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CALGARY

APPLICANT IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF WESTPHALIA DEV. CORP.

DOCUMENT

PRE-FILING REPORT OF FTI CONSULTING CANADA INC., IN  
ITS CAPACITY AS PROPOSED MONITOR OF WESTPHALIA  
DEV. CORP.

**January 14, 2025**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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**PRE-FILING REPORT OF THE PROPOSED MONITOR**

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## INTRODUCTION

1. FTI Consulting Canada Inc. (“**FTI**” or the “**Proposed Monitor**”) has been advised that Westphalia Dev. Corp. (“**WDC**” or the “**Applicant**”) intends to make an application for an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and establish an initial stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicant.
2. This pre-filing report of the Proposed Monitor (the “**Pre-Filing Report**” or this “**Report**”) has been prepared: (i) prior to, and in contemplation of its appointment as Monitor; and (ii) to provide information to this Court solely in respect of the relief sought by the Applicant at the hearing in respect of the Initial Order. Should FTI be appointed as Monitor, FTI intends to file a further report with this Court in its capacity as Monitor in respect of the relief being sought by the Applicant at the hearing to amend and restate the Initial Order scheduled on January 23, 2025 (the “**Comeback Hearing**”).

## PURPOSE

3. The purpose of this report is to provide this Court and the Applicant’s stakeholders with information and the Proposed Monitor’s comments with respect to the following:
  - a. background information with respect to the Applicant;
  - b. the qualifications of FTI to act as Monitor in these CCAA Proceedings;
  - c. a cash flow statement (the “**Cash Flow Statement**”) for the 13-week period ending April 13, 2025 (the “**Forecast Period**”) as well as the key assumptions on which the Cash Flow Statement is based; and
  - d. the anticipated relief sought by the Applicant in the proposed Initial Order, including, among other things:

- i. granting the Stay of Proceedings up to and including January 24, 2025; and
  - ii. granting certain Court-ordered charges sought by the Applicant (collectively, the “**Charges**”).
4. This Pre-Filing Report should be read in conjunction with the Affidavit of Bryce Tingle sworn on January 13, 2025 (the “**Tingle Affidavit**”), which describes in more detail the Applicant’s operations and circumstances leading to their current situation.

#### **TERMS OF REFERENCE**

5. In preparing this Report, the Proposed Monitor has relied upon certain information (the “**Information**”) including the Applicant’s unaudited financial information, books and records and discussions with senior management of WDC (“**Management**”).
6. Except as described in this Report, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
7. The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
8. Future oriented financial information reported to be relied on in preparing this Report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## BACKGROUND INFORMATION

10. WDC is an entity that was formed with the purpose of raising and deploying capital in a specific land development project located in Prince George’s County, Maryland, USA (the “**Project**”). A subsidiary of WDC, Walton Westphalia Development (USA), LLC (the “**US Subsidiary**”) holds an 85.6% interest in the Project. The scope of work for the Project spans from the acquisition of the land through to the sale of parcels to residential and commercial builders and end users.
11. WDC has no employees, was established on January 4, 2012, under the laws of the Province of Alberta and its operations are managed by Walton Global Investments Ltd. (“**WGIL**”) pursuant to a Management Services Agreement dated February 27, 2012, as between WDC and Walton Asset Management L.P. (“**WAM**”), as assigned and novated to WGIL on April 1, 2018, pursuant to an Assignment and Assumption Agreement (collectively, the **Management Services Agreement**)
12. WDC has two classes of shareholders:
  - a. Class A Voting Shares of which there are 100 and all are held by 1389211 Alberta Ltd. (“**1389211**”), who in turn is wholly owned by WGIL; and
  - b. Class B Non-Voting Shares of which there are approximately 65,000 that are widely held. The largest Class B shareholders are WGIL and WGIL’s CEO, William Doherty, who hold approximately 5% and 1.5%, respectively.
13. The Applicant is a reporting issuer under Canadian securities legislation; however, its shares have never been listed or traded on a public market.
14. The Applicant’s primary assets are its shareholdings in the US Subsidiary, which in turn holds the 85.6% interest in the Project and it has limited cash reserves.

