $29,958 and $nil at December 31, 2017 and 2016, respectively.

Due to affiliate consists of expenses paid by Walton USA on behalf of the Partnership totaling $56,165 and $3,949 at December 31, 2017 and 2016, respectively. The amount due is unsecured, non-interest bearing and payable on demand.

Accounts payable and accrued liabilities includes expenditures paid by WDMI on behalf of the Partnership. Amounts payable to WDMI amounted to $nil and $215,770 as at December 31, 2017 and 2016, respectively. These amounts due are unsecured, non-interest bearing and payable on demand. Total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $558,601 and $635,495 during the year ended December 31, 2017 and 2016, respectively.

The Partnership pays Walton USA a management fee annually, calculated as 2% of the net purchase price for the respective properties, for managing the investments through the preliminary development period not to exceed eight years. Walton USA will refund a pro rata amount of the management fee paid in advance when any property is sold as any subsequent management fees that Walton USA is entitled to are to be reduced proportionately based on the acquisition price of the property sold relative to the aggregate acquisition price paid for all properties held immediately prior to the sale. A management fee of $1,527,553 and $1,525,639 was incurred during the years ended December 31, 2017 and 2016, respectively.

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2017 and 2016.

The Partnership, the Subsidiaries, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments.

6. Partners' Capital

Through final syndication at December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B Limited Partnership unit.

7. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

8. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2017 and 2016. The highlights are based on the allocation methodology described in Note 1 to these consolidated financial statements.

	2017	2016
Total return		
Internal rate of return since Inception	(4.89)%	(2.83)%
Ratios to average limited partners' capital		
Operating expenses	1.98%	2.05%
Net investment loss	(1.33)%	(2.05)%

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2017 and 2016. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

9. Subsequent Events

In preparing the consolidated financial statements, the Partnership evaluated subsequent events occurring through September 21, 2018, the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.

On February 20, 2018, the Partnership distributed $1,619,165 or $0.17 per unit to unitholders as a result of the sale of the River Park Property. The remaining amount of $72,435 will be added to the Partnership's reserves.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements

December 31, 2018 and 2017

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2018 and 2017

	Page(s)
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Schedule of Investments	3
Consolidated Statements of Comprehensive Income (Loss)	4
Consolidated Statements of Changes in Partners' Capital	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–16

Independent Auditors' Report

To the General Partner of Walton U.S. Land Fund 3, LP:

We have audited the accompanying consolidated financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries**, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated schedule of investments, consolidated statements of comprehensive income (loss), changes in partners' capital, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Walton U.S. Land Fund 3, LP and Subsidiaries** at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Canada
April 30, 2019

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
	$	$
Assets		
Investment in undivided interests in land, at fair value (cost $66,589,696 and $67,407,412 for 2018 and 2017) *(Note 4)*	**70,317,000**	65,181,000
Cash *(Notes 3 and 7)*	**91,572**	1,585,619
Restricted cash *(Note 3)*	**6,830,251**	8,677,093
Accounts receivable	**35,465**	156,587
Due from affiliates *(Note 6)*	**445,692**	29,958
Total assets	**77,719,980**	75,630,257
Liabilities and Partners' capital		
Accounts payable and accrued liabilities *(Note 6)*	**64,653**	51,526
Due to affiliate *(Note 6)*	**4,569**	56,165
Total liabilities	**69,222**	107,691
Commitments and contingencies *(Note 8)*		
Partners' capital *(Note 7)*	**77,650,758**	75,522,566
Total liabilities and partners' capital	**77,719,980**	75,630,257

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2018 and 2017

				2018			
Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,246	2,090,000	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,381,217	22,785,000	95%	29%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,440,791	17,574,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,534,177	9,080,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,144,265	18,788,000	95%	24%
				66,589,696	70,317,000		91%

				2017			
Investment Description	Property Location	Date of Acquisition	Asset Type	Cost	Fair Market Value	Ownership Interest %	% of Partners' Capital
River Park	North Carolina	December 28, 2012	UDI - Land	$ 996,585	$ 1,540,000	95%	2%
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,155	1,995,000	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,280,983	22,800,000	95%	30%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,390,865	17,100,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,508,582	6,356,000	95%	8%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,141,242	15,390,000	95%	20%
				$ 67,407,412	$ 65,181,000		86%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2018 and 2017

	2018	2017
	$	$
Operating expenses		
Management fees (*Note 6*)	**1,116,012**	1,527,553
Professional fees	**112,984**	69,635
Other expenses	**1,041**	5,608
Total operating expenses	**1,230,037**	1,602,796
Loss (gain) on sale of investment in undivided interests in land (*Note 4*)	**91,060**	(527,162)
Net investment loss	**(1,321,097)**	(1,075,634)
Change in net unrealized appreciation (depreciation) on investments	**6,497,129**	(9,211,692)
Net increase (decrease) in partners' capital resulting from operations	**5,176,032**	(10,287,326)

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2018 and 2017

	Class A Limited Partners	Class B Limited Partner	Total
	$	$	$
Balances at January 1, 2017	85,809,892	-	85,809,892
Net investment loss	(1,075,634)	-	(1,075,634)
Change in net unrealized depreciation on investments	(9,211,692)	-	(9,211,692)
Balances at December 31, 2017	75,522,566	-	75,522,566
Net investment loss	(1,321,097)		(1,321,097)
Change in net unrealized appreciation on investments	6,497,129	-	6,497,129
Distributions to unitholders *(Note 7)*	(3,047,840)	-	(3,047,840)
Balances at December 31, 2018	**77,650,758**	**-**	**77,650,758**

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
	$	$
Cash flows from operating activities		
Net increase (decrease) in partners' capital resulting from operations	**5,176,032**	(10,287,326)
Adjustments to reconcile net increase (decrease) in partners' capital		
Realized loss (gain) on sale of investment in undivided land interests	**91,060**	(527,162)
Change in net unrealized depreciation (appreciation) on investments	**(6,497,129)**	9,211,692
Changes in operating assets and liabilities		
Due from affiliate	**(445,692)**	-
Accounts payable and accrued liabilities	**45,836**	(36,893)
Due to affiliate	**(49,288)**	52,216
Net cash used in operating activities	**(1,679,181)**	(1,587,473)
Cash flows from investing activities		
Proceeds from sale of investments	**1,553,793**	1,585,619
Investment in undivided interest in land	**(167,661)**	(476,259)
Net cash provided by investing activities	**1,386,132**	1,109,360
Cash flows from financing activities		
Distributions to unitholders	**(3,047,840)**	-
Net cash used in financing activities	**(3,047,840)**	-
Net change in cash and restricted cash	**(3,340,889)**	(478,113)
Cash and restricted cash		
Beginning of year	**10,262,712**	10,740,825
End of year	**6,921,823**	10,262,712
Supplemental disclosure of non-cash activities		
Investments in undivided interests in land in accounts receivable	11,069	26,210
Sale of investments in undivided interests in accounts receivable	-	105,981
Investments in undivided interests in land in due from affiliate	-	29,958
Investments in undivided interests in land in due to affiliate	-	2,308
Investment in undivided interest in land in accounts payable and accrued liabilities	(29,031)	3,678

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A Limited Partners on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Florida (collectively the "Investments" or "Properties"). The Partnership currently holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (Note 3). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. The Walton Affiliates are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 7).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes. The Partnership prepares its consolidated financial statements in accordance with US general accepted accounting principles ("GAAP") for investment companies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Concentration of Risk

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of cash, restricted cash and accounts receivable. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2018 and 2017, the Partnership had $6,671,823 and $10,012,712 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to cash and restricted cash.

Cash and Restricted Cash

The Partnership carries its cash and restricted cash balances in a non-interest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2014.

Organizational Costs

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of expenses during the reporting period.

The most significant estimate is related to the fair value of the investment in undivided interests in land. The Partnership relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail to estimate the expected proceeds on sale. Assumptions underlying these estimates are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. By nature, these estimates are subjective and do not necessarily result in precise determinations.

Should the underlying assumptions change, the estimated proceeds from the ultimate sale may change by a material amount and result in a write down of the investment in undivided interests in land.

Actual results could differ from those reported.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

At the General Partner’s discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use.

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of valuation techniques used to measure fair value as follows.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information,

volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2018 and 2017, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2018 and 2017.

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments and ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-18 provides guidance for the requirement that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-15 and ASU 2016-18 is effective for the Partnership on January 1, 2019, however the Partnership has chosen to early adopt, retrospectively, as of January 1, 2018. These standards have not had a material impact on the Partnership's results of operations or financial position. As a result of ASU 2016-18, the statement of cash flows combines cash and restricted cash into the cash balance and includes changes in restricted cash. The change has resulted in an increase to cash used in operating activities of $1,587,473 and a decrease to cash provided by investing activities of $476,259 for the year ended December 31, 2017. Changes in restricted cash are now disclosed within the statement of cash flows for all years presented. The adoption of ASU 2016-15 had no impact on the statement of cash flows.

