

For Immediate Release

WALTON WESTPHALIA DEVELOPMENT CORPORATION REPORTS FIRST QUARTER 2016 FISCAL RESULTS AND REQUESTS EXTENSIONS OF SENIOR LOAN AND MEZZANINE LOAN

Calgary – May 27, 2016: Walton Westphalia Development Corporation (the “**Corporation**”) announced today its results for the first quarter of 2016. Launched in March 2012, the Corporation was formed to provide investors with the opportunity to participate in the acquisition and development of the 310-acre Westphalia Property (the “**Property**”) located in Prince George’s County, Maryland, United States of America.



First Quarter Highlights

During the first quarter of 2016, the following key activities were undertaken:

- Completion of the temporary entrance and traffic circle,
- Installation of directional signage and marketing billboards,
- County approval of new street lighting fixtures that set a new standard across the entire County but will first be exclusively installed at this project, and
- Completion of utility installation to the first series of lots beyond the model lots.

Management continues to believe that by pursuing vertical development joint ventures and less expensive financing strategies as discussed herein, the Corporation can potentially achieve a higher IRR. These IRRs are based on, among other things, achieving certain revenue targets, maintaining construction schedules and costs, the timely receipt of recoveries, third-party sales and commitments for additional lots from the builders. Further material changes to IRR projections and the projected hold period could occur due to changes in the aforementioned and other factors.

The financing strategies include pursuing programs such as the EB-5 Immigrant Investor Program (“**EB-5 Program**”) (which has to be done in conjunction with vertical development) that could allow for lower cost

financing with better flexibility and working to secure Tax Increment Financing (“TIF”) from the County. We anticipate that our EB-5 immigrant investor visa program partner (Maryland Center for Foreign Investment, LLC, or MCFI) will provide us with an option for up to \$58 million in immigrant investor debt in 2016. MCFI is pre-marketing this project in Asia this spring for the purpose of attracting agencies and investors. Currently, the blended interest rate on our phase 1 construction debt is above 8%. If we are successful with the EB-5 program, we anticipate that blended interest rate will be lowered to 5.25%. We also propose to submit an application to Prince George’s County, Maryland officials for approximately \$65 million in tax increment financing (TIF) bonds based on the advice of our consultants. These two alternative financing mechanisms, if successfully implemented, have the potential to decrease costs and increase the project’s IRR from the current 5.7% to the low teens. This however, cannot be assured. See above for certain factors that may impact IRRs on this project.

The EB-5 program is administered by the U.S. Citizenship and Immigration Service (“USCIS”). Under this program, non-US citizen entrepreneurs and certain members of their family are eligible to apply for a U.S. green card (permanent residence) if they meet specific investment criteria set by the USCIS. The main benefit of the EB-5 program to the Corporation is that the funds these investors could provide are relatively inexpensive debt capital that could enhance the financial viability of the Westphalia project to the benefit of its investors.

A TIF is a public financing method used for financing public infrastructure improvement projects as a part of a larger development project. A municipality, through a TIF, leverages potential future gains in municipal taxes by offering sale of bonds to the public, the proceeds of which are used to pay for the proposed infrastructure. The bonds are then paid off in the future with the increased municipal tax revenues resulting from increased development in the municipality.

In addition to new financing strategies, management is considering new development strategies. These development strategies include accelerating the development of Phase 1A, re-planning of Phases 2 and 3, including a town centre re-design to realize on current market opportunities such as a senior living component and/or flex industrial within Phases 2 and 3, and potentially undertaking vertical development joint venture participation with development partners.



First Quarter Financial Results

For the period ended March 31, 2016, total other expenses decreased by \$18,816 from \$285,419. The decrease is primarily due to a decrease of \$21,516 in marketing expenses and news release/client communications costs relating to additional costs in early 2015 with the builders’ first lot takedowns. This is offset by an increase of \$12,804 in director’s fees due to increased compensation paid to each independent board member. As well, a previous board member who was not independent has been replaced with an independent board member who will receive compensation to act in that capacity.

For the period ended March 31, 2016, total other items decreased by \$3,344,727. The decrease is primarily due to decreases in unrealized foreign exchange gains of \$3,402,519, which is a result of the translation of the Canadian dollar loan to the U.S. Subsidiary from the Corporation. The U.S. dollar weakened against the Canadian dollar for the period ending March 31, 2016 compared to the U.S. Dollar strengthening for the period ending March 31, 2015.

For the period ended March 31, 2016, comprehensive income has decreased due to a decrease in other comprehensive income of \$2,312,487 relating to cumulative translation loss recorded from translation of the U.S. entity's accounts from a functional currency of U.S. dollars to Canadian dollars for reporting purposes. The U.S. dollar has weakened against the Canadian dollar in the three month period in 2016 compared to the U.S. dollar strengthened against the Canadian dollar in the three month period in 2015.