15. The development of the Project has been significantly advanced; however, certain entitlement and road work needs to be completed to enhance the value of the Project.
16. The value of the Project hinged on the US Subsidiary's ability to fully complete its mandate which included: (i) acquiring the subject property; (ii) obtaining letters of intent or expressions of interest from vertical developers and other users to purchase lots and parcels to be serviced in the planned phases of development before construction commenced; (iii) constructing municipal services infrastructure on the property in phases to provide a supply of serviced lots and parcels to the marketplace; and (iv) using revenue from the sale of the serviced lots to repay loans and other obligations of the Applicant and the US Subsidiary. As at the date of this Pre-Filing Report, certain of the above steps have not been completed.
17. In order to complete its mandate and maximize the recoverable value of the Project, additional cash is required to, among other things, satisfy the US Subsidiary's current debts, provide legal entitlements and complete remaining road work (the "**Remaining Project Work**"). The Applicant anticipates that it could take up to three years for Remaining Project Work to be completed.
18. The liabilities of the US Subsidiary, as described in further detail in the Tingle Affidavit total approximately \$73.3 million. In order for any proceeds from the Project to flow up to the Applicant, the proceeds from the sale of the US Subsidiary's interest in the Project would need to be sufficient to repay the liabilities of the US Subsidiary.
19. The Applicant's liabilities include amounts owed to WGIL under the Management Services Agreement (the "**Management Fees**") and to WAM who provided management services to the Applicant prior to WGIL. The amounts owed to WGIL and WAM as at December 31, 2023, totaled approximately \$6.8 million. Additionally, the Applicant has unsecured trade and accrued liabilities of approximately \$223,000.
20. On December 1, 2024, WGIL informed the Board of the Applicant that it will not continue to provide management services and fund the Applicant's operations unless a plan is put

in place to: (i) address the Applicant's liquidity issues, and (ii) pay the Applicant's outstanding debts, including the outstanding Management Fees and other unsecured debt.

21. Without support from WGIL and a restructuring of WDC, WDC will be unable to maximize the value of its investment in the US Subsidiary through completion of the Remaining Project Work. The US Subsidiary would then be selling the Project in an unfinished state which will limit and severely erode the potential proceeds which would flow up from the Project through the US Subsidiary and be available to the stakeholders of the Applicant.

### **FTI'S QUALIFICATIONS TO ACT AS MONITOR**

22. FTI is a trustee withing the meaning of section 2(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"), and, with respect to the Applicant is not subject to any of the restrictions on who may be appointed as monitor as set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor in the CCAA Proceedings, a copy of which is attached as Exhibit D-7 of the Tingle Affidavit.
23. Since being engaged by the Applicant, FTI has acquired knowledge of the business and operations of the Applicant, including its key personnel, stakeholders, the operations of the Project and key issues in the proposed CCAA Proceedings. As a result, FTI is in a position to immediately act as Monitor in the CCAA Proceedings if so appointed by this Court.
24. The senior FTI personnel with carriage of the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees who have acted in numerous restructuring and CCAA matters of this nature and scale.
25. Neither FTI, nor any of its representatives, have been, at any time in the two proceeding years:
  - a. a director, officer or employee of the Applicant;

- b. related to the Applicant or to any director or officer of the Applicant; or
  - c. the auditor, accountant or legal counsel, or a partner of an employee of the auditor, accountant or legal counsel, of the Applicant.
26. FTI was initially engaged by the Applicant on or around December 3, 2024, to assist in preparing for a potential filing under the CCAA. During the course of this mandate, FTI has, among other things:
- a. participated in numerous meetings and discussions with Management and the Applicant's legal advisors in connection with the Applicant's business and financial affairs generally and in connection with the preparation of the Cash Flow Statement;
  - b. participated in numerous meetings and discussions with the Applicant and its legal advisors in connection with the relief to be requested in the CCAA Proceedings;
  - c. engaged legal counsel in Canada who have also participated in certain of the above meetings;
  - d. obtained and reviewed financial and certain other information produced by the Applicant relating to its operations, cash flow forecast, financial situation and the Project;
  - e. assisted the Applicant in the preparation of the Cash Flow Forecast;
  - f. assisted the Applicant in assessing the quantum of potential claims against its directors and officers; and
  - g. prepared this Pre-Filing Report.



## CASH FLOW STATEMENT

27. The Applicant, in consultation with the Proposed Monitor, has prepared the Cash Flow Statement which sets out the liquidity requirements of the Applicant for the 13-week period ending April 13, 2025. A copy of the Cash Flow Statement is attached hereto as Appendix “A”. The Cash Flow Statement is summarized in the following table:

Cash Flow Statement (C\$ 000s)	Initial Stay		Total 13 Weeks 13-Apr-25
	Week 1 19-Jan-25	Week 2 26-Jan-25	
<b>Receipts</b>	-	-	\$ -
<b>Disbursements</b>			
General and Administrative Expenses	-	-	50,000
Management Fee to WGI			250,000
Professional Fees	-	-	250,000
<b>Total - Disbursements</b>	-	-	550,000
<b>Net cash flow</b>	-	-	\$ (550,000)
Opening cash	2	2	2
<b>Ending cash before Interim Financing</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ (549,998)</b>
<b>Interim Financing (Draw)</b>	-	-	550,000
<b>Cummulative Interim Financing (Drawn)</b>	-	-	550,000
<b>Ending Cash after Interim Financing</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 2</b>