Recent Accounting Pronouncement

In August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement”. The guidance in this ASU eliminates certain disclosure requirements for fair value measurements and modifies some disclosure requirements. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but are required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. Certain provisions are applied prospectively while others are applied retrospectively. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on the financial statements.

3. Cash and Restricted Cash

In 2017, cash included proceeds from sale of investments, which had not yet been distributed to investors. During 2018, distributions were made and cash was reduced to $91,572. Restricted cash is comprised of funds received through final syndication for the Expense Reserve and the Concept Planning Fund Reserve. As at December 31, 2018, total cash and restricted cash is $6,921,823 (2017 - $10,262,712).

The changes in restricted cash during the year is as follows:

	Expense Reserve $	Concept Planning Fund Reserve $	Total $
Balances at January 1, 2017	7,777,295	2,963,530	10,740,825
Payments for investments in undivided interests in land	-	(476,259)	(476,259)
Payments for operating expenses and liabilities	(1,587,473)	-	(1,587,473)
Balances at December 31, 2017	6,189,822	2,487,271	8,677,093
Payments for investments in undivided interests in land	-	(167,661)	(167,661)
Payments for operating expenses and liabilities	(1,679,181)	-	(1,679,181)
Balances at December 31, 2018	**4,510,641**	**2,319,610**	**6,830,251**

4. Investment in Undivided Interests in Land, at Fair Value

The Partnership purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

In 2017, WUSF3 River Park, LLC ("River Park") entered into a Purchase and Sale Agreement ("PSA") to sell 47 lots of the River Park Property and accompanying land. Under the PSA, 47 lots and accompanying land were sold with two closing dates. On December 14, 2017, under the initial closing, River Park received cash proceeds of $1,585,619 net of settlement charges and deposits in escrow of $105,982, included in accounts receivable. In 2018, River Park completed the final closing of the PSA for cash proceeds of $1,447,811 net of settlement charges. In 2018, the Partnership recognized a net realized loss on the sale of $91,060 recorded in the statement of comprehensive loss (2017 – net realized gain $527,162).

The table below presents a reconciliation of the beginning and ending balances for all investments for the years ended December 31, 2018 and 2017:

Balance at January 1, 2017	$	75,298,363
Capitalized costs, net of incidental income ($46,281)		282,738
Initial closing of River Park sale		(1,188,409)
Change in net unrealized depreciation		(9,211,692)
Balance at December 31, 2017		65,181,000
Capitalized costs, net of incidental income ($35,465)		177,742
Final closing of River Park sale		(1,538,871)
Change in net unrealized appreciation		6,497,129
Balance at December 31, 2018		70.317,000

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2018.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$17,241 - $54,001	$32,563

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2017.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$3,700 - $48,353	$24,954

5. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

6. Related Party Transactions

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2018 and 2017.

The Partnership, the Subsidiaries, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

As at December 31, amounts due to and from affiliates is as follows:

	2018 **$**	2017 $
Amounts due from affiliates, which are unsecured, non-interest bearing and receivable on demand:		
Walton Development & Management (USA), Inc.	**41,333**	29,958
Walton USA	**404,359**	-
Due from affiliates	**445,692**	29,958
Other amounts due to affiliates, which are unsecured, non-interest bearing and payable on demand:		
Walton International Group Inc.	**4,569**	-
Walton USA	**-**	56,165
Due to affiliate	**4,569**	56,165

The Partnership pays Walton USA a management fee annually, calculated as 2% of the net purchase price for the respective properties, for managing the investments through the preliminary development period not to exceed eight years. Walton USA will refund a pro rata amount of the management fee paid in advance when any property is sold as any subsequent management fees that Walton USA is entitled to are to be reduced proportionately based on the acquisition price of the property sold relative to the aggregate acquisition price paid for all properties held immediately prior to the sale. A management fee of $1,116,012 and $1,527,553 was incurred during the years ended December 31, 2018 and 2017, respectively.

Due from affiliates consists of rental income collected by Walton Development & Management (USA), Inc, an entity which is affiliated with Walton USA, on behalf of the Partnership totaling includes $41,338 and $29,958 at December 31, 2018 and 2017, respectively. Due from affiliates also includes $455,908 receivable from Walton USA for an adjustment to management fees paid in advance offset by amounts owed to Walton USA for costs paid by Walton USA on behalf of the Partnership.

Total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $255,850 and $558,601 during the years ended December 31, 2018 and 2017, respectively.

7. Partners' Capital

Through final syndication at December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B Limited Partnership unit.

The Partnership distributed $1,619,165 or $0.17 per unit to unitholders on February 20, 2018 and $1,428,675 or $0.15 per unit to unitholders on December 31, 2018. Both distributions were as a result of the sale of the River Park Property. The combined remaining amount of $91,572 from both distributions remained in cash.

8. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

9. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2018 and 2017. The highlights are based on the allocation methodology described in Note 1 to these consolidated financial statements.

	2018	2017
Total return		
Internal rate of return since Inception	(3.56)%	(4.89)%
Ratios to average limited partners' capital		
Operating expenses	1.61%	1.98%
Net investment loss	(1.72)%	(1.33)%

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2018 and 2017. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

10. Subsequent Events

In preparing the consolidated financial statements, the Partnership evaluated subsequent events occurring through April 30, 2019, the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2019 and 2018

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2019 and 2018

	Page(s)
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Schedule of Investments	3
Consolidated Statements of Comprehensive (Loss) Income	4
Consolidated Statements of Changes in Partners' Capital	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–16

Independent Auditors' Report

To the General Partner of Walton U.S. Land Fund 3, LP:

We have audited the accompanying consolidated financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries**, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated schedule of investments, consolidated statements of comprehensive (loss) income, changes in partners' capital, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Walton U.S. Land Fund 3, LP and Subsidiaries** at December 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
April 24, 2020

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
	$	$
Assets		
Investment in undivided interests in land, at fair value (cost $67,054,824 and $66,589,696 for 2019 and 2018) *(Note 4)*	**71,110,250**	70,317,000
Cash *(Notes 3 and 7)*	**-**	91,572
Restricted cash *(Note 3)*	**5,909,602**	6,830,251
Accounts receivable	**-**	35,465
Due from affiliates *(Note 6)*	**363,773**	445,692
Total assets	**77,383,625**	77,719,980
Liabilities and Partners' capital		
Accounts payable and accrued liabilities	**49,515**	64,653
Due to affiliate *(Note 6)*	**-**	4,569
Total liabilities	**49,515**	69,222
Commitments and contingencies *(Note 8)*		
Partners' capital *(Note 7)*	**77,334,110**	77,650,758
Total liabilities and partners' capital	**77,383,625**	77,719,980

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2019 and 2018

Investment Description	Property Location	Date of Acquisition	Asset Type	2019 Cost	2019 Fair Market Value	2019 Ownership Interest %	2019 % of Partners' Capital
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,161	2,132,750	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,671,379	22,800,000	95%	30%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,477,821	18,050,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,572,355	9,080,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,244,108	19,047,500	95%	25%
				67,054,824	$ 71,110,250		93%

Investment Description	Property Location	Date of Acquisition	Asset Type	2018 Cost	2018 Fair Market Value	2018 Ownership Interest %	2018 % of Partners' Capital
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,246	2,090,000	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,381,217	22,785,000	95%	29%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,440,791	17,574,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,534,177	9,080,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,144,265	18,788,000	95%	24%
				66,589,696	70,317,000		91%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2019 and 2018

	2019	2018
	$	$
Revenue		
Interest income	**12,947**	-
Operating expenses		
Management fees (*Note 6*)	**407,227**	1,116,012
Professional fees	**219,782**	112,984
Other expenses	**30,708**	1,041
Total operating expenses	**657,717**	1,230,037
Loss on sale of investment in undivided interests in land (*Note 4*)	**-**	91,060
Net investment loss	**(644,770)**	(1,321,097)
Change in net unrealized appreciation on investments	**328,122**	6,497,129
Net (decrease) increase in partners' capital resulting from operations	**(316,648)**	5,176,032

