

For Immediate Release

## WALTON WESTPHALIA DEVELOPMENT CORPORATION REPORTS FIRST QUARTER 2017 FISCAL RESULTS

**Calgary – May 29, 2017:** Walton Westphalia Development Corporation (the “**Corporation**”) announced today its results for the first quarter of 2017. 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 period ended March 31, 2017, the Corporation continued to take steps toward its construction and financing activities. The key activities undertaken by the Corporation were as follows:

#### Construction Activities

- Continued with construction activities on the northern lots by removing over 150,000 cubic yards of material and continuing the construction of the second stormwater management pond on the Property;
- Began scoping meetings and negotiations for the Westphalia Green (Phase 1 park amenity) to be constructed in 2017;
- Continued installation of the dry utility conduit and crossings within the alleys and internal streets in Phase 1 and the installation of the wet utilities in Phase 1 (estimated to be complete by Q3 2017); and
- Proceeded with the design of the Pennsylvania Avenue / Woodyard Road interchange (estimated to be complete by Q3 2017).

## Financing Activities

- In March 2017 the County sent the Corporation an incentive proposal with terms and conditions for bond issuance in conjunction with the tax increment financing (“TIF”) application. The Corporation met with the County on April 4, 2017 and submitted a counterproposal a week later. Negotiations are continuing;
- The Corporation is currently in discussions with MCFI Global Fund Westphalia, LLC (“MCFI”) as to their expected projections on timing and amount of the capital to be raised under EB-5 for the rest of the year;
- Closed on the sale of the sewer and water charges for 25 lots in Phase 1 totaling USD \$137,474 (front foot benefits); and
- As previously disclosed on May 10, 2017, the Corporation’s wholly owned subsidiary, Walton Westphalia Development Corporation (USA), LLC received a Default Notice from the Senior Lender and has 30 days to cure the default.

The single family market in the Washington, D.C. metropolitan statistical area (MSA) continues to get stronger. The Project selling lots to three homebuilders, NVR, Inc., Mid-Atlantic Builders and Haverford Homes. As of March 31, 2017, NVR, Inc. had closed on 51 lots, Haverford Homes had closed on 36 lots, and Mid-Atlantic Builders had closed on 8 lots. As of March 31, 2017, NVR reported 57 home sales, Haverford reported 37 home sales and Mid-Atlantic reported 7 home sales. There have been 44 occupancies; 32 for NVR and 12 for Haverford.

Management continues to believe that by pursuing vertical development joint ventures and less expensive financing strategies (EB-5 and TIF bonds) as previously discussed, the Corporation can potentially achieve a higher internal rate of return (“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 any of the aforementioned factors.



Left: NVR new construction

Right: Mid-Atlantic Builders’ model home

## First Quarter Financial Results

During the three months ended March 31, 2017, the Corporation recognized revenue on contracts of \$2,250,955 from single family lot sales in Phase 1. The cost of sales relating to the lot sales was \$1,965,034. The revenue and cost of sales recognized in 2017 was in respect to the sale of 22 Phase 1 single family lots to home builders. There was no revenue recognized for the three months ended March 31, 2016.

Total expenses decreased by \$3,325 from \$266,603 for the three months ended March 31, 2016 to \$263,278 for the three months ended March 31, 2017. The decrease in expenses was primarily due to a decrease in marketing expenses of \$23,044 and was offset by an increase of \$22,766 in professional fees. The marketing costs were higher in 2016 as it related to the initial marketing of the project. The increase in professional fees relates primarily to the Corporation engaging third party corporate secretary services that had previously been provided by WIGI for no additional charge. .

Total other items consists primarily of foreign exchange gains and losses and has decreased by \$1,249,325 from total other item loss of \$1,436,301 for the three months ended March 31, 2016 to total other item loss of \$186,976 for the three months ended March 31, 2017. The Canadian dollar has strengthened in 2017 compared to 2016, resulting in the underlying

Canadian Dollar intercompany debentures and the intercompany debt contracts in the U.S. Subsidiary reflecting a foreign exchange loss that is not eliminated upon consolidation.

Deferred tax expense has decreased by \$663,411 primarily due to the movement in the unrealized foreign exchange gains.

Comprehensive loss decreased by \$1,842,993 from \$2,166,910 for the three months ended March 31, 2016 to \$323,917 for the three months ended March 31, 2017. The decrease is due to the items discussed above as well as a \$967,833 decrease in other comprehensive income due to changes in the cumulative translation losses recorded on the translation of the U.S. Subsidiary accounts from a functional currency of U.S. dollars to Canadian dollars for reporting purposes.

## Additional Information

The Corporation is managed by WAM 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.

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](http://www.sedar.com). For more information about Walton, visit [www.Walton.com](http://www.Walton.com).

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*Except as otherwise noted, all amounts are in Canadian dollars, and are based on unaudited financial statements for the three months ended March 31, 2017 and related notes, prepared in accordance with International Financial Reporting Standards.*