28. The Cash Flow Statement indicates that during the 2-week period ending on January 26, 2025, the Applicant will have no change in cash as no expenses require payment until after the Comeback Hearing.
29. The Cash Flow Statement shows an ending cash balance for the week ending January 26, 2025, of approximately \$2,000.
30. The Cash Flow Statement indicates that during the 13-week period ending on April 13, 2025, the Applicant will have a net cash loss from operations of \$550,000, including

professional fees of \$250,000. Consequently, the Applicant will require interim financing in the amount of \$550,000.

31. The Cash Flow Statement is based on the following key assumptions:
  - a. the Applicant does not have any sources of revenue and accordingly, receipts are projected as nil;
  - b. general and administrative expenses include the costs for news releases, external corporate services including legal, accounting and tax advisors;
  - c. the Applicant's management duties are preformed by WGIL and the forecasted expenses are to be paid monthly pursuant to the Management Services Agreement;
  - d. professional fees include provisions for the Applicant's legal counsel, the Proposed Monitor and the Proposed Monitor's legal counsel; and
  - e. interim financing draws to fund the Applicant's liquidity requirements over the Forecast Period.
  
32. The Proposed Monitor is aware that the Applicant is in the process of negotiating an interim financing term sheet (the "**Interim Financing Agreement**") which is required to fund the Applicant's operations through the Forecast Period. The Applicant is currently in discussions with WGIL to act as interim lender; however, as at the date of the Pre-Filing Report the terms of the Interim Financing Agreement are yet to be finalized.
  
33. The Proposed Monitor understands that the Applicant will be seeking approval for the Interim Financing Agreement and a Court-ordered charge to secure any advances thereunder at the Comeback Hearing.

## PROPOSED MONITOR'S COMMENTS ON THE CASH FLOW STATEMENT

34. Pursuant to section 23(1)(b) of the CCAA and in accordance with Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:
- a. the Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Cash Flow Statement, using the probable and hypothetical assumptions set out therein;
  - b. the Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to the information supplied by Management and employees of the Applicant. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited and evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;
  - c. based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
    - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
    - ii. as at the date of this Pre-Filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
    - iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;

- d. since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Proposed Monitor in preparing this Report; and
- e. the Cash Flow Statement has been prepared solely for the purpose of estimating liquidity requirements of the Applicant during the Forecast Period and should not be relied upon for any other purpose.

## **AMOUNT AND PRIORITY OF COURT-ORDERED CHARGES**

### **Administration Charge**

- 35. The proposed form of Initial Order provides for a charge in the amount of up to \$100,000 (the “**Administration Charge**”), charging the assets of the Applicant to secure the fees and disbursements incurred in connection with services rendered to the Applicant before and after the commencement of the CCAA Proceedings by the Applicant’s legal counsel, the Proposed Monitor and the Proposed Monitor’s legal counsel. The Administration Charge is proposed to hold a first ranking priority over the property of the Applicant.
- 36. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicant has based the quantum of the proposed Administration Charge, the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the proposed quantum is reasonable and appropriate in the circumstances.
- 37. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

### **Director's Charge**

38. The proposed form of Initial Order provides for a charge over the Applicant's property in favour of the directors and officers of the Applicant as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceedings (the "**Director's Charge**"). The Director's Charge will not exceed an aggregate amount of \$25,000.
39. The Applicant's directors and officers have the necessary background and knowledge that will be beneficial to the Applicant's restructuring efforts through the CCAA Proceedings.
40. The Proposed Monitor is of the view that the amount of the Director's Charge is reasonable in relation to the quantum of the estimated liability of the Applicant's directors and officers.

### **Summary of the Proposed Rankings of the Court-Ordered Charges**

41. If the proposed Initial Order is granted, the Charges would have the following ranking:
  - a. First – the Administration Charge in the amount of \$100,000; and
  - b. Second - the Director's Charge in the amount of \$25,000.
42. The Proposed Monitor believes that the Charges, including their proposed quantum and ranking are required and reasonable in the circumstances of these CCAA Proceedings in order to preserve the operations of the Applicant and through the US Subsidiary the value of the Project and, as a result, supports the granting of the Charges as proposed by the Applicant.