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2019 and 2018

	Class A Limited Partners	Class B Limited Partner	Total
	$	$	$
Balances at January 1, 2018	75,522,566	-	75,522,566
Net investment loss	(1,321,097)		(1,321,097)
Change in net unrealized appreciation on investments	6,497,129	-	6,497,129
Distributions to unitholders *(Note 7)*	(3,047,840)	-	(3,047,840)
Balances at December 31, 2018	77,650,758	-	77,650,758
Net investment loss	(644,770)	-	(644,770)
Change in net unrealized appreciation on investments	328,122	-	328,122
Balances at December 31, 2019	**77,334,110**	**-**	**77,334,110**

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
	$	$
Cash flows from operating activities		
Net (decrease) increase in partners' capital resulting from operations	**(316,648)**	5,176,032
Adjustments to reconcile net (decrease) increase in partners' capital		
Realized loss on sale of investment in undivided land interests	**-**	91,060
Change in net unrealized appreciation on investments	**(328,122)**	(6,497,129)
Changes in operating assets and liabilities		
Due from affiliate	**81,919**	(445,692)
Accounts receivable	**24,396**	
Accounts payable and accrued liabilities	**(15,138)**	45,836
Due to affiliate	**(4,569)**	(49,288)
Net cash used in operating activities	**(558,162)**	(1,679,181)
Cash flows from investing activities		
Proceeds from sale of investments	**-**	1,553,793
Investment in undivided interest in land	**(454,059)**	(167,661)
Net cash (used in) provided by investing activities	**(454,059)**	1,386,132
Cash flows from financing activities		
Distributions to unitholders	**-**	(3,047,840)
Net cash used in financing activities	**-**	(3,047,840)
Net change in cash and restricted cash	**(1,012,221)**	(3,340,889)
Cash and restricted cash		
Beginning of year	**6,921,823**	10,262,712
End of year	**5,909,602**	6,921,823
Supplemental disclosure of non-cash activities		
Investments in undivided interests in land in accounts receivable	**-**	11,069
Investment in undivided interest in land in accounts payable and accrued liabilities	**(29,031)**	(29,031)

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A Limited Partners on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Florida (collectively the "Investments" or "Properties"). The Partnership currently holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (Note 4). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. The Walton Affiliates are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 7).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation
Management has determined that the Partnership is a real estate investment company for accounting purposes. The Partnership prepares its consolidated financial statements in accordance with US general accepted accounting principles ("GAAP") for investment companies.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Concentration of Risk
Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of cash, restricted cash and accounts receivable. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2019 and 2018, the Partnership had $5,659,602 and $6,671,823 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to cash and restricted cash.

Cash and Restricted Cash
The Partnership carries its cash and restricted cash balances in a non-interest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2014.

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

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of expenses during the reporting period.

The most significant estimate is related to the fair value of the investment in undivided interests in land. The Partnership relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail to estimate the expected proceeds on sale. Assumptions underlying these estimates are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. By nature, these estimates are subjective and do not necessarily result in precise determinations.

Should the underlying assumptions change, the estimated proceeds from the ultimate sale may change by a material amount and result in a write down of the investment in undivided interests in land.

Actual results could differ from those reported.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

At the General Partner's discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use.

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of valuation techniques used to measure fair value as follows.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

> Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.
>
> Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
>
> Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information,

volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2019 and 2018, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

Revenue Recognition

Revenue from the sale of investments in undivided interests in land is recognized at the point in time when the performance obligations are met. Performance obligations are satisfied when we transfer title of the land to the buyer, all material conditions of the sales contract have been met and collection of the sales price is probable.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying consolidated financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2019 and 2018.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), and has since issued several additional amendments thereto (collectively referred to herein as "ASC 606"). ASC 606 establishes a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under ASC 606, an entity is required to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Partnership adopted ASC 606 on January 1, 2019 using the modified retrospective approach. The Partnership derives substantially all of its revenue from real estate sales contracts that have a single performance obligation to transfer real property to customers at which time revenue is recognized, consistent with the Partnership's former revenue recognition policy. As a result, there was no restatement of comparative periods and no cumulative-effect adjustment to partners' capital at the time of adoption. On the consolidated statement of comprehensive (loss) income, revenue from contracts with customers will now be presented gross instead of presenting a net realized gain/loss on the sale of investments in undivided interests in land.

Recent Accounting Pronouncement

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement". The guidance in this ASU eliminates certain disclosure requirements for fair value measurements and modifies some disclosure requirements. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but are required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. Certain provisions are applied prospectively while others are applied retrospectively. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on the consolidated financial statements.

3. Cash and Restricted Cash

Restricted cash is comprised of funds received through final syndication for the Expense Reserve and the Concept Planning Fund Reserve. As at December 31, 2019, total cash and restricted cash is $5,909,602 (2018 - $6,921,823).

The changes in restricted cash during the year is as follows:

	Expense Reserve $	Concept Planning Fund Reserve $	Total $
Balances at January 1, 2018	6,189,822	2,487,271	8,677,093
Payments for investments in undivided interests in land	-	(167,661)	(167,661)
Payments for operating expenses and liabilities	(1,679,181)	-	(1,679,181)
Balances at December 31, 2018	4,510,641	2,319,610	6,830,251
Interest income	12,947	-	12,947
Payments for investments in undivided interests in land	-	(362,487)	(362,487)
Payments for operating expenses and liabilities	(571,109)	-	(571,109)
Balances at December 31, 2019	**3,952,479**	**1,957,123**	**5,909,602**

4. Investment in Undivided Interests in Land, at Fair Value

The Partnership purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

In 2017, WUSF3 River Park, LLC (“River Park”) entered into a Purchase and Sale Agreement (“PSA”) to sell 47 lots of the River Park Property and accompanying land. Under the PSA, 47 lots and accompanying land were sold with two closing dates. On December 14, 2017, under the initial closing, River Park received cash proceeds of $1,585,619 net of settlement charges and deposits in escrow of $105,982, included in accounts receivable. In 2018, River Park completed the final closing of the PSA for cash proceeds of $1,447,811 net of settlement charges, and the Partnership recognized a net realized loss on the sale of $91,060. The final closing of the PSA resulted in the sale of the remainder of the River Park Property.

The table below presents a reconciliation of the beginning and ending balances for all investments for the years ended December 31, 2019 and 2018:

Balance at January 1, 2018	$	65,181,000
Capitalized costs, net of incidental income ($35,465)		177,742
Final closing of River Park sale		(1,538,871)
Change in net unrealized appreciation		6,497,129
Balance at December 31, 2018		70.317,000
Capitalized costs, net of incidental income ($14,151)		465,128
Change in net unrealized appreciation		328,122
Balance at December 31, 2019		71,110,250

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2019.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$16,351 – $48,012	$30,704

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2018.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$17,241 – $54,001	$32,563

5. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

6. Related Party Transactions

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2019 and 2018.

The Partnership, the Subsidiaries, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

As at December 31, amounts due to and from affiliates is as follows:

	2019 **$**	2018 $
Amounts due from affiliates, which are unsecured, non-interest bearing and receivable on demand:		
Walton Development & Management (USA), Inc.	**-**	41,333
Walton USA	**363,773**	404,359
Due from affiliates	**363,773**	445,692
Other amounts due to affiliates, which are unsecured, non-interest bearing and payable on demand:		
Walton International Group Inc.	**-**	4,569
Due to affiliate	**-**	4,569

The Partnership pays Walton USA a management fee annually, calculated as 2% of the net purchase price for the respective properties, for managing the investments through the preliminary development period not to exceed eight years. Walton USA will refund a pro rata amount of the management fee paid in advance when any property is sold as any subsequent management fees that Walton USA is entitled to are to be reduced proportionately based on the acquisition price of the property sold relative to the aggregate acquisition price paid for all properties held immediately prior to the sale. A management fee of $407,227 and $1,116,012 was incurred during the years ended December 31, 2019 and 2018, respectively.

Due from affiliates consists of rental income collected by Walton Development & Management (USA), Inc. ("WDMI"), an entity which is affiliated with Walton USA, on behalf of the Partnership for $nil and $41,333 at December 31, 2019 and 2018, respectively. Due from affiliates also includes $363,773 receivable from Walton USA for an adjustment to management fees paid in advance offset by amounts owed to Walton USA for costs paid by Walton USA on behalf of the Partnership (2018 - $404,359).

Total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $480,994 and $255,850 during the years ended December 31, 2019 and 2018, respectively.

7. Partners' Capital

Through final syndication at December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B Limited Partnership unit.

The Partnership distributed $1,619,165 or $0.17 per unit to unitholders on February 20, 2018 and $1,428,675 or $0.15 per unit to unitholders on December 31, 2018. Both distributions were as a result of the sale of the River Park Property in 2018. The combined remaining amount of $91,572 from both distributions remained in cash. No distributions were made in 2019.

8. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

9. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2019 and 2018. The highlights are based on the allocation methodology described in Note 1 to these consolidated financial statements.

	2019	2018
Total return		
Internal rate of return since inception	(3.09%)	(3.56%)
Ratios to average limited partners' capital		
Operating expenses	0.85%	1.61%
Net investment loss	(0.41%)	(1.72%)

Internal rate of return (“IRR”) is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership’s investments as of December 31, 2019 and 2018. The IRR is calculated for limited partners taken as a whole. An individual partner’s return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner’s return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

10. Subsequent Events

In preparing the consolidated financial statements, the Partnership evaluated subsequent events occurring through April 24, 2020 the date the consolidated financial statements were available to be issued, in accordance with the Partnership’s procedures related to disclosures of subsequent events.

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including the United States, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The short and long-term impact to the real estate market is unknown at this time.

The duration and impact of COVID-19 remains unclear at this time and therefore the impact to the fair value of the Partnership’s investment in undivided interests in land is unknown as of the date of these consolidated financial statements. The Partnership has determined that these events are non-recognized subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect any impact.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2020 and 2019

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2020 and 2019

	Page(s)
Report of Independent Auditors	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Schedule of Investments	4
Consolidated Statements of Comprehensive Loss	5
Consolidated Statements of Changes in Partners’ Capital	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8–17

Report of Independent Auditors

To the General Partner of Walton U.S. Land Fund 3, LP:

We have audited the accompanying consolidated financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries**, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated schedule of investments, consolidated statements of comprehensive loss, changes in partners' capital, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 referred to above present fairly, in all material respects, the consolidated financial position of **Walton U.S. Land Fund 3, LP and Subsidiaries** at December 31, 2020 and 2019 and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
April 30, 2021

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2020 and 2019

	2020 **$**	2019 $
Assets		
Investment in undivided interests in land, at fair value (cost $67,263,532 and $67,054,824 for 2020 and 2019) *(Note 4)*	**69,072,500**	71,110,250
Restricted cash *(Note 3)*	**5,005,916**	5,909,602
Due from affiliates *(Note 7)*	**826,458**	363,773
Total assets	**74,904,874**	77,383,625
Liabilities and Partners' capital		
Accounts payable and accrued liabilities (*Note 7)*	**37,283**	49,515
Deferred revenue *(Note 6)*	**23,801**	-
Total liabilities	**61,084**	49,515
Commitments and contingencies *(Note 9)*		
Partners' capital *(Note 8)*	**74,843,790**	77,334,110
Total liabilities and partners' capital	**74,904,874**	76,383,625

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2020 and 2019

Investment Description	Property Location	Date of Acquisition	Asset Type	2020 Cost	2020 Fair Market Value	2020 Ownership Interest %	2020 % of Partners' Capital
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,419	2,185,000	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,799,266	19,000,000	95%	25%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,501,217	19,000,000	95%	25%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,586,477	9,080,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,287,153	19,807,500	95%	26%
				$ 67,263,532	$ 69,072,500		91%

Investment Description	Property Location	Date of Acquisition	Asset Type	2019 Cost	2019 Fair Market Value	2019 Ownership Interest %	2019 % of Partners' Capital
Redwood Meadows	Texas	January 4, 2013	UDI - Land	2,089,161	2,132,750	95%	3%
Dobson Creek	Maryland	April 23, 2013	UDI - Land	25,671,379	22,800,000	95%	30%
Ridgewood Lakes	Florida	June 13, 2013	UDI - Land	10,477,821	18,050,000	95%	23%
Vista Ranch	Arizona	July 31, 2013	UDI - Land	8,572,355	9,080,000	95%	12%
Harvest Grove North	Florida	December 31, 2013	UDI - Land	20,244,108	19,047,500	95%	25%
				$ 67,054,824	$ 71,110,250		93%

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2020 and 2019

	2020	2019
	$	$
Revenue		
Interest income	**8,814**	12,947
Operating expenses		
Management fees (*Note 7*)	**-**	407,227
Professional fees	**216,232**	219,782
Other expenses	**36,444**	30,708
Total operating expenses	**252,676**	657,717
Net investment loss	**(243,862)**	(644,770)
Change in net unrealized (depreciation) appreciation on investments	**(2,246,458)**	328,122
Net decrease in partners' capital resulting from operations	**(2,490,320)**	(316,648)

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2020 and 2019

	Class A Limited Partners	Class B Limited Partner	Total
	$	$	$
Balances at January 1, 2019	77,650,758	-	77,650,758
Net investment loss	(644,770)	-	(644,770)
Change in net unrealized appreciation on investments	328,122	-	328,122
Balances at December 31, 2019	77,334,110	-	77,334,110
Net investment loss	(243,862)	-	(243,862)
Change in net unrealized depreciation on investments	(2,246,458)	-	(2,246,458)
Balances at December 31, 2020	**74,843,790**	**-**	**74,843,790**

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
	$	$
Cash flows from operating activities		
Net decrease in partners' capital resulting from operations	**(2,490,320)**	(316,648)
Adjustments to reconcile net decrease in partners' capital		
Change in net unrealized depreciation (appreciation) on investments	**2,246,458**	(328,122)
Changes in operating assets and liabilities		
Due from affiliates	**(462,685)**	81,919
Accounts receivable	**-**	24,396
Accounts payable and accrued liabilities	**(41,263)**	(15,138)
Deferred revenue	**23,801**	-
Due to affiliate	**-**	(4,569)
Net cash used in operating activities	**(724,009)**	(558,162)
Cash flows from investing activities		
Investment in undivided interest in land	**(179,677)**	(454,059)
Net cash used in investing activities	**(179,677)**	(454,059)
Net change in restricted cash	**(903,686)**	(1,012,221)
Restricted cash		
Beginning of year	**5,909,602**	6,921,823
End of year	**5,005,916**	5,909,602
Supplemental disclosure of non-cash activities		
Investment in undivided interest in land in accounts payable and accrued liabilities	-	(29,031)

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A Limited Partners on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Florida (collectively the "Investments" or "Properties"). The Partnership currently holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (Note 4). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. The Walton Affiliates are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (Note 8).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes. The Partnership prepares its consolidated financial statements in accordance with US general accepted accounting principles (“GAAP”) for investment companies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership’s wholly owned subsidiaries, WUSF3 River Park, LLC, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC (collectively the “Subsidiaries”). All intercompany transactions and balances have been eliminated on consolidation.

Concentration of Risk

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of restricted cash. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. At December 31, 2020 and 2019, the Partnership had $4,755,916 and $5,659,602 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to restricted cash.

Restricted Cash

The Partnership carries its restricted cash balances in a non-interest bearing business checking account with a commercial banking institution. Restricted cash represents cash deposits that have been set aside for a specific use and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication at December 31, 2014.

Organizational Costs

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of expenses during the reporting period.

The most significant estimate is related to the fair value of the investment in undivided interests in land. The Partnership relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail to estimate the expected proceeds on sale. Assumptions underlying these estimates are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. By nature, these estimates are subjective and do not necessarily result in precise determinations.

Should the underlying assumptions change, the estimated proceeds from the ultimate sale may change by a material amount and result in a write down of the investment in undivided interests in land.

Actual results could differ from those reported.

Capitalization Policy
The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value
Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of operations. ASC 820-10 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

At the General Partner's discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use.

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of valuation techniques used to measure fair value as follows.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

> Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.
>
> Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
>
> Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information,

volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

At December 31, 2020 and 2019, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

Revenue Recognition

Revenue from the sale of investments in undivided interests in land is recognized at the point in time when the performance obligations are met. Performance obligations are satisfied when we transfer title of the land to the buyer, all material conditions of the sales contract have been met and collection of the sales price is probable.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required at December 31, 2020 and 2019.

Recently Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement". The guidance in this ASU eliminates certain disclosure requirements for fair value measurements and modifies some disclosure requirements. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but are required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. Certain provisions are applied prospectively while others are applied retrospectively. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Partnership adopted this ASU during the year ended December 31, 2020, and the adoption of this ASU did not have a material impact on the consolidated financial statements.

3. Restricted Cash

Restricted cash is comprised of funds received through final syndication for the Expense Reserve and the Concept Planning Fund Reserve. As at December 31, 2020, total cash and restricted cash is $5,005,916 (2019 - $5,909,602).

