MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended September 30, 2016

November 28, 2016

The following management's discussion and analysis ("**MD&A**") is a review of the consolidated financial condition and consolidated results of operations of Walton Westphalia Development Corporation (the "**Corporation**") for the three and nine months ended September 30, 2016. The MD&A should be read in conjunction with the Corporation's unaudited condensed interim financial statements for the three and nine months ended September 30, 2016, and the Corporation's audited consolidated financial statements for the year ended December 31, 2015 and December 31, 2014.

All financial information is reported in Canadian dollars and has been prepared in accordance with International Accounting Standard ("**IAS**") 34 – 'Interim Financial Reporting' and uses accounting policies that are consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). In limited situations, IFRS has not issued rules and guidance applicable to the real estate investment and development industry. In such instances, the Corporation has followed guidance issued by the Real Property Association of Canada to the extent that such guidance does not conflict with the requirements under IFRS or the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the IFRS framework.

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

FORWARD-LOOKING STATEMENTS

Certain information set forth in this MD&A, including the disclosure of the anticipated completion dates of key project milestones, are based on management's current expectations, intentions, plans and beliefs, which are based on experience and management's assessment of historical and future trends. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond management's control. These risks and uncertainties include, but are not limited to, the timing of approval by municipalities, the estimated time required for construction, the estimated costs for construction and the business and general economic environment. These uncertainties may cause the Corporation's actual performance, as well as financial results in future periods, to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements as actual results could differ materially from management's targets, expectations or estimates. See also "Risk Factors" in this MD&A.

The forward-looking statements contained in this MD&A are given as of the date hereof. Except as otherwise required by law, the Corporation does not intend to, and assumes no obligation to, update or revise these or other forward-looking statements it may provide, whether as a result of new information, plans or events or otherwise.

RESPONSIBILITY OF MANAGEMENT

This MD&A has been prepared by, and is the responsibility of, the management of the Corporation.

The registered office and principal place of business of the Corporation is 25th Floor, 215 – 2nd Street SW, Calgary, Alberta, T2P 1M4.

APPROVAL BY THE BOARD OF DIRECTORS

This MD&A was authorized for issue by the Board of Directors on November 28, 2016.

BUSINESS OVERVIEW

The Corporation, which is managed by Walton Asset Management L.P. ("**WAM**"), was established on January 4, 2012, under the laws of the province of Alberta. The wholly-owned subsidiary of the Corporation, Walton Westphalia Development (USA), LLC (the "**U.S. Subsidiary**"), is a limited liability company organized under the laws of the state of Maryland on January 6, 2012. The Corporation and the U.S. Subsidiary were formed for the purpose and objective of providing investors with the opportunity to participate in the acquisition and development of the approximately 310 acre “Westphalia” property located in Prince George’s County in Maryland, U.S.A. (the “**Property**”), approximately 7 miles southeast of the District of Columbia.

The Property is located along the north side of Maryland State Route 4 directly across from Joint Base Andrews (formerly known as Andrews Air Force Base), approximately 1.5 miles east of the Capital Beltway. The Capital Beltway is the 64 mile long ring road that encompasses Washington D.C. and its inner suburbs in Maryland and Virginia. The southern edge of the Property runs parallel to Pennsylvania Avenue with over 1.5 miles of frontage. Pennsylvania Avenue is a major commuter route, which runs 13.5 miles from the Property all the way to the U.S. Capitol Hill, the site of the White House, the National Mall and the U.S. Capitol Building.

The Corporation completed an initial public offering (“**IPO**”) and follow-up private placement offering (the “**Private Placement**”) (collectively, the “**Offerings**”) of units in 2012. Each Unit issued by the Corporation through the Offerings was comprised of a $5.00 principal amount of unsecured, subordinated, convertible, extendable debenture bearing simple annual interest at a rate of 8% (“**Debenture**”) and one class B non-voting common share of the Corporation (“**Class B share**”) having a price of $5.00 per share.

While, as disclosed by the Corporation in the past, management has had to adjust the original investment objectives of the Corporation, the Corporation still intends to preserve the capital investment of the purchasers of Units in the Corporation and provide cash distributions on the Units by executing the following three-step investment strategy:

- i) obtain letters of intent or expressions of interest from vertical developers and other end users to purchase lots and parcels to be serviced in each of the three planned phases of the development of the Property before construction commences on that phase;
- ii) construct municipal services infrastructure on the Property in phases to provide a controlled supply of serviced lots and parcels to the marketplace; and
- iii) use the revenue from the sale of the serviced lots and parcels to repay construction loans and other obligations of the Corporation and the U.S. Subsidiary and then pay the remainder to the holders of the Debentures and Class B shares by paying the interest and principal on the Debentures and by declaring a dividend or dividends on the Class B shares and/or winding up the Corporation and distributing its assets to the holders of the Class B shares.

Although management anticipates that the execution of the investment strategy will allow the Corporation to pay such distributions, distributions by the Corporation are neither guaranteed nor will they be paid in a steady or stable stream, as evidenced by the past issuance of Interest Debentures in lieu of cash interest payments on the Debentures. The amount and timing of any distributions will be at the sole discretion of the Corporation and only after the Corporation has paid or reserved funds for its expenses, liabilities and commitments (other than with respect to the Debentures and Interest Debentures), including (i) the fees payable to WAM and Walton Development and Management (USA), Inc. (“**WDM**”) (including the performance fee as defined below), and (ii) any amounts outstanding, on a phase by phase basis, under the construction loans required to develop the Property. The Performance Fee is only payable if the investors of Units in the Corporation have received cash payments on the Debentures or cash distributions on the Class B shares equal to $10.00 per Unit, plus a cumulative compounded priority return thereon, on a declining basis, equal to 8% per annum.

As disclosed in the past, the shareholders of the Corporation (the “**Shareholders**”) have authorized the Corporation to undertake, from time to time in the sole discretion of the Board of Directors in one or more transactions and without further approval from the shareholders of the Corporation, vertical development on all or any portions of the Property. This vertical development and profit participation is part of a larger proposed three step investment strategy that includes less expensive immigrant investor visa program (EB-5) debt and financing through the sale of tax increment financing bonds, both discussed in more detail below.

REVIEW OF OPERATIONS

Summary

During the period ended September 30, 2016, the primary focus of the Corporation was to continue construction and financing activities, including:

Construction Activities

- received approval from Potomac Electric Company (“PEPCO”), the regional energy provider, on the electrical design for the lower half of the Phase 1 townhomes section,
- continued the construction of the second stormwater management pond,
- completed the grading for the Westphalia Green (circle, Phase 1 park amenity); the overall plan for the Green has been submitted to the County and is under review,
- continued grading the northern section of the Phase 1 residential lots,
- continued installation of the dry utility conduit and crossings within the alleys and internal streets,
- continued with installation of the wet utilities in Phase 1, and
- continued the design of the Pennsylvania Ave / Woodyard Road interchange.

Financing Activities

- on November 1, 2016, the Prince George’s County Council voted unanimously to establish the “Westphalia Town Center Development District” and the “Westphalia Town Center Special Taxing District”, crucial steps in the authorization for sale of tax increment financing (TIF) bonds,
- The project’s I-526 was submitted to US citizenship and Immigration Service for pre-approval as part of the EB-5 program,
- MCFI completed another Asian marketing trip for the EB-5 immigrant investor visa program capital raising effort; countries visited include Korea, China, Vietnam, Hong Kong, and Taiwan (see further discussion below), and,
- finalized the negotiations of the sale of the sewer and water charges resulting from the sale of the lots in the Property (front foot benefits).

The single family market continues to get stronger. To date, NVR has closed on 44 lots, Haverford has closed on 25 lots, and Mid-Atlantic has closed on 4 lots. As of October 31, 2016, NVR is reporting 43 home sales and Haverford is reporting 23 home sales. There have been 19 occupancies; 16 for NVR and 3 for Haverford.

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 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 a number of factors.

The financing strategies include pursuing programs such as the EB-5 Immigrant Investor Visa 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 finalize the legislation of our recently approved TIF to issue bonds for transportation infrastructure. Due to lender intercreditor negotiations, we have revised our projection on EB-5 proceed availability from November 2016 to March 2017.

Earlier in 2016, we submitted an application to Prince George’s County, Maryland officials for approximately $65 million in tax increment financing (TIF) bonds. On November 12016, the Prince George’s County Council voted unanimously in favor of the TIF and established the Westphalia Town Center Development District and Westphalia Town Center Special Taxing District. Over the next few months, County staff and the County’s external consultants will undertake their review of, and due diligence on, the Westphalia development and the TIF financing proposal.

These two alternative financing mechanisms (EB-5 Program and TIF bonds), if successfully implemented, have the potential to decrease costs and increase the project’s IRR from the current 5.26% to the low teens. This however, cannot be assured as a number of factors may impact the IRR on this project.