### **CONCLUSIONS**

43. The Proposed Monitor is of the view that the relief requested by the Applicant pursuant to the proposed Initial Order is necessary, reasonable and justified in the circumstances. The Initial Order and the Stay of Proceedings will provide stability to the Applicant's operations

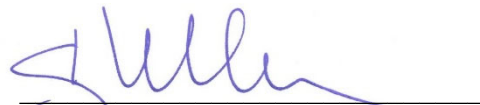
by allowing for the Applicant to continue to support the US Subsidiary in the completion of the Remaining Project Work as the Applicant's complete a successful restructuring.

44. Accordingly, the Proposed Monitor respectfully recommends that this Court grant the proposed Initial Order.

\*\*\*\*\*


All of which is respectfully submitted this 14<sup>th</sup> day of January 2025.

**FTI Consulting Canada Inc.,**  
in its capacity as Monitor of  
the Westphalia Dev. Corp.  
and not in its personal or corporate capacity



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Deryck Helkaa, CA, CPA, CIRP, LIT  
Senior Managing Director  
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Dustin Olver, CA, CPA, CIRP, LIT  
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# **Appendix A**

**Westphalia Dev. Corp.**

Projected Cash Flow Statement for the period January 13 to April 13, 2025

Cash Flow Statement (C\$ 000s)	Initial Stay		Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total	Notes
	Week 1	Week 2													
Week Ending:	19-Jan-25	26-Jan-25	2-Feb-25	9-Feb-25	16-Feb-25	23-Feb-25	2-Mar-25	9-Mar-25	16-Mar-25	23-Mar-25	30-Mar-25	6-Apr-25	13-Apr-25	13-Apr-25	
<b>Receipts</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -	1
<b>Disbursements</b>															
General and Administrative Expenses	-	-	20,000	-	-	10,000	-	-	10,000	-	-	10,000	-	50,000	2
Management Fee to WGIL	-	-	50,000	-	-	-	100,000	-	-	-	-	100,000	-	250,000	3
Professional Fees	-	-	75,000	-	-	-	-	175,000	-	-	-	-	-	250,000	4
<b>Total - Disbursements</b>	-	-	<b>145,000</b>	-	-	<b>10,000</b>	<b>100,000</b>	<b>175,000</b>	<b>10,000</b>	-	-	<b>110,000</b>	-	<b>550,000</b>	
<b>Net cash flow</b>	-	-	<b>(145,000)</b>	-	-	<b>(10,000)</b>	<b>(100,000)</b>	<b>(175,000)</b>	<b>(10,000)</b>	-	-	<b>(110,000)</b>	-	<b>\$ (550,000)</b>	
Opening cash	2	2	2	(144,998)	(144,998)	(144,998)	(154,998)	(254,998)	(429,998)	(439,998)	(439,998)	(439,998)	(549,998)	2	
<b>Ending cash before Interim Financing</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ (144,998)</b>	<b>\$ (144,998)</b>	<b>\$ (144,998)</b>	<b>\$ (154,998)</b>	<b>\$ (254,998)</b>	<b>\$ (429,998)</b>	<b>\$ (439,998)</b>	<b>\$ (439,998)</b>	<b>\$ (439,998)</b>	<b>\$ (549,998)</b>	<b>\$ (549,998)</b>	<b>\$ (549,998)</b>	
<b>Interim Financing (Draw)</b>	-	-	150,000	-	-	150,000	-	150,000	-	-	-	100,000	-	550,000	5
<b>Cumulative Interim Financing (Drawn)</b>	-	-	150,000	150,000	150,000	300,000	300,000	450,000	450,000	450,000	450,000	550,000	550,000	550,000	
<b>Ending Cash after Interim Financing</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 5,002</b>	<b>\$ 5,002</b>	<b>\$ 5,002</b>	<b>\$ 145,002</b>	<b>\$ 45,002</b>	<b>\$ 20,002</b>	<b>\$ 10,002</b>	<b>\$ 10,002</b>	<b>\$ 10,002</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 2</b>	



Westphalia Dev. Corp.

Per: Autumn Habermehl, CFO

**Notes:**

The Manager of Westphalia Dev. Corp. ("WDC") prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Westphalia Dev. Corp. during the period of January 13, 2025 to April 13, 2025. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-6. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 WDC does not have any source of revenue, accordingly receipts are projected as nil
- 2 Includes general administrative expenses, news releases, external corporate legal, accounting and tax services.
- 3 Company does not have any employees, management duties are performed pursuant to a management agreement with Walton Global Investment Ltd. ("WGIL")
- 4 Professional fees include provision for WDC Counsel, Monitor and Monitor's counsel in addition to retainers currently held by these parties.
- 5 Interim Financing provided pursuant to the terms of the Interim Financing Agreement with WGIL which has yet to be finalized.