The changes in restricted cash during the year is as follows:

	Expense Reserve $	Concept Planning Fund Reserve $	Total $
Balances at January 1, 2019	4,510,641	2,319,610	6,830,251
Interest income	12,947	-	12,947
Payments for investments in undivided interests in land	-	(362,487)	(362,487)
Payments for operating expenses and liabilities	(571,109)	-	(571,109)
Balances at December 31, 2019	3,952,479	1,957,123	5,909,602
Interest income	8,814	-	8,814
Payments for investments in undivided interests in land	-	(179,677)	(179,677)
Payments for operating expenses and liabilities	(732,823)	-	(732,823)
Balances at December 31, 2020	**3,228,470**	**1,777,446**	**5,005,916**

4. Investment in Undivided Interests in Land, at Fair Value

The Partnership purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership has purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership has purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership has purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership has purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership has purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

In 2017, WUSF3 River Park, LLC ("River Park") entered into a Purchase and Sale Agreement ("PSA") to sell 47 lots of the River Park Property and accompanying land. Under the PSA, 47 lots and accompanying land were sold with two closing dates. On December 14, 2017, under the initial closing, River Park received cash proceeds of $1,585,619 net of settlement charges and deposits in escrow of $105,982, included in accounts receivable. In 2018, River Park completed the final closing of the PSA for cash proceeds of $1,447,811 net of settlement charges and the Partnership recognized a net realized loss on the sale of $91,060. The final closing of the PSA resulted in the sale of the remainder of the River Park Property.

The table below presents a reconciliation of the beginning and ending balances for all investments for the years ended December 31, 2019 and 2018:

Balance at January 1, 2019	$	70,317,000
Capitalized costs, net of incidental income ($14,151)		465,128
Change in net unrealized appreciation		328,122
Balance at December 31, 2019		71,110,250
Capitalized costs, net of incidental income ($nil)		208,708
Change in net unrealized depreciation		(2,246,458)
Balance at December 31, 2020		69,072,500

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2020.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$19,438 – $48,012	$30,477

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the period ended December 31, 2019.

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	$16,351 – $48,012	$30,704

5. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

6. Deferred Revenue

Deferred revenue is comprised of deposits on land for which revenue recognition criteria have not been met. The deposits are non-refundable and are paid in accordance with the terms of the purchase and sale agreement. The purchase and sale agreement is for the potential sale of approximately 6.5 acres of the Dobson Creek Property. As of December 31, 2020, the Partnership has recorded deposits on land of $23,801 (2019 - $nil).

7. Related Party Transactions

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning Fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement at December 31, 2020 and 2019.

The Partnership, the Subsidiaries, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

As at December 31, amounts due to and from affiliates is as follows:

	2020 **$**	2019 $
Amounts due from affiliates, which are unsecured, non-interest bearing and receivable on demand:		
Walton Development & Management (USA), Inc.	**464,108**	-
Walton USA	**362,350**	363,773
Due from affiliates	**826,458**	363,773

Up to and including the year ended December 31, 2019, the Partnership paid Walton USA a management fee annually, calculated as 2% of the net purchase price for the respective properties, for managing the investments through the preliminary development period not to exceed eight years. Such fees were administrative in nature and were treated as expenses of the Partnership. A management fee of $nil and $407,227 was incurred for the years ended December 31, 2020 and 2019, respectively.

Due from affiliates includes $464,108 from Walton Development & Management (USA), Inc. (“WDMI”), an entity which is affiliated with Walton USA, related to an overpayment of asset management fees paid to WDMI in 2020 (2019 - $nil). Due from affiliates also includes $362,350 receivable from Walton USA for an adjustment to management fees paid in advance offset by amounts owed to Walton USA for costs paid by Walton USA on behalf of the Partnership (2019 - $363,773).

During the year ended December 31, 2020, total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $890,611 (2019 - $480,994).

8. Partners' Capital

Through final syndication at December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B Limited Partnership unit.

9. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

10. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2020 and 2019. The highlights are based on the allocation methodology described in Note 1 to these consolidated financial statements.

	2020	2019
Total return		
Internal rate of return since Inception	(3.11%)	(3.09%)
Ratios to average limited partners' capital		
Operating expenses	0.33%	0.85%
Net investment loss	0.32%	0.83%

Internal rate of return ("IRR") is calculated assuming that cash for investments is paid on the date of the closing and cash received is treated as an inflow on the date it is available for distribution, regardless of when it is actually distributed. Expenses and other outflows are calculated based on the date such amount is accrued as payable. The IRR is calculated using the fair value of the Partnership's investments as of December 31, 2020 and 2019. The IRR is calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios are calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

11. COVID-19 Pandemic

The outbreak of COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have not caused material disruption to the Partnership. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Partnership in future periods.

12. Subsequent Events

In preparing the consolidated financial statements, the Partnership evaluated subsequent events occurring through April 30, 2021 the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Financial Statements
December 31, 2022 and 2021

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Index
December 31, 2022 and 2021

	Page(s)
Report of Independent Auditors	
Consolidated Financial Statements	
Consolidated Balance Sheets	1
Consolidated Schedule of Investments	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Partners' Capital	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-14

Report of independent auditors

To the General Partner of
Walton U.S. Land Fund 3, LP and Subsidiaries

Opinion

We have audited the financial statements of **Walton U.S. Land Fund 3, LP and Subsidiaries** [the "Partnership"], which comprise the balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in partners' capital and cash flows for the years then ended, and the related notes [collectively referred to as the "financial statements"].

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ["GAAS"]. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

Calgary, Canada
April 7, 2023

Chartered Professional Accountants

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022 $	2021 $
Assets		
Investment in undivided interests in land, at fair value (cost $54,515,581 and $57,730,422 for 2022 and 2021) *(Note 4)*	**72,584,055**	65,027,221
Restricted cash *(Notes 3 and 7)*	**856,040**	1,359,007
Cash *(Note 3)*	**1,163,887**	-
Accounts receivable *(Note 5)*	**3,187,155**	505,875
Due from affiliates *(Note 8)*	**488,659**	625,560
Total assets	**78,279,796**	67,517,663
Liabilities and Partners' capital		
Accounts payable and accrued liabilities	**41,822**	46,340
Deferred revenue *(Note 7)*	**194,236**	171,000
Total liabilities	**236,058**	217,340
Partners' capital *(Note 9)*	**78,043,738**	67,300,323
Total liabilities and partners' capital	**78,279,796**	67,517,663

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Schedule of Investments
December 31, 2022 and 2021

				2022			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost $**	**Fair Market Value $**	**Ownership Interest %**	**% of Partners' Capital**
Redwood Meadows	Texas	Jan 04, 2013	UDI - Land	2,095,154	2,398,730	95%	3%
Dobson Creek	Maryland	Apr 23, 2013	UDI - Land	22,626,691	21,478,958	95%	28%
Ridgewood Lakes	Florida	Jun 13, 2013	UDI - Land	10,432,459	20,899,741	95%	27%
Harvest Grove North	Florida	Dec 31, 2013	UDI - Land	19,361,277	27,806,626	95%	36%
				54,515,581	**72,584,055**		**94%**

				2021			
Investment Description	**Property Location**	**Date of Acquisition**	**Asset Type**	**Cost $**	**Fair Market Value $**	**Ownership Interest %**	**% of Partners' Capital**
Redwood Meadows	Texas	Jan 04, 2013	UDI - Land	2,091,044	2,374,994	95%	4%
Dobson Creek	Maryland	Apr 23, 2013	UDI - Land	25,836,592	20,899,935	95%	31%
Ridgewood Lakes	Florida	Jun 13, 2013	UDI - Land	10,403,442	20,899,741	95%	31%
Harvest Grove North	Florida	Dec 31, 2013	UDI - Land	19,399,344	20,852,551	95%	31%
				57,730,422	**65,027,221**		**97%**

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

Walton U.S. Land Fund 3, LP and Subsidiaries

(A Delaware limited partnership)

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2022 and 2021

	2022 $	2021 $
Revenue		
Land sales *(Note 4)*	**3,920,175**	16,606,000
Total revenue	**3,920,175**	16,606,000
Cost of sales	**2,857,758**	10,761,662
Gross profit	**1,062,417**	5,844,338
Operating expenses		
Professional fees	**224,419**	250,143
Other fees *(Note 8)*	**111,720**	20,235
Other expenses	**231**	55
Total operating expenses	**336,370**	270,433
Net income	**726,047**	5,573,905
Change in net unrealized appreciation on investments	**10,131,158**	6,027,023
Net and comprehensive income	**10,857,205**	11,600,928

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Changes in Partners' Capital
Years Ended December 31, 2022 and 2021