Management also continues to focus on additional complementary strategies to maximize the returns of the project, which include, but are not limited to:

- Securing a grocery anchor for the retail site in conjunction with the establishment of a joint venture with a large, experienced retail developer, which can increase the attractiveness for other future retail tenants to locate in the project, and positively impact retail values, lease rates, and project absorptions. The securing of a grocery anchor tenant by the retail developer partner should also positively impact the sales momentum for other components of the project, including the townhome product and other future residential development by providing an important retail based service and community amenity.

- Engaging in discussions with commercial and residential developers to broaden the awareness of the project and explore sales and/or partnering opportunities to realize the highest and best use and associated values for the project.
- Evaluating project positioning and retail product opportunities to maximize usable retail space and project amenities to accelerate market demand.
- Continuing efforts to attract a major hotel chain to enter into a vertical joint venture to develop, construct, and manage the 110-key hotel site in Phase 1.
- Continuing efforts to attract a major multifamily developer to enter into a vertical joint venture to develop, construct, and manage the 400-unit multifamily site in Phase 1.
- Partnering with the Prince George's County Economic Development Corporation to assist with marketing the office site, and with a strategic focus related to locating future government office buildings in Westphalia.

NON-FINANCIAL INDICATORS

As the operations are project based and are reliant on the completion of milestones, the financial statements alone are not a good indicator of the progress of the Corporation toward its investment objectives. The following are some of the key non-financial indicators which are also used by management in evaluating the performance of the Corporation.

Key Milestones

For Phase 1 of the project, the key milestones used by management include those presented in the Offering Documents. As of April 2015, all key milestones for Phase 1 were achieved.

Lot Activity Report

The table below provides an update on lot activity for Phase 1 of the Project:

	September 30, 2016	December 31, 2015
Total Phase 1 lots	346	345
Lots committed to by homebuilders[1]	346	345
Lots sold for accounting purposes	46	13
Lot closings[3]	46	13
Third-party sales[2]	59	-

Notes:

(1) Lots committed to by home builders refer to the number of lots that the homebuilders have committed to purchasing and for which first deposits have been received.

(2) Third-party sales refer to the number of single-family home sales achieved by the homebuilders and presales. As at September 30, 2016 there were 13 presales as reported by the homebuilders.

(3) Lot closings refer to the number of lots for which full payment has been received.

For accounting purposes, revenue is recognized from the sale of lots once the agreement for the sale of the lot is duly executed, the collection of sales proceeds is reasonably assured, the purchaser can commence construction, and all other material conditions, if any, are met. Management has determined that these conditions are generally met upon the receipt of a deposit of not less than 20% of the purchase price.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Total revenue ($)	2,168,140	-	3,955,616	1,183,930
Cost of sales ($)	(1,993,673)	-	(3,613,607)	(1,023,407)
Gross margin ($)	174,467	-	342,009	160,523
Total income/(expenses) ($)	(295,612)	(286,542)	(897,529)	(792,759)
Total other items ($)	192,317	1,296,527	(1,288,379)	2,957,067
Net income/(loss) before tax($)	71,172	1,009,985	(1,843,899)	2,324,831
Comprehensive (loss)/income ($)	213,956	1,698,548	(2,166,939)	3,378,507
Weighted average shares outstanding[1]	3,017,170	3,017,170	3,017,170	3,017,170
Basic net (loss)/income per share ($)	0.05	0.18	(0.37)	0.42
Diluted net income per share ($)	0.02	0.08	(0.37)	0.19

Notes:

1 – The weighted average Units outstanding exclude the 100 Class A voting common shares issued. Based on the Corporation's articles of incorporation, Class A shareholders are not entitled to participate in any dividends declared by the Corporation or the distributions of any part of the assets of the Corporation.

	September 30, 2016	December 31, 2015
Total assets ($)	83,968,813	86,494,175
Total non-current liabilities ($)	18,476,538	55,613,625
Total other liabilities ($)	48,379,376	11,600,711
Total liabilities ($)	66,855,914	67,214,337
Total equity ($)	17,112,899	19,279,838
Class B shares outstanding – end of period	3,017,170	3,017,170

ANALYSIS OF FINANCIAL PERFORMANCE

During the three and nine months ended September 30, 2016, the Corporation recognized revenue of $2,168,140 (September 30, 2015 - $nil) and $3,955,616 (September 30, 2015 - $1,183,930), respectively, from the sale of 22 (September 30, 2015 – nil) and 40 (September 30, 2015 –13) lot sales, respectively, related to Phase 1 single family lots. The cost of sales relating to the lot sales was $1,993,673 (September 30, 2015 - $nil) and $3,613,607 (September 30, 2015 - $1,023,407), respectively, resulting in a gross margin of $174,467 (September 30, 2015 - $nil) and $342,009 (September 30, 2015 - $160,523).

Total other expenses increased by $9,070 from $286,542 for the three months ended September 30, 2015 to $295,612 for the three months ended September 30, 2016. The increase is primarily due to an increase of $13,155 in marketing expenses, due to higher media consulting and placement costs partially offset by lower production expenses, an increase of $13,075 in director's fees due to increased compensation paid to each independent board member. In addition, during the second quarter of 2015, there was only one independent director compared to two in 2016. These were offset by a decrease in Professional fees of $10,218 due to lower audit fees and a decrease in office and other expenses of $6,998 due to lower news filing and communication costs.

Total other expenses increased by $104,770 from $792,759 for the nine months ended September 30, 2015 to $897,529 for the nine months ended September 30, 2016. The increase is primarily due to an increase of $60,678 in marketing expenses and an increase in professional fees of $18,088 relating to additional costs incurred in 2016 with the builders' lot takedowns. There was also an increase of $38,924 in director's fees due to increased compensation paid to each independent board member. In addition, during the second quarter of 2015, there was only one independent director compared to two in 2016. These were offset by a reduction in office and other expenses of $13,909 due to lower news filing and communication costs.

Total other items decreased by $1,104,210 from $1,296,527 for the three months ended September 30, 2015 to $192,317 for the three months ended September 30, 2016 relating primarily due to a higher unrealized foreign exchange gain on the debentures payable and related party balances in Q3, 2015 as compared to Q3,2016.

Total other items decreased by $4,245,446 from a gain of $2,957,067 for the nine months ended September 30, 2015 to a loss of $1,288,379 for the nine months ended September 30, 2016. The decrease is primarily due to decreases in unrealized foreign exchange gains of $3,000,016 to a foreign exchange loss of $1,141,345, which is a result of the translation of the Canadian dollar loan to the U.S. Subsidiary from the Corporation. The U.S. dollar strengthened against the Canadian dollar for the period ending September 30, 2016 compared to the U.S. Dollar weakening for the period ending September 30, 2015.

For the nine months ended September 30, 2016, comprehensive income has decreased due to a cumulative translation loss being recorded in 2016 of $1,041,774 from a cumulative translation gain of $2,125,875 in 2015. The U.S. dollar has strengthened against the Canadian dollar in the nine month period in 2016 compared to the U.S. dollar weakening against the Canadian dollar in the nine month period in 2015.

ANALYSIS OF FINANCIAL CONDITION

The Corporation's total assets decreased by $2,525,362 from $86,494,175 at December 31, 2015 to $83,968,813 at September 30, 2016. The decrease was primarily due to a decrease in deferred financing and transaction costs of $1,010,340, a decrease in cash of $869,435 and a decrease in restricted cash of $794,936.

During the period ended September 30, 2016, the Corporation incurred land development costs of $7,617,696 in relation to continued development of Phase 1 paving, the construction of utilities, culvert and stormwater management ponds and permit approvals, including $4,012,212 of capitalized interest, and a decrease of $4,773,021 associated with the translation of USD balances to Canadian dollars on consolidation. Land development costs also decreased by $2,734,187 due to the cost of the lots sold in second and third quarters of 2016.

The decrease in restricted cash of $794,936 was due to the use of the cost-overrun account to fund a portion of project costs during the first three quarters of 2016. As well, funds held in escrow decreased due to receipt of final payment on the Phase 1 single family lot sales.

The decrease in deferred financing and transaction costs is due a combination of a write off of fees, a reclassification of fees to prepaid expenses and a transfer of fees to the senior loan all relating to modification of the loan facilities.

Total liabilities decreased by $358,423 from $67,214,337 at December 31, 2015 to $66,855,914 at September 30, 2016. Liabilities primarily decreased due to a decrease of $1,740,265 in accounts payable and accrued liabilities, a decrease of $739,889 in deferred income tax liability, a decrease of $300,295 in interest payable and a decrease in project debt of $428,735 related to the repayment of debt using funds from the lot sales in Q2 & Q3 2016. This was offset by an increase in Interest Debentures payable of $1,380,459 related to the issuance of an additional interest debenture at June 30, 2016.

The increase in related party payables of $828,441 is primarily due to advances of $580,674 received from WUSA and accrued management and servicing fees owing to WAM.