Walton Asset Management LP ("WAM"), which manages the Corporation, continues to undertake that management notwithstanding that not all its management fees and servicing fees are being paid until the Corporation has sufficient capital for the payments of such amounts. In the first quarter of 2016, a total of \$173,905 in management and servicing fees were accrued. The total amount outstanding and payable to WAM as at March 31, 2016 is \$591,269.

Requested Extensions for Senior Loan and Mezzanine Loan

As of March 31, 2016, there was U.S.\$24,150,251 outstanding under the Corporation's Senior Loan and U.S.\$10,906,545 outstanding under the Corporation's Mezzanine Loan. The Senior Loan matures May 31, 2016 and the Mezzanine Loan matures June 6, 2016. Both of these loans may be extended by the Corporation and Walton Westphalia Europe, LP ("**WWE**") (the other co-owner of the Property), subject to the satisfaction of certain conditions, for two additional 12 month-terms. The Corporation and WWE, collectively, have exercised their extension options to request the Senior Lender and Mezzanine Lender to extend the Senior Loan and Mezzanine Loan, respectively, for an additional 12 months. Certain of the conditions to the automatic extension of the loans upon such exercises may not have been satisfied, including:

- as a result of the delays in the project disclosed in previous press releases of the Corporation, all requirements for the final loan advance with respect to Subphase 1 of the Property, which is a requirement for the extension, have not been satisfied. The lenders are aware of the delays and have continued to fund under the loans; and
- the full payment by the Corporation and WWE of certain principal reduction payments. Final calculation of the amounts remaining outstanding in this regard has not been made by the lenders.

The requested extensions are in the discretion of the lenders. The Corporation is currently in discussions with the lenders and the lenders are currently undertaking due diligence in this regard, including the finalization of the required appraisal. The Senior Lender has agreed to a grace period of 10 days after the original maturity date of the Senior Loan to allow the parties to continue to complete the work on the potential extension. The Corporation believes the lenders will extend the loans, however there can be no assurances that they will do so or that they will do so on terms and conditions that are acceptable to the Corporation. In the event that the lenders do not grant an extension or grant extensions on terms that are not acceptable to the Corporation or demand repayment of the loans, the Corporation will be required to repay the loans. The Corporation does not currently have sufficient cash resources to do so which will result in the Corporation being in default on the loans. Such default would entitle the lenders to, among other things, enforce their security on, and take possession of, the assets of the Corporation, including the Property. However, the Corporation believes that, even if the extension is not granted, the lenders will allow the Corporation a reasonable period of time to find alternative financing.

Any failure by the Corporation to repay the indebtedness under the Senior Loan and/or Mezzanine Loan as referred to above could result in the acceleration of the maturity date of the Corporation's debentures under the terms thereof and permit WUSA to demand payment under the USD\$4.1 million subordinate loan facility that it has with the Corporation.

Walton Global Investments Ltd. ("**WGI**"), an affiliate of the Corporation, has guaranteed to the Senior Lender the repayment of up to U.S.\$19.5 million under the Senior Loan plus the amount of any outstanding letters of credit provided under the Senior Loan. In addition WGI has provided completion guarantees to the Senior Lender and

the Mezzanine Lender. In the event that the Corporation defaults under the above loans, the lenders may be entitled to enforce on those guarantees.

Additional Information

The Corporation is managed by Walton Asset Management L.P. and the development of the project is managed by Walton Development & Management (USA), Inc., both of which are members of the Walton Group of Companies.

The Walton Group of Companies ("**Walton**") is a multinational real estate investment, planning, and development group concentrating on the research, acquisition, administration, planning and development of strategically located land in major North American growth corridors.

Walton has been in business for over 30 years and takes a long-term approach to land planning and development. Walton's industry-leading expertise in real estate investment, land planning and development uniquely positions Walton to responsibly transition land into sustainable communities where people live, work and play.

Its communities are comprehensively designed in collaboration with local residents for the benefit of community stakeholders. Its goal is to build communities that will stand the test of time: hometowns for present and future generations.

For more information about Walton Westphalia Development Corporation, please visit www.sedar.com. For more information about Walton, visit www.Walton.com.

For media inquiries, please contact: Ryan Kretschmer

Office: 1.480.586.9288

Email: rkretschmer@walton.com

This news release, required by Canadian laws, does not constitute an offer of securities, and is not for distribution or dissemination outside Canada. This news release contains forward looking information, and actual future results may differ from what is disclosed in this news release. The risks, uncertainties and other factors that could influence results are described in the prospectus and other documents filed with Canadian securities regulatory authorities and available online at www.sedar.com.

Except as otherwise noted, all amounts are in Canadian dollars, and are based on unaudited financial statements for the three months ended March 31, 2016 and March 31, 2015 and related notes, prepared in accordance with International Financial Reporting Standards.