	Class A Limited Partners $	Class B Limited Partners $	Total $
Balances at January 1, 2021	**74,843,790**	**-**	**74,843,790**
Net income	5,573,905	-	5,573,905
Distribution to partners *(Note 9)*	(19,144,245)	-	(19,144,245)
Withholding tax	(150)	-	(150)
Change in net unrealized appreciation on investments	6,027,023	-	6,027,023
Balances at December 31, 2021	**67,300,323**	**-**	**67,300,323**
Net income	726,047	-	726,047
Withholding tax	(113,790)	-	(113,790)
Change in net unrealized appreciation on investments	10,131,158	-	10,131,158
Balances at December 31, 2022	**78,043,738**	**-**	**78,043,738**

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

Walton U.S. Land Fund 3, LP and Subsidiaries
(A Delaware limited partnership)
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022 $	2021 $
Cash flows from operating activities		
Net income	**10,857,205**	11,600,928
Adjustments to reconcile net income		
Change in net unrealized appreciation on investments	**(10,131,158)**	(6,027,023)
Realized gain on sale of investment in undivided interest in land	**(1,062,417)**	(5,844,338)
Changes in operating assets and liabilities		
Due from affiliates	**136,901**	200,898
Accounts payable and accrued liabilities	**(4,840)**	9,057
Deferred revenue	**23,236**	147,199
Net cash (used in) provided by operating activities	**(181,073)**	86,721
Cash flows from investing activities		
Proceeds from sale of investments	**1,195,169**	15,613,201
Investment in undivided interest in land	**(239,386)**	(202,436)
Net cash provided by investing activities	**955,783**	15,410,765
Cash flows from financing activities		
Withholding tax	**(113,790)**	(150)
Distribution to partners	**-**	(19,144,245)
Net cash used in financing activities	**(113,790)**	(19,144,395)
Net increase (decrease) in cash and restricted cash	**660,920**	(3,646,909)
Cash and restricted cash		
Beginning of year	**1,359,007**	5,005,916
End of year	**2,019,927**	1,359,007
Supplemental disclosure of non-cash activities		
Investment in undivided interest in land in accounts payable and accrued liabilities	**322**	-
Investment in undivided interest in land in accounts receivable	**3,187,155**	505,875

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

1. Business and Organization

Walton U.S. Land Fund 3, LP (the "Partnership") was formed on June 7, 2012 under the laws of the State of Delaware and operations commenced when the Partnership began admitting Class A Limited Partners on December 18, 2012 ("Inception"). The purpose of the Partnership is to raise sufficient funds through syndication of partnership interests to purchase undivided interests in land. The Partnership has acquired an undivided interest in the River Park Property from an affiliate, Walton North Carolina, LLC ("Walton North Carolina"), an undivided interest in the Redwood Meadows Property from an affiliate, Walton Texas, LP ("Walton Texas"), an undivided interest in the Dobson Creek Property from an affiliate, Walton Maryland, LLC ("Walton Maryland"), an undivided interest in the Ridgewood Lakes Property from an affiliate, Walton Acquisitions FL, LLC ("Walton Florida"), an undivided interest in the Vista Ranch Property from an affiliate, Walton Arizona, LLC ("Walton Arizona") and an undivided interest in the Harvest Grove North Property from an affiliate, Walton Florida (collectively the "Investments" or "Properties"). The Partnership currently holds the undivided interests indirectly through WUSF3 River Park, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC, WUSF3 Vista Ranch, LLC and WUSF3 Harvest Grove N, LLC wholly owned subsidiaries of the Partnership, as an investment (see Note 4). Walton North Carolina, Walton Texas, Walton Maryland, Walton Florida and Walton Arizona (collectively the "Walton Affiliates") will retain the remaining interests in the Investments. The Walton Affiliates are subsidiaries of Walton International Group (USA) Inc. ("Walton USA").

In December 2018, the Partnership fully exited the River Park Property. Effective April 29, 2020, the Partnership dissolved the subsidiary, WUSF 3 River Park, LLC, which previously held the River Park Property. In October 2021, the Partnership fully exited the Vista Ranch Property. Effective December 6, 2022, the Partnership dissolved the subsidiary, WUSF 3 Vista Ranch, LLC, which previously held the Vista Ranch Property.

WUSF3 GP, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Walton USA, is the general partner of the Partnership (the "General Partner"). The General Partner will act as the manager of the Partnership and manage the affairs of the Partnership pursuant to the terms of the Agreement of Limited Partnership of Walton U.S. Land Fund 3, LP (the "Partnership Agreement"). Under the Partnership Agreement, the Partnership will reimburse the General Partner for expenses incurred on the Partnership's behalf.

The Partnership Agreement provides for the issuance of up to 5,000,000 Class A Limited Partnership units, which can be increased at the General Partner's discretion to up to a maximum of 10,000,000 Class A Limited Partnership units, and 1 Class B Limited Partnership unit. Walton USA is the holder of the Class B unit pursuant to a capital contribution of $0.01. The Class B unit holder is entitled to a distribution only after all required distributions are made to the General Partner and Class A Limited Partners in accordance with the Partnership Agreement (see Note 9).

The Partnership will hold the Investments for capital appreciation and it is not expected that ownership of the interest in the Investments will generate significant current income. Upon sale of the Investments, after allowing for expenses and liabilities, the Partnership will distribute to each unit holder, to the extent funds are available, an amount equal to the sum of (a) each unit holders unreturned capital contributions allocable to such Investment (the "Base Amount"), and (b) an amount sufficient to provide to each original subscriber of units a 10.5% annual cumulative non-compounded preferred return allocable to such Investment (for the period from the date of issuance of such units by the Partnership through the record date of the distribution in question) on the aggregate Base Amount of the units held by it (the "Preference Amount"). If funds remain subsequent to the payment of the Base Amount and Preference Amount, the Partnership will distribute 60% of the remaining funds to the unit holders (pro rata based on their relative number of Units) and 40% to the Class B unit holder, Walton USA.

Profits, losses, and distributions, if any, are allocated to the partners in a manner consistent with the Partnership Agreement. A hypothetical liquidation at fair value assumes all Partnership's assets were sold for cash equal to their gross asset values, all Partnership liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed in full to the Partners as of the date of presentation and as recorded on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation

Management has determined that the Partnership is a real estate investment company for accounting purposes. The Partnership prepares its consolidated financial statements in accordance with US general accepted accounting principles ("GAAP") for investment companies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and the Partnership's wholly owned subsidiaries, WUSF3 Redwood Meadows, GP, LLC, WUSF3 Redwood Meadows, LP, WUSF3 Dobson Creek, LLC, WUSF3 Ridgewood Lakes, LLC and WUSF3 Harvest Grove N, LLC (collectively the "Subsidiaries"). All intercompany transactions and balances have been eliminated on consolidation.

Concentration of Risk

Financial instruments that potentially subject the Partnership to a concentration of credit risk consist principally of restricted cash. At various times throughout the period, the Partnership maintained a restricted cash balance in excess of federally insured amounts at a financial institution. As of December 31, 2022 and 2021, the Partnership had $1,769,927 and $1,109,007 in excess of FDIC insured limits, respectively. The Partnership has not experienced any losses in such accounts and management does not believe they are exposed to any significant credit risk with respect to restricted cash.

Cash and Restricted Cash

The Partnership carries its cash and restricted cash balances in their own respective noninterest bearing business checking accounts with a commercial banking institution. Additionally, restricted cash balances include funds held in escrow. Restricted cash represents cash deposits that have been set aside for a specific use as well as deposits received from signed purchase agreements and are not available for general purposes. Restricted cash consists of cash on deposit for the Expense Reserve and the Concept Planning Fund Reserve as defined in the Funding Agreement. The Expense Reserve represents funds put aside to pay for administrative expenses in connection with the ongoing administration and operation of the Partnership including management fees, property taxes, legal, accounting, auditing and other expenses. The Concept Planning Fund Reserve represents funds put aside to pay for concept planning costs including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, preparing and seeking appropriate planning, zoning, and subdivision approvals, and other pre-development activities. Any portion of the Expense Reserve and the Concept Planning Fund Reserve remaining upon disposition of the Properties will be distributed to the unit holders on dissolution of the Partnership.

The Partnership received $14,146,967 and $5,195,176 for the Expense Reserve and the Concept Planning Fund Reserve, respectively, through final syndication as of December 31, 2014.

Organizational Costs

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of expenses during the reporting period.

The most significant estimate is related to the fair value of the investment in undivided interests in land. The Partnership relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail to estimate the expected proceeds on sale. Assumptions underlying these estimates are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. By nature, these estimates are subjective and do not necessarily result in precise determinations.

Should the underlying assumptions change, the estimated proceeds from the ultimate sale may change by a material amount and result in a write down of the investment in undivided interests in land.

Actual results could differ from those reported.