DEBENTURES PAYABLE AND INTEREST DEBENTURES PAYABLE

The Debentures and Interest Debentures are unsecured and bear interest at a rate of 8% per annum. Interest on the Debentures and Interest Debentures is calculated annually based on the principal amount of the Debentures and Interest Debentures on March 31, and is payable annually on June 30. The Debentures and Interest Debentures mature at their principal amount on March 31, 2019, however, the maturity date on both Debentures and Interest Debentures can be extended by the Corporation at its sole discretion until March 31, 2021.

The Corporation may also, at its sole discretion, (i) repay all or any portion of the principal amount of, or interest under, the Debentures or Interest Debentures through the issuance of Class B shares, (ii) evidence its obligation to pay all or any portion of the interest under the Debentures or Interest Debentures through the issuance of Interest

Debentures, and/or (iii) convert all or any principal amount of, or interest under, the Debentures or Interest Debentures into Class B shares.

For the period ended September 30, 2016, there has been no change in the Debentures payable from December 31, 2015 other than amortization of $122,336 of accretion recognized and capitalized to land development inventory. Interest Debentures payable increased by $1,380,459 during the nine months ended September 30, 2016, due to the issuance of additional interest debentures at June 30, 2016 which also led to a decrease in interest payable of $300,295.

As at September 30, 2016 and December 31, 2015, Walton International Group Inc. ("**WIGI**"), owned approximately 6.3% of the outstanding Units of the Corporation. As a result, approximately 6.3% of the balance of Debentures payable, Interest Debentures payable and interest payable was payable to WIGI.

PROJECT DEBT

The project debt balances have been described in note 9 of the condensed interim consolidated financial statements.

Senior Loan

On May 31, 2016, the Senior loan facility entered into collectively by the U.S. Subsidiary and Walton Westphalia Europe, LP ("**WWE**") of USD $43.01 million was amended and reduced to USD $39.36 million. The amendment extended the original maturity date of May 31, 2016 for one additional one hundred thirty-seven day period beginning on the original maturity date and ending upon October 15, 2016. Further extensions have been obtained, with the most recent extending the maturity date to November 30, 2016. The loan interest rate of LIBOR plus 5.1% with a minimum interest rate floor of 6.2% per annum remained unchanged. For the period ended September 30, 2016, the Corporation incurred and paid interest of $1,249,470 (December 31, 2015 - $1,242,326) which was capitalized to land development inventory.

The loan agreement allows for up to $6.15 million in letters of credit to Prince George's County, Maryland for purposes of providing required credit assurances with respect to the Corporation's performance bond facility agreement. As at September 30, 2016, $6.14 million in letters of credit were issued which were replaced with bonds on March 31, 2016.

During the second quarter of 2016, USD $574,393 of the total value of the bonds were reduced and the funds received were applied against the principal portion of the Senior Loan.

The Senior Loan is secured by, among other things, a first priority deed of trust lien on the Property. The Senior Loan is being used to fund the first phase of construction on the Property. During the period ended September 30, 2016, the Corporation was advanced $5,401,375 from the facility. The funds advanced were used for the continued construction of the project including paving, sanitary sewer construction, design and engineering costs, inspection fees and asset management and development fees. Associated with the advances for the period ended September 30, 2016, transaction costs of $424,426 was recorded against the advances. Accretion of $531,965 was recognized during the period and capitalized to land development inventory. As a result of a decrease in the exchange rates between the US and Canadian dollar at September 30, 2016 compared with December 31, 2015, there was a decrease of $1,485,993 relating to foreign exchange.

WGI entered into an agreement with the lender of the Senior Loan which guarantees the repayment by WWE and the U.S. Subsidiary, collectively, of up to USD $19.5 million plus the amount of any outstanding letters of credit. WGI also provided a limited guarantee that WWE and the U.S. Subsidiary will complete the development of the project in accordance with the plans and on a lien-free basis. WGI also guarantees any losses incurred by the lender in connection with certain events under the Senior Loan, including, but not limited to, waste or intentional/grossly negligent damage to the Property, and the misappropriation of funds. WGI becomes fully liable for the Senior Loan if WWE or the U.S. Subsidiary file bankruptcy or take advantage of other laws protecting debtors. The CEO of WGI has also provided a personal guarantee for the Senior Loan in certain limited circumstances. In the event that the Corporation defaults under the Senior Loan as discussed above, the Senior Lender may be entitled to enforce on guarantees referred to above.

During 2016, certain conditions concerning deadlines for the delivery of the guarantor's financial statements to the senior lender were not met within the required timeline. The financial statements have since been delivered and the matter rectified. Also, the guarantor has not satisfied certain covenants to the senior lender relating to minimum cash balances and minimum net worth, This could, at the option of the senior lender, if not cured, constitute a potential event of default under the Senior Loan, which would then allow the lender to demand immediate repayment of amounts owing from by Corporation under the Senior Loan. No notice of such non-satisfaction has been provided by the senior lender.

Mezzanine Loan

On June 6, 2013, the U.S. Subsidiary and WWE collectively entered into the Mezzanine Loan ("**Mezzanine Loan**") (subordinate financing). The Mezzanine Loan is a second priority secured loan for up to USD $7,285,850 plus interest accruing at 15% per annum. For the period ended September 30, 2016, the Corporation incurred interest of $1,397,096 (December 31, 2015 - $1,645,012) and paid interest of $302,741 (December 31, 2015 - $120,984). Interest is capitalized to land development inventory. Accretion of $103,268 was recognized during the period ended September 30, 2016 and capitalized to land development inventory. As a result of a decrease in the exchange rates between the US and Canadian dollar at September 30, 2016 compared with December 31, 2015, there was a decrease of $661,414 relating to foreign exchange. Repayment of the Mezzanine Loan is to be repaid with 100% of the Corporation's proceeds from the sale of the Property and other assets of the Corporation after payment to the Senior Loan as described above.

On June 6, 2016, the Company entered into a Fourth Modification Agreement of the Mezzanine Loan with a financial institution. The agreement extended the original maturity date of June 6, 2016 for one additional one hundred thirty-seven day period beginning on the original maturity date and ending upon October 21, 2016. Further extensions have been obtained, with the most recent extending the maturity date to December 5, 2016. There was no change to the maximum loan amount or the interest rate.

The Mezzanine Loan is subordinate to the terms of the Senior Loan and is secured by, among other things, a second-priority deed of trust lien on the Property. The Mezzanine Loan was used to fund the first phase of purchase and construction on the Property.

WGI has entered into an agreement with the lenders of the Mezzanine Loan whereby WGI guarantees that U.S. Subsidiary will complete the development of the project in accordance with the plans and on a lien-free basis. WGI also guarantees any losses incurred by the lender in connection with certain bad acts or particular events under the Mezzanine Loan, including, but not limited to, waste or intentional/grossly negligent damage to the Property, and misappropriation of funds. WGI becomes fully liable for the loan if U.S. Subsidiary or WWE file bankruptcy or take advantage of other laws protecting debtors. In the event that the Corporation defaults under the Mezzanine Loan as discussed above, the Mezzanine Lender may be entitled to enforce on guarantees referred to above.

The failure by the Corporation to repay the indebtedness under the Senior Loan and/or the Mezzanine Loan could result in the acceleration of the maturity date of the Debentures and Interest Debentures under the terms thereof.

During 2016, certain conditions concerning deadlines for the delivery of the guarantor's financial statements to the mezzanine lender were not met within the required timeline. The financial statements have since been delivered and the matter rectified. Also, the guarantor has not satisfied certain covenants to the mezzanine lender relating to minimum cash balances and minimum net worth. This could, at the option of the mezzanine lender, if not cured, constitute a potential event of default under the Mezzanine Loan, which would then allow the lender to demand immediate repayment of the amounts owing by the Corporation under the Mezzanine Loan. No notice of such non-satisfaction has been provided by the mezzanine lender.

The senior lender has advised that it has approved the extension of the Senior Loan to June 30, 2017 subject to certain terms and conditions.

WORKING CAPITAL

The balance of the Corporation's liabilities as at September 30, 2016 was significant relative to its cash and receivables. The Corporation plans to fund its liabilities as follows:

> Debentures payable, Interest Debentures payable and interest payable – Management has the ability to settle the interest on the Debentures payable and Interest Debentures payable through the issuance of Interest Debentures or the conversion of the amount owing to Class B shares. The Debentures and Interest Debentures

have a maturity date of March 31, 2019; however, the maturity date can be extended to March 31, 2021 at the sole discretion of the Corporation. The Corporation is assessing all options with respect to repayment of the Debentures payable and Interest Debentures payable including, but not limited to: (i) future lot sale revenues generated by the Corporation and/or (ii) conversion of all or any principal amount of the Debentures or Interest Debentures into Class B shares.

Accounts payable, accrued liabilities and provision for land development costs – The majority of accounts payable, accrued liabilities and provision for land development costs of the Corporation are for development related expenses. These expenses will be funded by cash on hand, further draws on the project debt and loans from related parties.

Due to related parties – The payment of outstanding development fees will be paid through construction loans on future phases, which will result in an increase in the balance of project debt. Asset management and servicing fees due to related parties will be paid out of working capital, proceeds from the sale of lots, collection of recoverable costs receivable and future construction loans. Management has communicated to WAM that it does not expect to make payments for the outstanding asset management and servicing fees until such time that the Corporation has sufficient capital for the payment of these amounts. WAM has indicated that they will continue to provide services to the Corporation.

Project debt – The balance of project debt will be repaid from the proceeds from future lot sales or future financing.

TRANSACTIONS WITH RELATED PARTIES

The related parties transactions and balances have been described in note 5 of the condensed interim consolidated financial statements.

Walton Maryland LLC, WAM, WIGI, WDM, WWE, WUSA, and WUSF 1 Westphalia, LLC ("**WUSF**"), are considered to be related to the Corporation by virtue of the fact that they are all controlled by WGI. All transactions entered into between the related parties during the period were under terms and conditions agreed upon between the parties. The following are the significant transactions that have occurred with related parties during the period.

- The Corporation has a Subordinated loan agreement with WUSA for USD $4.1 million, bearing interest at 11% per annum, payable semi-annually. The Corporation can elect to defer the payment of interest and add to the principal balance of the loan. The subordinate loan has a 60 month term with a maturity date of February 1, 2020. The Corporation has the right and option to extend the term of the loan for up to two additional one-year terms. The loan is unsecured and subordinate to the senior and mezzanine loan described in note 9 of the financial statements. During the period ended September 30, 2016, funds of $580,674 were advanced by WUSA to the Corporation (December 31, 2015 - $2,959,883). Interest of $285,482 (December 31, 2015 - $199,786) has been incurred for the period ended September 30, 2016 and capitalized to land development inventory. Any failure by the Corporation to repay the indebtedness under the Senior Loan and/or the Mezzanine Loan as referred to above will likely also permit WUSA to demand payment under the USD$4.1 million subordinate loan facility that is has with the Corporation.
- For the three and nine months ended September 30, 2016, development fees of $5,825 (September 30, 2015 – $48,062) and $58,356 (September 30, 2015 - $238,280), respectively, were charged by WDM to the Corporation for project management fees which are paid in accordance with the Project Management Agreement between the Corporation and WDM. The development fees are based on 2% of certain development costs paid during the period.
- The Corporation previously entered into Agency Agreements with various agents, whereby the Corporation will pay the agents a servicing fee equal to 0.50% or $139,888 annually, or $35,260 per quarter, of the net proceeds for each Unit sold under the IPO. The servicing fee is payable to WAM, which is responsible for the distribution of the fees to the agents in accordance with the Management Services Agreement. The Servicing fee is payable until the earlier of the dissolution of the Corporation and December 31, 2018.
- For the three and nine months ended September 30, 2016, management fees of $140,653 (September 30, 2015 - $141,038) and $418,900 (September 30, 2015 - $418,515), respectively, were charged to the Corporation from WAM, for providing management and administrative services in accordance with the terms of the Management Services Agreement. Administrative services provided by WAM include, but are not limited to, the overseeing of the Offerings, responding to investor inquiries, assisting in the delivery of

quarterly and annual reports to the investors and monitoring the daily activities of the Corporation. WAM continues to undertake the management of the Corporation, notwithstanding that not all of its management fees and servicing fees will be paid until the Corporation has sufficient capital for the payment of such amounts. The total amount outstanding and payable to WAM as at September 30, 2016 is $940,989 (December 31, 2015 - $699,440).

- For the three and nine months ended September 30, 2016, the Corporation has paid $25,575 (September 30, 2015 - $12,500) and $76,726 (September 30, 2015 - $37,802) to independent directors of the Corporation.

SUMMARY OF QUARTERLY RESULTS

A summary of operating results for the past eight quarters is as follows:

	Three and six months ended							
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Total assets ($)	83,968,813	83,241,606	82,246,586	86,494,175	79,240,283	69,690,964	68,071,337	57,688,767
Total liabilities ($)	66,855,914	66,342,663	65,133,658	67,214,337	60,755,910	52,905,139	50,805,832	42,582,901
Total equity ($)	17,112,899	16,898,943	17,112,928	19,279,838	18,484,373	16,785,825	17,265,505	15,105,866
Total revenues ($)	2,168,140	1,787,476	-	-	-	1,183,930	-	-
Total cost of sales ($)	(1,993,673)	(1,619,934)	-	-	-	(1,023,407)	-	-
Gross margin ($)	174,467	167,542	-	-	-	160,523	-	-
Other income (expenses) ($)	(295,612)	(335,314)	(266,603)	(321,185)	(286,542)	(220,799)	(285,419)	(800,046)
Total other items $	192,317	(44,395)	(1,436,301)	785,012	1,296,527	(247,886)	1,908,426	532,177
Net income/(loss) before tax ($)	71,172	(212,167)	(1,702,904)	463,827	1,009,985	(308,162)	1,623,007	(267,869)
Tax (expense)/ recovery ($)	82,686	(3,390)	639,438	(267,961)	(476,313)	76,528	(672,411)	(81,113)
Net income/(loss) after tax ($)	153,858	(215,557)	(1,063,466)	195,866	533,672	(231,634)	950,596	(186,756)
Cumulative translation gain/(loss) ($)	60,098	1,572	(1,103,444)	599,597	1,164,876	(248,044)	1,209,043	406,191
Comprehensive income / (loss) ($)	213,956	(213,985)	(2,166,910)	795,463	1,698,548	(479,678)	2,159,639	219,435
Weighted average shares outstanding[1]	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170
Basic net income/(loss) per Class B share ($)	0.05	(0.07)	(0.35)	0.06	0.18	(0.08)	0.32	(0.06)
Diluted net income per share ($)	0.02	(0.07)	(0.35)	0.03	0.08	(0.08)	0.16	(0.06)
Class B shares issued during the period	-	-	-	-	-	-	-	-
Class B shares outstanding – end of period	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170	3,017,170

1 - Class A shares outstanding have not been included in the weighted average shares outstanding because the Class A shares do not participate in the profits or losses of the Corporation

During 2016, the Corporation recognized revenue in the third quarter of $2,168,140 from the sale of 22 single family lots in Phase 1, which resulted in a gross margin of $174,467 for the three months ended September 30, 2016. The Corporation also recognized revenue in the second quarter of 2016 of $1,787,476 and in the second quarter of 2015 of $1,183,930 from the sale of 18 and 13 single family lots in Phase 1, respectively. These sales resulted in a gross margin of $167,542 and $160,523, respectively. No other revenue was recognized over the last eight quarters.

The other income and expenses of the Corporation have remained fairly consistent over the last eight quarters, except for Q2, 2016, Q4, 2015 and Q4, 2014. Marketing expenses increased in Q2, 2016 and Q4, 2015 due to higher client communication, media placement and signage expenses and directors fees increased in Q4, 2015. The higher costs in the fourth quarter of 2014 relate to marketing expenses with commencement of marketing initiatives to launch the community and create builder interest.

The total other items and cumulative translation gain/(loss) has fluctuated from quarter to quarter due to fluctuations in the foreign currency rate between U.S. and Canada. The U.S. dollar has strengthened against the Canadian dollar in the past eight quarters with the exception of the three month periods ending June 2016, March 2016 and June 2015. Within total other items, foreign exchange gains and losses are recorded in the U.S. Subsidiary on loans denominated in Canadian dollars. Changes in the cumulative translation gain/(loss) within other comprehensive income results from the translation of the U.S. entity's accounts from the functional currency of U.S. dollars to Canadian dollars for reporting purposes.

Deferred tax expense fluctuated over the last eight quarters, as a result of significant changes in the foreign exchange rates which is reflected in the foreign exchange gain or loss recorded in total other items associated with the translation of intercompany debentures and debt record in the U.S. Subsidiary.

From December 2014 to December 2015, the increase in total assets was due to the increase in development activity related to Phase 1 of the development, the corresponding increase in project debt, accounts payable and accrued liabilities can be seen in total liabilities. Total assets decreased in the first quarter of 2016 due to the effect of foreign exchange rates on land development inventory and the use of restricted cash to pay expenditures, then increased in the second and third quarter of 2016 as additional development costs were incurred.

SUPPLEMENTAL INFORMATION

Liquidity and Capital Resources

The Corporation defines capital as total Shareholders' Equity, Debentures payable and Interest Debentures payable, project debt, and balances due to related parties.

The Corporation's objectives when managing capital are to:

(i) ensure adequate capital is retained by the Corporation to obtain construction loans to fund construction of the project;
(ii) ensure that the Corporation is able to meet all obligations relating to the entity and the development of the land, through sale of the lots; and
(iii) maximize the return to the shareholders.