Capitalization Policy

The Partnership capitalizes all direct costs incurred related to the acquisition of investments. Capitalized costs are included in the recognition of any realized or unrealized appreciation or depreciation of the investment.

Investments in Undivided Interests in Land, at Fair Value

Investments in undivided interests in land are reflected on the consolidated balance sheets at fair value with changes in unrealized appreciation (depreciation) resulting from changes in fair value reflected in the consolidated statements of comprehensive income (loss). ASC 820-10 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). The transaction to sell the asset or transfer the liability is a hypothetical transaction at the valuation date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine an exit price for the asset or liability.

At the General Partner's discretion, the Partnership may perform a variety of pre-development activities to protect and enhance the value of the Properties including performing a development feasibility assessment, preparing a conceptual master plan for the Properties, seeking appropriate planning and zoning approvals, preparing and seeking approval of subdivision plats and other pre-development activities. These costs are generally capitalized to the investments in undivided interests in land. The Partnership also incurs costs related to holding the investments in undivided interests in land, including property taxes and interest, which are capitalized into the investments in undivided interests in land. The Partnership receives rental income from land leases. The Partnership is in the pre-development phase and the Investments are being prepared for their intended use.

ASC 820-10 establishes a hierarchy to increase consistency and comparability in measurements, which prioritizes into three levels the inputs of valuation techniques used to measure fair value as follows.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Inputs to the valuation methodology are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Partnership has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology include prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The lowest priority is given to Level 3 measurements, which include prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

It should be noted that different market participants may weigh various inputs differently, use different valuation techniques, have more or less credible data, and have different assumptions about whether inputs are observable, therefore it should be expected that different market participants may classify the same instrument at different ASC 820-10 levels. The General Partner's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

As of December 31, 2022 and 2021, the Partnership's investments are measured and reported at Level 3 of the fair value hierarchy. Inputs used to determine fair value for these investments range from current interest rates, discount rates, recent comparable sales transactions, and specific information related to any collateral securing the investments. Comparable sales data included adjustments for differences in physical and other characteristics to maximize the efficacy of these inputs.

The Partnership's investments in undivided interests in land generally fall within Level 3 of the hierarchy due to the significance of unobservable inputs in the valuation techniques. When observable market inputs are not available, management uses a variety of valuation techniques such as the market approach or the income approach for assets, for which sufficient and reliable data is available. Within Level 3, the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows.

Revenue Recognition

Revenue from the sale of investments in undivided interests in land is recognized at the point in time when the performance obligations are met. Performance obligations are satisfied when we transfer title of the land to the buyer, all material conditions of the sales contract have been met and collection of the sales price is probable.

Income Taxes

Under federal and state income tax regulations, the taxable income or loss of the Partnership flows through to the individual partners and is reported on their individual income tax returns; accordingly, no provision of federal or state income taxes is reflected in the accompanying financial statements. Any penalties or interest incurred in relation to filing respective tax returns of the Partnership will be paid by Walton USA.

The General Partner is required to determine whether a tax position of the Partnership is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has determined that no reserves were required as of December 31, 2022 and 2021.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and in July 2018, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, and ASU 2018-11, Leases (Topic 842) Targeted Improvements (collectively, the new lease standard or ASC 842). The new lease standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the income statement. Under the new lease standard, the Partnership will account for the lease component separately from the non-lease components of any lease agreements.

The Partnership adopted the standard as of January 1, 2022 using the alternative transition method provided under ASC 842, which allows the Partnership to initially apply the new lease standard at the beginning of the period of adoption. The adoption of ASC 842 did not have a material impact on the consolidated financial statements and did not result in the recognition of additional lease assets and lease liabilities as of January 1, 2022.

3. Cash and Restricted Cash

As of December 31, 2022 and 2021, the Partnership had a cash balance of $1,163,887 and $nil, respectively. As of December 31, 2022 and 2021, restricted cash balances were $856,040 and $1,359,007, respectively. Restricted cash was comprised of deposits held for the potential sale of land (see Note 7) of $194,236 and $171,000 for the years ended December 31, 2022 and 2021, respectively, and funds received through final syndication for the Expense Reserve and the Concept Planning Fund Reserve as follows:

	Expense Reserve $	Concept Planning Fund Reserve $	Total $
Balances at January 1, 2021	**3,228,470**	**1,777,446**	**5,005,916**
Distribution of excess reserve to unit holders	(1,956,034)	(1,575,010)	(3,531,044)
Payments for investments in undivided interests in land	-	(202,436)	(202,436)
Payments for operating expenses and liabilities	(84,429)	-	(84,429)
Balances at December 31, 2021	**1,188,007**	**-**	**1,188,007**
Payments for investments in undivided interests in land	(239,386)	-	(239,386)
Payments for operating expenses and liabilities	(286,817)	-	(286,817)
Balances at December 31, 2022	**661,804**	**-**	**661,804**

4. Investment in Undivided Interests in Land, at Fair Value

The Partnership purchased a 95% undivided interest in the River Park Property, 143.99 gross acres of land situated in Gaston County, North Carolina for $1,733,699. The remaining 5% undivided interest is owned by Walton North Carolina. The Partnership purchased a 95% undivided interest in the Redwood Meadows Property, 104.98 gross acres of land situated in DFW Ellis, Texas for $2,027,143. The remaining 5% undivided interest is owned by Walton Texas. The Partnership purchased a 95% undivided interest in the Dobson Creek Property, 623.47 gross acres of land situated in Prince George County, Maryland for $24,307,911. The remaining 5% undivided interest is owned by Walton Maryland. The Partnership purchased a 95% undivided interest in the Ridgewood Lakes Property, 666.27 gross acres of land situated in Polk County, Florida for $9,869,624. The remaining 5% undivided interest is owned by Walton Florida. The Partnership purchased a 95% undivided interest in the Vista Ranch Property, 318.60 gross acres of land situated in Pinal County, Arizona for $8,505,151. The remaining 5% undivided interest is owned by Walton Arizona. The Partnership purchased a 95% undivided interest in the Harvest Grove N. Property, 727.33 gross acres of land situated in Hillsborough County, Florida for $19,073,130. The remaining 5% undivided interest is owned by Walton Florida.

In 2017, the syndication entered into a Purchase and Sale Agreement ("PSA") to sell 47 lots of the River Park Property and accompanying land. Under the PSA, 47 lots and accompanying land were sold with two closing dates. The initial closing occurred on December 14, 2017, and the final closing occurred on December 15, 2018, resulting in the full exit of the River Park Property.

In 2021, the syndication entered into a PSA to fully exit 318.60 acres of the Vista Ranch Property. On October 15, 2021, the Partnership received cash proceeds of $13,200,480, net of settlement charges of $436,770, and recognized a net realized gain of $4,112,632 on the sale.

In 2019, the syndication entered into an Option Agreement ("OA") to sell approximately 2,078 lots, or partially exit approximately 694 acres, of the Harvest Grove N Property. Under the OA, 71 lots were sold as part of the first closing on June 30, 2021. Of the remaining lots to be sold, the Partnership received deposits of $76,000. The Partnership received cash proceeds of $161,047, net of settlement charges of $7,578 and deferred payments, and recognized a net realized loss of $206,658 on the sale. Deferred payments of $505,875 were receivable in relation to this first closing (see Note 5).

In 2022, the syndication entered into a PSA for the partial exit of 1.77 acres of the Harvest Grove N Property. On July 14, 2022, the Partnership received cash proceeds of $196,779, net of settlement proceeds of $604, and recognized a net realized gain of $143,028 on the sale.

In 2020, the syndication entered into a PSA for the partial exit of 3.23 acres of the Dobson Creek Property. On June 28, 2021, the Partnership received cash proceeds of $2,172,433, net of settlement charges of $42,017, and recognized a net realized gain of $2,088,253 on the sale.

In 2019, the syndication entered into an OA to sell approximately 196 lots, or partially exit 80.94 acres, of the Dobson Creek Property. On December 27, 2022, the Partnership received cash proceeds of $998,390, net of settlement charges of $44,330 and deferred payments, and recognized a net realized gain of $919,389 on the sale. Deferred payments of $2,681,280 were receivable in relation to this sale (see Note 5).

In 2020, the syndication entered into a PSA for the partial exit of 8 acres of the Ridgewood Lakes Property. On January 7, 2021, the Partnership received cash proceeds of $79,241, net of settlement charges of $559, and recognized a net realized loss of $148,889 on the sale.

In 2021, the syndication entered into an OA to sell approximately 736 lots within the Ridgewood Lakes Property and received deposits of $94,486. Additionally, in 2021, the syndication entered into an OA to sell approximately 279 lots within the Ridgewood Lakes Property and received deposits of $23,750 (see Note 7).