The Corporation manages the capital structure by using short and long term cash flow projections to determine that the amount of cash available to meet on-going obligations is either retained by the Corporation, is available through construction loan facilities or is available through agreements with related parties. The Corporation may elect to use Interest Debentures to settle Debenture and Interest Debenture interest payments and has the ability to convert Debentures and Interest Debentures into Class B shares if needed to maintain adequate capital levels. Project Debt is intended to be utilized to finance future phases of development which may require partial or full guarantees by WGI to obtain or maintain facilities at market rates.

There were no changes to the way the Corporation defines capital, its objectives, and its policies and processes for managing capital from the prior fiscal year.

The following are the capital resources currently available to the Corporation:

Out of the net proceeds raised through the Offerings and loans, approximately 23.8% ($5.8 million) was set aside by the Corporation to pay for the ongoing administrative and operating expenses, development fees, pre-development costs, grading costs, construction costs, interest accruing on Debentures and Interest Debentures and other expenses of the Corporation.

The Corporation has a USD $39.36 million secured Senior Loan with a U.S.-based financial institution to be used to finance Phase 1 of the project, of which USD $6.2 million can be used for issuance of letter of credits. As at September 30, 2016, the balance of the senior loan facility is USD $19,653,525 (December 31, 2015 – USD

$18,989,322). Subsequent to September 30, 2016, USD $6.2 million in letter of credits have been released and replaced by bonds. Future construction loans will be required to fund the costs of development of Phase 1A, 2 and 3 of the Project.

The U.S. Subsidiary has a subordinated loan agreement with WUSA for USD $4.1 Million. The purpose of this loan is to finance cost overruns related to Phase 1 of the development. As at September 30, 2016, the balance of the subordinated WUSA loan is USD $3,142,320 (December 31, 2015 – USD $2,479,778).

Specific costs incurred by the Corporation such as servicing fees and management fees are with related parties. In the situation of a working capital deficiency, management has the ability to negotiate and discuss with related parties different payment terms, consistent with the current year in which management has communicated to WAM and WDM that it does not expect to make payments for any amounts payable until such time that the Corporation has sufficient capital for the payment of these amounts. Both WDM and WAM continue to provide services to the Corporation.

The Corporation has the ability to repay all or any portion of the principal amount of, or interest under, the Debentures or Interest Debentures through the issuance of Class B shares, to pay all or any portion of the interest under the Debentures or interest under the Interest Debentures through the issuance of Interest Debentures or convert all or any principal amount, or interest under, the Debentures or Interest Debentures into Class B shares.

Cash Requirements

The table summarizes the Corporation's undiscounted contractual obligations as at June 30, 2016:

	2016	2017	2018	2019	2020 and thereafter
	$	$	$	$	$
Debentures payable	-	-	-	15,085,850	-
Interest debentures payable	-	-	-	3,866,677	-
Interest payable	379,473	1,516,202	1,516,202	377,991	-
Project debt	38,384,121	-	-	-	-
Accounts payable and accrued liabilities	1,282,573	-	-	-	-
Due to related parties	1,323,696	453,396	453,396	453,396	4,159,564
Total	41,369,863	1,969,598	1,969,598	19,783,914	4,159,564

The Corporation's intention is to meet short-term liquidity requirements for operating expenses, project development costs and interest on Project debt through working capital reserves, the Senior Loan and the related party loan with WUSA. In addition, the Corporation anticipates that settlement of Debentures and Interest Debentures interest payable will be made through the issuance of Interest Debentures.

In addition to these items in the table, based on the current loan amounts outstanding and as a result of the joint and several nature of the Senior Loan and Mezzanine Loan, the U.S. Subsidiary may be liable for WWE's portion of these loans. As at September 30, 2016 this amount is $6,438,882 (December 31, 2015 – $6,595,105).

The Senior Loan was to mature on May 31, 2016 and the Mezzanine Loan was to mature on June 6, 2016. The Senior Lender and the Mezzanine Lender granted extensions on the loans to October 15, 2016 and October 21, 2016, respectively. Further extensions have been obtained, with the most recent extending the maturity dates to November 30, 2016 and December 5, 2016, respectively. The Corporation's intention is to negotiate and extension to the loans or replace the loans with either EB-5 Program or TIF financing.

Sources and Uses of Cash

The Corporation's primary use of capital includes paying operating expenses, incurring project development costs on the land development inventory, interest payments on Debentures and Interest Debentures and principal repayments on project debt, Interest Debentures payable and Debentures payable.

The Corporation believes that internally generated cash flows from the sale of land, supplemented by borrowings through project debt facilities noted above and advances from related parties, where required, will be sufficient to cover the Corporation's normal operating expenditures.

The following table summarizes the Corporation's cash flows from (used in) operating, and financing activities, as reflected in the Statements of Cash Flows.

	For the three months ended June 30		For the nine months ended September 30	
	2016	2015	2016	2015
Cash flows from operating activities ($)	319,601	(2,816,514)	(1,609,302)	(6,808,480)
Cash flows from financing activities ($)	(263,268)	2,388,660	994,184	8,437,748

Revenue was recognized from the sale of Phase 1 single family lots in the three month period ended September 30, 2016 and the provision for land development costs increased for the portion of costs to be completed related to the lot sales. Proceeds from the lot sales were used to repay a portion of the Senior Loan. In comparison, during the three months ended September 30, 2015, higher draws were made on the Senior Loan compared to 2016 due to increased land development costs.

During the nine months ended September 30, 2016, draws made on the Senior Loan and on the WUSA loan decreased compared to the nine months ended June 30, 2015, resulting in lower inflows of cash from financing activities. Due to the longer term nature of this project, operating cash flows may vary from period to period.

Off-Balance Sheet Arrangements

As a result of entering into the Senior Loan, the Mezzanine Loan and the WUSA subordinated Loan with WWE, while each party accounts for its proportionate share of the long-term debt thereunder, management has assessed risk resulting from U.S. Subsidiary's relative size and proportion of interest in the project from the joint and several nature of these various loan agreements whereby, in the unlikely event of a default on such long-term debt, U.S. Subsidiary may have a greater than it's proportionate share of exposure to any default conditions. The total amount (face value) of the Senior Loan and the Mezzanine Loan and accrued interest is $38,211,148 and the unrecorded portion to which the Corporation may be party to is $6,438,882. This amount has not been recognized on the statements of financial position.

Financial Instruments

The Corporation's financial instruments consist of interest rate cap, due from related parties, restricted cash, cash, Debentures payable, Interest Debentures payable, project debt, interest payable, accounts payable and accrued liabilities, derivative financial liability, and amounts due to related parties. Due from related party, restricted cash and cash are classified as loans and receivables, and are carried at amortized cost using the effective interest rate method. Debentures payable, Interest Debentures payable, project debt, interest payable, accounts payable and accrued liabilities, and amounts due to related parties have been classified as other financial liabilities, and are carried at amortized cost using the effective interest rate method.

Fair value measurements are classified using a three tier fair value hierarchy where each level reflects the significance of the inputs used in making the measurements. In level 1, values are based on unadjusted quoted prices in an active market that are accessible at the measurement date for identical assets and liabilities; level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and level 3 values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As the interest rate cap and original debt agreement has matured and the interest rate cap has not been renewed, the Corporation has no financial instruments measured at fair value.

Financial instruments often expose an entity to liquidity, credit, currency or interest rate risk. While it is management's opinion that the financial instruments of the Corporation do not give rise to significant credit risk, the Corporation is exposed to significant interest rate risk and currency risk.

Liquidity risk

Liquidity risk arises from the possibility that the Corporation will encounter difficulties in meeting its financial obligations as they become due. The Corporation manages its liquidity risk by continuously monitoring the progress of the development, ensuring timely collection of lot sales, and managing cash receipts and payments. Refer to "Working Capital" for the Corporation's plan for settling existing liabilities.

Interest rate risk

The Corporation is exposed to significant interest rate risk due to the variable interest rate charged on the project debt. Changes in market interest rates will cause fluctuations in the interest expense incurred on any project debt outstanding. The Corporation monitors the effects of market changes in interest rates.

Specifically, LIBOR is the variable rate underlying the Corporation's Senior Loan. Currency risk

Currency risk arises when future recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Corporation is exposed to foreign exchange risk because the operations, development expenditures, and construction loans are denominated in U.S. dollars. The Corporation recorded a translation gain on foreign exchange related to land development costs of ($4,773,021) for the period ended September 30, 2016, and $13,001,941 for the year ended December 31, 2015.

At September 30, 2016, if the Canadian dollar had strengthened or weakened by 10% against the U.S. dollar with all other variables held constant, net loss for the period would have changed by $1,250,453 mainly as a result of foreign exchange losses on translation of U.S. dollar denominated project debt and accounts payable and accrued liabilities compensated by foreign exchange gains on translation of U.S. dollar denominated cash and restricted cash.

To manage this risk, the Corporation monitors changes in foreign exchange rates to determine if and when U.S. dollars should be converted to Canadian dollars and vice versa. As part of the Corporation's on-going risk management strategy, U.S. construction funding will be used for U.S. denominated expenditures to further mitigate foreign currency risk exposure.

As at September 30, 2016, the Corporation did not have any outstanding foreign currency forward contracts.

Outstanding Shares

As of the date of this MD&A, the Corporation had 100 Class A shares outstanding and 3,017,170 Class B shares outstanding.

Outstanding Debentures and Interest Debentures

As of the date of this MD&A, the Corporation had 3,017,170 Debentures payable outstanding with a principal amount outstanding of $15.1 million, as well as Interest Debentures with a principal value of $3,866,677. The Corporation may in its sole discretion, convert all or any principal amount of the Debentures payable or Interest Debentures payable into a variable number of Class B shares, based on the fair market value per Class B share on the date of the conversion.

Commitments

The following table presents future commitments of the Corporation under the Management Services Agreement and the Agency Agreements over the next five years. It does not include WDM's Performance Fee under the Project Management Agreement, which is calculated based on the amount of the distributions paid by the Corporation. These commitments will be funded through future revenues generated by the Corporation and the capital resources available to the Corporation.

	Servicing fee ($)	Management fee ($)	Total ($)
2016	35,164	140,652	175,816
2017	139,888	559,552	699,440
2018	139,888	559,552	699,440
2019	-	137,972	137,972
Total	314,940	1,397,728	1,712,668

The commitment for the management fee will extend for the length of the project. However, after April 1, 2019, it is calculated based on the book value of the Property at the end of the previous calendar quarter, which cannot be reasonably estimated at this time.

The Corporation also has a commitment to complete the construction of onsite water and sewer and lines, as well as the construction of an offsite sewer outfall as part of the permits issued by Prince George's County, Maryland. In April 2014, the Corporation provided the Washington Suburban Sanitary Commission with two bonds totalling USD $7,583,558 which are used as construction guarantees. During Q2 2016, the total value of the bonds was reduced by USD $574,393.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and equity at the date of the financial statements, and the reported amount of revenues and expenses during the period. The estimates and assumptions that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

Recoverability of Land Development Inventory

In assessing the recoverability of the land development inventory, management is required to make estimates and assumptions regarding the sale price for serviced lots, the costs to service the lots, the timing of lot sales, the completion date for the serviced lots and the Corporation's cost of borrowing. Changes in these estimates and assumptions could cause the amount of the recoverability of land development inventory to differ materially from the carrying amount.

Deferred Tax Asset

In assessing the amount of deferred tax assets to recognize, significant judgment is required in estimating the likelihood, timing and level of future taxable profits. Changes in the timing and level of future taxable profits could cause the amount of the deferred tax assets to be recovered to differ materially from the carrying amount.

Intercompany Loans

Exchange differences arising from intercompany loans that are not considered part of the net investment in the U.S. Subsidiary and are expected to be repaid in the foreseeable future are recognised in the statement of comprehensive income. The Corporation has certain intercompany loans expected to be repaid in the foreseeable future with the exchange differences being recognized in the statement of comprehensive income.

Capitalization of Borrowing Costs

The Corporation capitalizes borrowing costs to qualifying assets by determining if borrowings are general or specific to the Property. The Westphalia development project will be active throughout the period of capitalization and whether it takes a substantial period of time to prepare the Property for its intended use or sale. The Corporation considers a substantial period of time to be a period that is greater than one year.

Recognition of Joint and Several Arrangements

The Corporation has joint and several liability with WWE. The Corporation is required to record its proportion of the obligation in accordance with the agreements. In addition to the Corporation recording its proportionate share of the obligation, the Corporation would be required to recognise an additional provision for WWE's proportion of the obligations if it was determined to be probable that an economic outflow of resources would be required.

Provision for Land Development Costs

In estimating the amount of the provision to be recognized for land development costs, significant judgement is required in estimating the costs required to complete the development of lots for which revenue has been recognized. These estimates are based on initial cost budgets prepared for each phase of development, which are reviewed regularly to determine what adjustments are needed to the provision for land development costs. The provision for land development costs includes, but is not limited to, construction costs, consulting costs, project management fees and financing costs. Changes in these estimates and assumptions could cause the total costs required to satisfy the obligations to differ materially from the amount of this provision.

Revenue Recognition

In assessing when to recognize revenue, significant judgment is required in estimating when the purchaser can commence construction and when collection of sales proceeds are reasonably assured. Changes in the market and the economy, or the credit worthiness of the purchaser may impact the amount of deposit required prior to recognizing revenues, which would impact the timing of revenue recognition.

Cost of Sales

In determining the amount of cost of sales to recognize in respect of completed lot sales, significant judgment is required in estimating each lot's proportionate share of land development inventory, as well as any remaining costs to complete the development of the lots sold. Changes in these estimates and assumptions could cause the actual cost of each lot sold to differ from the cost of sales recognized at the time that revenue was recognized.

CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

Current Changes in Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those which were disclosed in the Corporation's audited financial statements for the year ended December 31, 2015.

Future Changes in Accounting Policies

Financial Instruments

IFRS 9: Financial instruments ("**IFRS 9**") (July 2014) replaces earlier versions of IFRS 9 that had not yet been adopted by the Corporation and superseded IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new models for classification and measurement of financial instruments, hedge accounting and impairments of financial assets and is mandatorily effective for periods beginning on or after January 1, 2018. The Corporation continues to review the standard as it is updated and monitor its impact on the Corporation's financial statements.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"), was issued in May 2014 by the IASB and supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied retrospectively or through the recognition of the cumulative effect to opening retained earnings and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently in the process of evaluating the impact that IFRS 15 may have on its consolidated financial statements.

CORPORATE GOVERNANCE

Board of Directors

The mandate of the board of directors of the Corporation is to oversee the management of the business of the Corporation, with a view to maximizing the Corporation's shareholder value, and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control processes and procedures.

The Board of Directors currently consists of Jon N. Hagan, William K. Doherty and Mr. Cormack, with Mr. Doherty being the Chairman of the Board of Directors.

Within the meaning of National Instrument 52-110 – Audit Committees ("**NI 52-110**"), Messrs. Cormack and Hagan are independent of management of the Corporation. Mr. Doherty is not independent of management of the Corporation as he is the President and Chief Executive Officer of the Corporation and the Chief Executive Officer of WIGI.

The Board of Directors facilitates its exercise of supervision over management of the Corporation through, among other things, the adoption by the Board of Directors of specific written mandates for the Board, the chair of the Board, the president and chief executive officer, the audit committee of the Board and the chair of the audit committee setting out certain rules of operation for and, responsibilities of, those groups or persons.

The only standing committee of the Board of Directors is the audit committee (the "**Audit Committee**"), which, as indicated above, consists of Mr. Cormack as Chairman, Mr. Hagan and Mr. Doherty.

Personal Profiles

Donald Cormack – Mr. Cormack is currently a corporate director of both public and private entities. He was a Partner at PricewaterhouseCoopers ("**PwC**") and was the Calgary and Alberta Audit and Advisory Practice Leader at PwC and a member of the National Assurance executive. He brings to the Board of Directors extensive financial accounting and reporting experience with both private and public companies covering regulatory compliance, risk management, acquisitions, corporate restructuring, internal controls and governance in Canada and the U.S.

Mr. Cormack is a director of YYC Calgary Airport Authority and a director and Audit Committee Chair at Petrus Resources, a public oil and gas company and the Calgary Police Foundation. He is a past director of The Calgary Foundation and Alberta Health Services. He is a Chartered Accountant (CPA), a graduate of the Institute of Corporate Directors Program and has a Bachelor of Commerce degree from the University of Saskatchewan.

Jon N. Hagan – Mr. Hagan has been the principal of JN Hagan Consulting since December 2000. He provides assistance to major corporations regarding real estate capital markets, and acquisition and disposition transactions covering situations in Canada, the United States of America, Mexico and China.

Mr. Hagan is also a director and chair of the audit committee and a member of the executive committee of the board of directors of First Capital Realty Inc., which is a reporting issuer in Canada. He is Chair of the board and the Compensation, Nomination and Governance Committee, and on the Audit Committee of Regal Lifestyle Communities Inc., which was a reporting issuer in Canada. He was formerly a director and chair of the audit committee and a member of the human resources, corporate governance and investment committees of Bentall Kennedy Group from 2001 to 2011. He was a trustee of Sunrise Senior Living Real Estate Investment Trust from 2004 to 2007, and was the chair of the audit committee thereof. He was the Chairman of Teranet Income Fund from 2006 to 2008. He was a director and on the audit committee of the board of directors of The Mills Corporation for the first three months of 2007 to assist in the sale of The Mills Corporation. Mr. Hagan is also on the board of directors and a member of the following reporting issuers within the Walton Group: Walton Ontario Land 1 Corporation, being the general partner of Walton Ontario Land L.P. 1; Walton Edgemont Development Corporation, and Walton Big Lake Development Corporation, being the general partner of Walton Big Lake Development L.P.