In 2022, the syndication entered into a PSA to partially exit approximately 31.76 acres of the Ridgewood Lakes Property.

Investment in undivided interests in land costs of $230,412 and $236,465, net of incidental income of $339 and $34,919, were capitalized during the years ended December 31, 2022 and 2021, respectively.

The significant unobservable inputs used in the fair value measurement of the Partnership's undivided interest in land under the market approach are the selection of certain comparable sales and the quoted price per lot or price per acre. Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements, respectively.

The table below presents a reconciliation of the beginning and ending balances for all investments for the years ended December 31, 2022 and 2021:

	$
Balances at January 1, 2021	**69,072,500**
Capitalized costs, net of incidental income ($34,919)	236,465
Cost of sales	(10,308,767)
Change in net unrealized depreciation	6,027,023
Balances at December 31, 2021	**65,027,221**
Capitalized costs, net of incidental income ($339)	230,412
Cost of sales	(2,804,736)
Change in net unrealized appreciation	10,131,158
Balances at December 31, 2022	**72,584,055**

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2022:

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range $	Weighted Average $
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	18,787 - 55,192	38,269

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements for the year ended December 31, 2021:

Asset Type	Unit of Measurement	Valuation Technique	Unobservable Inputs	Range $	Weighted Average $
Investments in undivided interest in land	Land	Market approach - Comparable sales	Price per acre	21,616 - 49,673	32,921

5. Accounts Receivable

The Partnership had an accounts receivable balance in relation to exits in undivided interests in land (see Note 4). As of December 31, 2022 and 2021, the receivable balance amounted to $3,187,155 and $505,875, respectively. In 2021, the Partnership closed on an OA in the Harvest Grove N Property (see Note 4) and recognized deferred payments of $505,875 from the buyer. In 2022, the Partnership closed on an OA in the Dobson Creek Property (see Note 4) and recognized deferred payments of $2,681,280 from the buyer. Pursuant to the OAs, the buyers are obligated to make such payments to the Partnership upon the sale of lots developed within the respective properties.

6. Risk Management

Valuation and Liquidity Risk

The Partnership may invest in real estate and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available as there continues to be economic uncertainty in real estate markets. These uncertainties may lead to, among other things, a decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Partnership may depend on to finance certain of its investments. These market developments may have a significant adverse impact on the Partnership's liquidity position, results of operations and financial condition and may continue to adversely impact the Partnership if market conditions continue to deteriorate. The decline in liquidity and prices of real estate and real estate related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such investments. As a result, amounts ultimately realized by the Partnership from investments sold may differ from the fair values presented, and the differences could be material. In the event the Partnership is required to liquidate all or a portion of its portfolio quickly, the Partnership may realize significantly less than the value at which it previously recorded those investments.

Diversification Risk

The assets of the Partnership are concentrated in the real estate sector. Accordingly, the investment of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment is relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Partnership to more rapid change in value than would be the case if the assets of the Partnership were more widely diversified.

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. The Partnership is exposed to credit risk on its accounts receivable from closed OAs (see Note 5). Substantially all of the Partnership's customers are in the real estate sector. As a result, the Partnership is exposed to normal credit risks of its customers in that industry. The Partnership mitigates its credit risk on its accounts receivable balance by executing a Notice of Deferred Payment with buyers upon close of OAs. This notice creates a monetary lien against the subject land entitling the named owner, the Partnership, to a lien against the subject land securing owner's rights to the deferred payment until payment obligations have been met.

7. Deferred Revenue

Deferred revenue was comprised of deposits for the sale of land for which revenue recognition criteria have not been met. The deposits were paid in accordance with the terms of the option agreements for the potential sale of approximately 2,007 lots, net of lots sold, within the Harvest Grove N Property, approximately 1,015 lots within the Ridgewood Lakes Property, and the closed sale of 80.94 acres of the Dobson Creek Property. As of December 31, 2022 and 2021, the Partnership recorded deposits on the sale of land of $194,236 and $171,000, respectively.

8. Related Party Transactions

The Partnership and Walton USA entered into a Funding Agreement, whereby Walton USA agreed to fund amounts for Administrative Expenses and Concept Planning expenditures in excess of the Expense Reserve and Concept Planning Fund Reserve with an upper limit based on successful syndications of $1,000,000. Any amounts funded under the Funding Agreement will be repaid, with interest at the bank prime rate, to Walton USA prior to distributions to unit holders. No amount is outstanding under the Funding Agreement as of December 31, 2022 and 2021.

The Partnership, the Subsidiaries, Walton Affiliates and Walton USA entered into a Co-Ownership Agreement for the Properties under which the Partnership will serve as manager of the Properties and will engage Walton USA to perform its duties as manager of the Investments. Under the Co-Ownership Agreement, expenses associated with Concept Planning and with the ownership and maintenance of the Investments will be shared by the Subsidiaries and Walton Affiliates in proportion to their respective ownership interests in the Investments at the time such expenses are incurred. The Subsidiaries have agreed to share all operating expenses through the preliminary development period, regardless of the specific Subsidiary to which such expenses relate, in proportion to their respective capital.

As of December 31, amounts due from affiliates consisted of the following:

	2022 **$**	2021 $
Amounts due from affiliates, which are unsecured, non-interest bearing and receivable on demand:		
Walton Development & Management (USA), Inc.	**282,111**	282,111
Walton USA	**206,548**	343,449
Due from affiliates	**488,659**	625,560

As of December 31, 2022 and 2021, due from affiliates included $282,111 from Walton Development & Management (USA), Inc. ("WDMI"), an entity which is affiliated with Walton USA, related to an overpayment of asset management fees paid to WDMI. Due from affiliates also included $206,548 and $343,449 receivables from Walton USA for an adjustment to management fees paid in advance offset by amounts owed to Walton USA for costs paid by Walton USA on behalf of the Partnership as of December 31, 2022 and 2021, respectively.

Included within the accounts payable and accrued liabilities balance were offsetting receivables of $7 and $nil due from WDMI as of December 31, 2022 and 2021, respectively. These amounts due were unsecured, noninterest bearing and receivable on demand. During years ended December 31, 2022 and 2021, total payments made to WDMI in respect of reimbursements for expenditures paid by WDMI on behalf of the Partnership amounted to $407,575 and $427,140, respectively.

The Partnership pays Walton USA a disposition fee, calculated as 3% of the gross proceeds on all exits that are phased takedowns for the respective properties, to be paid from proceeds of each property sale, at the time such sale proceeds are received. Such fees were administrative in nature and were treated as expenses of the Partnership. A disposition fee of $111,720 and $20,235 was incurred for the years ended December 31, 2022 and 2021, respectively.

9. Partners' Capital

Through final syndication as of December 31, 2015, the Partnership had issued 9,524,500 partnership units for $10 per unit, less syndication costs of $8,679,244 to the Class A Limited Partners and 1 Class B Limited Partnership unit.

On August 20, 2021, the Partnership distributed $6,095,680 or $0.64 per unit to unitholders as a result of the sale of 71 lots of the Harvest Grove N Property as well as 3.23 acres of the Dobson Ridge Property.

On November 23, 2021, the Partnership distributed $13,048,565 or $1.37 per unit to unitholders as a result of the sale of 318.60 acres of the Vista Ranch Property.

10. Commitments and Contingencies

The Partnership may become party to certain claims, legal actions and complaints arising in the normal course of business. In the General Partner's opinion, the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

11. Financial Highlights

The following summarizes the financial highlights attributable to the limited partners for the years ended December 31, 2022 and 2021. The highlights are based on the allocation methodology described in Note 1 to these consolidated financial statements.

	2022	2021
Total return		
Internal rate of return since inception	**(2.05%)**	(3.94%)
Ratios to average limited partners' capital		
Operating expenses	**0.46%**	0.38%
Net investment income	**1.00%**	7.84%

Internal rate of return ("IRR") was calculated assuming that cash for investments was paid on the date of the closing and cash received was treated as an inflow on the date it was available for distribution, regardless of when it was actually distributed. Expenses and other outflows were calculated based on the date such amount was accrued as payable. The IRR was calculated using the fair value of the Partnership's investments as of December 31, 2022 and 2021. The IRR was calculated for limited partners taken as a whole. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

The expense and net investment loss ratios were calculated for the limited partners taken as a whole using average Partners' capital for the year. An individual partner's return may vary from this return based on different management fees, incentive allocations and the timing of capital transactions.

12. Subsequent Events

In preparing the consolidated financial statements, the Partnership evaluated subsequent events occurring through April 7, 2023, the date the consolidated financial statements were available to be issued, in accordance with the Partnership's procedures related to disclosures of subsequent events.