Mr. Hagan has held a number of executive finance positions in the real estate industry, beginning with Oxford in the 1970s. His career took him to Cambridge Shopping Centres in 1980, where he eventually became Senior Vice-President, Corporate Group and Chief Financial Officer. He then joined the Empire Company Limited where he was Executive Vice-President, Finance and Corporate Development. From 1996 through 2000, he was Executive Vice President and Chief Financial Officer of Cadillac Fairview Corporation. Mr. Hagan's experience spans corporate strategy, corporate and real estate finance, real estate acquisition and disposition, compensation programs, computer systems, financial reporting, forecasting and budgeting.

Mr. Hagan is a chartered accountant. He holds a BSc in Mechanical Engineering from the University of Saskatchewan and attended the Executive MBA program at the University of Alberta.

William K. Doherty – Mr. Doherty leads the Walton Group of Companies as Chief Executive Officer of WGI, and as an actively-involved director and executive with several Walton Group affiliates.

Mr. Doherty has been central to the Walton Group's strategic direction, and expansion since the early 1990s, when he moved from the Walton Group's original Calgary base to Hong Kong to launch the Walton Group's Asian operations. He successively opened offices in Hong Kong, Singapore, Japan and Malaysia, which evolved into key factors in the Walton Group's growing success in land-based real estate projects.

Upon returning to Canada in the late 1990s, Mr. Doherty led the recruitment of a growing team of knowledgeable professionals and expanded and diversified Walton's land portfolio. During the ensuing decade, in addition to its leading role in the Calgary market, the Walton Group established significant positions in strategic growth regions around Edmonton, Ottawa, County of Simcoe, Niagara, County of Brant, Phoenix, Dallas, Austin, Atlanta, Washington D.C., Charlotte, Southern California, Chicago, Nashville and Central Florida.

Mr. Doherty has directed the ongoing expansion of the Walton Group's investment operations, launching USA and European operations and opening offices throughout North America. He is involved in developing the Walton Group's business relationships with leading international investment banks, broker-dealers, financial advisors and institutional investors.

Mr. Doherty oversees the Walton Group's involvement in land-use planning and development having formed WDM, and recruiting experienced development industry leaders to key executive positions and launching major real estate development projects.

Mr. Doherty directs an enterprise that has grown into a leading North American real estate investment and development group. The Walton Group administers assets over $4.6 billion CAD and nearly 97,000 acres of land, with a global presence and serves more than 92,000 investors and clients.

Compensation

The Corporation has agreed to pay to each of the directors who are “independent” within the meaning of NI 52-110 an annual retainer of $50,000 per year, paid quarterly in advance. This amount was determined by the Corporation and the directors.

The executive officers of the Corporation do not receive any compensation from the Corporation.

Orientation and Continuing Education

New directors will attend a briefing with existing directors on all aspects of the nature and operation of the Corporation’s business from the existing directors and the senior management of the Corporation.

Directors will be afforded the opportunity to attend and participate in seminars and continuing education programs and are encouraged to identify their continuing education needs through a variety of means, including discussions with senior management of the Corporation and at meetings of the directors. Outside experts may be retained, as appropriate, to provide directors with ongoing education on specific subject matters.

Nomination of Directors

The original members of the board of directors were appointed by the Class A shareholder of the Corporation. If and when a director resigns, the remaining directors will participate in the identification of a new director with a view to ensuring overall diversity of experience and skill. The new director may be appointed by the remaining directors or by the Class A shareholder of the Corporation.

Assessments

The directors will regularly assess themselves with respect to their effectiveness and contribution.

Audit Committee

The primary function of the Audit Committee is to assist the board of directors in fulfilling their responsibility of oversight and supervision of the Corporation's accounting and financial reporting practices and procedures, the adequacy of internal controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Corporation's independent auditors and for the approval of all non-audit services for which its auditors may be engaged, including the fees for such services.

The Audit Committee currently consists of Donald Cormack, Jon N. Hagan and William K. Doherty. Each member of the Audit Committee is financially literate, meaning that each has the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements of the Corporation. Mr. Cormack and Mr. Hagan are "independent" as contemplated by NI 52-110, while Mr. Doherty is not.

Ethical Business Conduct

Directors who have, or may be reasonably perceived to have, a personal interest in a transaction or agreement being contemplated by the Corporation are required to declare such interest at any meeting at which the matter is being considered and, where appropriate, leave the meeting during the discussion and abstain from voting on such matter. The directors encourage and promote a culture of ethical business conduct by expecting each director, as well as the officers of the Corporation, to act in a manner that exemplifies ethical business conduct.

Whistleblower Policy

The Corporation has established a Whistleblower Policy to ensure the integrity of the accounting records and financial statements of the Corporation and its compliance with applicable laws. Under the whistleblower policy, any employee who becomes aware of any questionable accounting, internal accounting controls, auditing matters or potential violations of law are encouraged to contact their immediate supervisor, their immediate supervisor's manager or the President . Employees also have the option of reporting such matters directly to the chair of the Audit Committee or the chair of the board of directors. Appropriate procedures are then undertaken to ensure that the report is promptly and thoroughly investigated.

RISK FACTORS

Risks of Real Property Ownership and Development

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. Such risks include the highly competitive nature of the real estate industry, changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the supply of and demand for office, industrial, retail space or warehousing or residential real estate in the area and thereby the prices at which serviced acreage may be sold), government regulation and changes therein (such as planning, zoning, taxation of property and environmental legislation), changes in governments and the political environment in the applicable jurisdictions, competition from other available properties and the attractiveness of the property to potential purchasers, including builders. In addition, each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates and general economic conditions. The income generated by real estate properties, if any, is dependent upon general economic conditions and, accordingly, the return on investment may be affected by changes in those conditions. There is also no assurance that the Property can be expected to be developed profitably. Economic conditions also may affect the municipalities and their ability and willingness to fund infrastructure projects necessary to support development. The market for real property can be affected adversely by economic factors, which may be regional, national or international in scope.

There is potential for significant variation in soil quality across a development property. Such variation may require significant remedial work including soil removal and fill which increases the costs associated with development.

Although the U.S. real estate market has rebounded somewhat from the recession, the recovery has taken longer than anticipated by many industry experts. The downturn caused increased default rates on sub-prime mortgages in the U.S. and the effect of these increased default rates persist in the debt financing environment for real estate projects in the U.S. As broader U.S. market fundamentals have strengthened, the pace of recovery has oftentimes been inconsistent. This could mean that the development of the Property may not be completed in accordance with the existing plan, on time or on budget, or that the Property may decrease in value. These factors may have a negative impact on the value of the Corporation's interest in the Property, on the length of time the Corporation will be required to hold the Property, on the purchase price of the acreage from the Property when eventually sold and on the value of the Debentures, Interest Debentures and Class B shares.

The Corporation and the U.S. Subsidiary will be required to make certain expenditures in respect of their activities, including, but not limited to, the payment of property taxes, maintenance costs, insurance costs and related charges, regardless of whether the Property is producing sufficient income to service such expenses. If the Corporation or the U.S. Subsidiary is unable or unwilling to meet such payment obligations, losses could be sustained as a result of the exercise by creditors of rights of foreclosure or sale.

Various factors can affect the timing and profitability of real estate development and construction. While certain plans have been made for development of the Property, there is no assurance that such plans will be met on a timely basis or at all. There is also no assurance that the Property can be developed profitably. The Corporation will be subject to risks inherent in the development of real estate including: (i) construction and other unforeseen delays; (ii) the incurring of construction and development costs in advance of securing sales revenue; (iii) cost overruns; (iv) the inability to secure the appropriate development and other necessary approvals in a timely and cost effective manner; (v) the inability to sell acreage from the Property; and (vi) fluctuations in demand and supply for developed properties.

Occasionally municipalities throughout the U.S. require developers to front-end significant off site infrastructure. The costs associated with such can be significant and may materially impact the financial results of developers.

In general, vertical development of real estate is riskier than horizontal development. This is because, among other things, vertical development is more costly and requires more third party financing, there is a higher risk of loss and liability in the course of vertical development, more third party service providers are required to be engaged for vertical development and vertical development is more susceptible to changes in the economy and industry conditions. While the potential for returns may be higher with vertical development, the risk of loss and the venture being unsuccessful is also higher.

Currency Fluctuations

All of the operations of the U.S. Subsidiary in connection with the development of the Property, including, without limitation, the costs it incurs in connection therewith, the construction loans that it obtains and the related interest expenses, the revenues that it receives from the sales of serviced lots and parcels and the fees that it pays to WDM, will be denominated in U.S. dollars. When the U.S. Subsidiary distributes any amounts to the Corporation for the purpose of funding its costs and paying interest and principal on the Debentures and Interest Debentures and dividends and other distribution on the Class B shares, those amounts will have to be converted into Canadian dollars at the Canadian/U.S. dollar exchange rate prevailing at those times.

Required Loans May Not Be Provided, May Terminate or May Not Be Sufficient

It is anticipated that further construction loans will be required to fund the costs of the development, including vertical development, beyond the Senior Loan and the Mezzanine Loan and the WUSA subordinated loan. There can be no guarantee that such construction loans can or will be obtained on similar terms as the Senior Loan, the Mezzanine Loan or the WUSA subordinated loan or at all.

The Corporation and the U.S. Subsidiary have the authority to negotiate and obtain other loans or loan facilities for the purposes of carrying out their operations and to grant security against their assets, including the Property, without obtaining the approval of the holders of the Debentures, Interest Debentures and the Class B shares. The Corporation and the U.S. Subsidiary may exercise this power in a number of circumstances including (i) if they wish to replace any of the current loans for any reason, (ii) if any of the current loans are terminated for any reason, or (iii) when other credit facilities, loans or borrowings are required to be entered into by them to pay for the development of the Property, including development of the Property beyond the current phases in development and vertical development, or to pay for other of their costs. Any such borrowing and the granting of security, which may be from arm's length third parties and/or, subject to compliance with all applicable laws and receipt of all required regulatory approvals (if any), from affiliates of WAM or from affiliates of holders of Debentures and Interest Debentures or Class B shares, will be on such terms as the Corporation and/or the U.S. Subsidiary determines to be appropriate. In the case of borrowings for vertical development, any security required by lenders may also be placed on portions of the Property on which no vertical development is undertaken. Any such borrowings may be evidenced by promissory notes or other evidences of indebtedness. Such borrowings may include securities offerings by the Corporation and/or the U.S. Subsidiary of indebtedness, such as notes or debentures, which may or may not be secured by their assets, including the Property.

There can be no assurances that the Corporation and/or the U.S. Subsidiary will be able to obtain financing when required, or, if it can obtain such financing, that such financing will be on terms that are reasonable or acceptable. The failure or inability to obtain such financing will have a material negative effect on the ability to develop the Property on a timely basis, or at all.

If any vertical development is carried out on any portion of the Property that is held through a separate entity in which the Corporation or the U.S. Subsidiary owns an interest, the Corporation and/or the U.S. Subsidiary may be required to guarantee the repayment of any financing required to fund such vertical development, which guarantee may be required to be secured by the remainder of the Property which is not being vertically developed.

Regulatory Approvals and Third Party Approvals

Full development of the Property requires zoning, subdivision and other approvals for each phase of the Property, including Phase 1, from local government agencies and other approving authorities that have the jurisdiction over regulatory planning and development approvals in the area around the Property. The process of obtaining such approvals may take many months, and there can be no assurance that the necessary approvals will be obtained or obtained in a manner that is acceptable for the purposes of the proposed development of the Property. There is also a possibility that additional approvals to those described above may be necessary due to new legislation or for other reasons. Holding costs will accrue while regulatory approvals are being sought and delays in obtaining such approvals could render the development of the Property uneconomic. Failure to obtain acceptable approvals in a timely manner could have a significant negative effect on the value of the Property.

In addition, any required easement, cost sharing or other similar agreements with neighbouring land owners required for development of the Property may not be obtained on a timely basis, if at all.

Environmental Matters and Other Concerns

There can be no assurances that environmental contamination will not occur as a result of the development of the Property or any other activity on, or occupation of, the Property or farming, other operations or other occupation on adjacent parcels of land. There can be no assurances that if such environmental contamination does occur that it will not be significant or will not significantly reduce the value of the Property.

Under various environmental laws, ordinances and regulations, the current or previous owners or operators of the Property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in the Property. These costs could be substantial. Such laws could impose liability whether or not the Corporation knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental laws on the manner in which the Property may be operated or developed, could adversely affect the ability to sell acreage from the Property or to borrow using the Property as collateral and also could potentially result in claims against the Corporation and/or the U.S. Subsidiary. Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, sometimes, by private parties. Environmental laws and common law principles could be used to impose liability for release of, and exposure to, hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims, could be substantial. The Corporation and/or the U.S. Subsidiary may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Corporation's or WAM's or WDM's perception of relative risk.

Political and Economic Climate

The area around the Property presents social, economic and political conditions that are reasonably stable. However, the applicable levels of government in this area and the U.S. federal government could implement legislation and policies that would have an adverse effect on the value of the Property. Examples of such policies are tax reform, zoning restrictions, land ownership restrictions, transportation policies, development moratoriums, annexation proceedings or other adverse economic and/or monetary policies. In addition, the Washington D.C. economy may not attain levels of growth that it has achieved in the past and projections regarding future growth may not be accurate.

Changes in Legislation and Policies

There can be no assurances that federal, state, county or municipal legislation will not be implemented or policies and frameworks will not be implemented by the applicable municipal bodies or other government regulators having jurisdiction over the Property which places restrictions on the ability to develop the Property or which generally has the effect of significantly reducing the value, or the potential value, of the Property.

Competition

The Corporation competes with other investors, developers, and owners of properties for the sale of desirable real estate properties. Some of the properties of the competitors of the Corporation are newer, better located, better capitalized and/or more developed than the Property. Certain of these competitors have greater financial and other resources and greater operating flexibility than the Corporation. The existence of competing developers and owners could have a material adverse effect on the ability of the Corporation to market the Property, and could adversely affect the profitability of the Corporation. Affiliates of the Corporation, WAM and WDM (including WAM and WDM) administer other properties around Washington D.C. or elsewhere that may be competitive to the Property.

Builder Contract Risk

The success of any development project is to a certain extent dependent upon the ability to attract builders with successful track records in sales and construction. In the event that any of the builders that are contracted with in connection with the Property should cease operating in connection with the Property or not comply with their obligations to the U.S. Subsidiary under the applicable agreements, the financial performance of the Corporation will depend upon WDM's ability to find a replacement builder or builders. There can be no guarantee that WDM will find suitable builders on a timely basis or on terms that are advantageous to the Corporation.

Single Asset

The Corporation was formed solely for the purposes of the acquisition and development, through the U.S. Subsidiary, of all or a portion of the Property. The Property will represent the only significant asset of the U.S. Subsidiary, and the U.S. Subsidiary securities are the only significant asset of the Corporation. As a result, the Corporation's financial performance will be directly tied to the value of the Property.

IRRs from the project may be lower and the timelines for the project may be longer as a result of vertical development

While management is of the view that appropriate vertical development of one or more portions of the Property can increase the overall IRR from the Property to Shareholders than what is currently projected for the Property, there is no guarantee that the IRR from the Property will not be lower from vertical development from what is currently projected. In addition, there is no guarantee that management's current views as to the timing of the completion of the development of the Property and the sale of all of the lands, serviced lots and buildings thereon will not be incorrect and that the time that will be required for the same may not be longer than management's current views.

Agreements with third party developers may need to be negotiated

In the event that any vertical development of the Property is proposed to be undertaken with the assistance of third party vertical developers, the development and management of such vertical developments will be carried out by such third party developers and managers on behalf of the Corporation. In those circumstances, the Corporation will need to negotiate, at that time, specific project management agreements with such third parties for their management services which negotiation will need to include the fees to be paid to them, which could include, among other things, a percentage of the costs of the vertical development and potentially, further performance fees and/or share of the revenues from the sale and/or management of the vertically developed buildings and/or lots. There can be no assurances that the Corporation will be able to negotiate suitable terms with such third party developers that are acceptable to the Corporation. If reasonable terms cannot be reached with such third party developers, the Corporation may not be able to proceed with such vertical development which could lower the potential returns available to the Shareholders.

The Corporation may build buildings for sale to unidentified purchasers

While it is management's current intention to undertake vertical development projects for purchasers who are under contract prior to commencement of construction, the Corporation may undertake vertical development projects to build buildings that are built for sale to unidentified purchasers. There is no guarantee that, if the Corporation does do so, a purchaser will be identified to acquire the buildings upon their completion. It may take a material amount of time for the Corporation to find a purchaser for such buildings or a purchaser may not be found at all. Until such time as a purchaser is found, there will be a need for the maintenance and upkeep of such buildings.

The Corporation may become subject to construction defect and warranty claims

The Corporation may become subject to construction defect and warranty claims arising in the ordinary course of business. These claims are common in the homebuilding industry. Further, the Corporation may become exposed to claims for construction defects, personal injury or property damage caused by subcontractors. In the event there are unforeseen events like the bankruptcy of, or an uninsured or under-insured loss claimed against any general contractor engaged in connection with any vertical development, the Corporation may become responsible for the losses or other obligations of the general contractor. The cost of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If any vertical development in which the Corporation participates is unable to obtain adequate insurance against these claims, the Corporation's business and results of operations may be adversely affected.

The Walton Group has limited vertical development experience

The Walton group of companies has not undertaken any significant vertical development and therefore has limited experience in this type of business. As a result, the Walton group of companies may need to rely on third parties in connection with any vertical development. Furthermore, the vertical development business is highly competitive and, if it is decided that vertical development will occur on the Property, the Corporation and any vertical development venture in respect thereof may be competing against industry participants with more vertical development experience.