



SKYLINE INTERNATIONAL DEVELOPMENT INC.
ANNUAL INFORMATION FORM

Year Ended December 31, 2015

March 28, 2016

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GLOSSARY OF TERMS

In this Annual Information Form, the following terms will have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

“**2029861**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**70 Temperance**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Annual Information Form**” means this annual information form.

“**Audit Committee**” means the audit and financial statements committee of the Board.

“**BHI**” means Blutrigh Holdings Inc.

“**Blue Mountain**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Board**” means the board of directors of the Company.

“**Common Shares**” means the common shares of the Company.

“**Company**” means Skyline International Development Inc.

“**Company Event**” has the meaning ascribed to such term under “Description of Share Capital - Warrants”.

“**Compensation Committee**” means the compensation committee of the Board.

“**Cosmopolitan**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Director**” means a director on the Board of the Company.

“**Escrowed Securities**” has the meaning ascribed to such term under Escrowed Securities.

“**Gai Goffer**” means Gai, Goffer, Yahav, Guilman, Udem & Co.

“**Hotel and Resorts**” has the meaning ascribed to such term under Description of the Business - Overview.

“**Hyatt**” has the meaning ascribed to such term under “General Development of the Business - Three Year History – Business Activity”.

“**IFRS**” has the meaning ascribed to such term under “Meaning of Certain References”.

“**Initial Escrow Period**” has the meaning ascribed to such term under Escrowed Securities.

“**Israeli Companies Law**” means *Israeli Companies Law, 5759-1999*.

“**Israeli Securities Law**” means *Israeli Securities Law, 5728-1968*.

“**King Edward**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**McNicol**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Meridien Edward**” has the meaning ascribed to such term under “Description of the Business - Canadian Hotel and Resorts - King Edward”.

“**Mishorim**” means Mishorim Development Corporation Ltd.

“**NI 52-110**” has the meaning ascribed to such term under “Directors and Executive Officers of the Company - Committees of the Board of ”.

“**NIS**” means Israeli New Shekels.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Pantages**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Prospectus**” has the meaning ascribed to such term under “General Development of the Business - Completion of Initial Public Offering”.

“**RCI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Real Estate Development for Sale**” has the meaning ascribed to such term under Description of the Business - Overview.

“**Real Estate for Investment**” has the meaning ascribed to such term under Description of the Business - Overview.

“**SEAI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SEMI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SEPI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SESI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Series 1 Warrant**” has the meaning ascribed to such term under “Description of Share Capital - Warrants”.

“**Series 2 Warrant**” has the meaning ascribed to such term under “Description of Share Capital - Warrants”.

“**SHR**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Skylife Club**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SCRI**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SCRL**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Skyline**” means Skyline International Development Inc.

“**Skyline Deerhurst**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Skyline Horseshoe**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Skyline Israel**” means Skyline Canada-Israel Ltd.

“**Skyline KE**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**Skyline USA**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SLF**” means Schwartz Levitsky Feldman LLP.

“**Stock Exchange**” means the Tel-Aviv Stock Exchange Ltd.

“**SVCMA**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**SVOC**” has the meaning ascribed to such term under “The Company - Subsidiaries”.

“**TIF**” has the meaning ascribed to such term under “Description of the Business- Canadian Hotel and Resorts –US Hospitality - Hyatt Regency, Cleveland”.

“**Underwriting Agreement**” has the meaning ascribed to such term under “Material Contracts - Underwriting Agreement”.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Annual Information Form may contain forward-looking statements or information, which reflect our current view of future events and financial performance. Forward looking statements can often be identified by the use of forward looking terminology such as “may”, “will”, “would”, “could”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of such terms or variations of them or similar terminology. All forward looking statements that we make are based on the opinions and estimates of our management as of the date such statements are made and represent management’s best judgment based on facts and assumptions that we consider reasonable. The forward looking statements and information contained in this Annual Information Form include, but are not limited to, statements with respect to the following: ability of the Company to execute its growth strategies; any projections of financial performance of the Company for the periods set forth herein; access of the Company to available sources of debt and/or equity financing; and expected industry and demographic trends.

The forward looking statements and information contained in this Annual Information Form are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to unfavorable weather conditions, the seasonality of our operations, availability of capital, competition from other ski and four season resorts, changes in laws, regulations and policies and failure to comply with any legal requirements, the impact of any occurring natural disasters, insufficient insurance against material claims or losses and negative economic, business and market conditions. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements or information prove incorrect, actual results may vary materially from those described herein.

Although we believe that the expectations reflected in such forward looking statements and information are reasonable, undue reliance should not be placed on forward looking statements or information because we give no assurance that such expectations will prove to be correct. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors”.

These forward looking statements and information are made as of the date of this Annual Information Form, and we have no intention and assume no obligation to update or revise any forward looking statements or information to reflect new events or circumstances, except as required by applicable Canadian securities laws.

MEANING OF CERTAIN REFERENCES

The information in this Annual Information Form is stated as of December 31, 2015, unless otherwise indicated.

Capitalized terms, except as otherwise defined herein, are defined in the section entitled “Glossary of Terms”.

Unless otherwise stated or the context otherwise requires, references in this Annual Information Form to “we”, “us”, “our”, “Skyline” and the “Company” refer to Skyline International Development Inc., a corporation incorporated under the laws of the Province of Ontario.

Throughout this Annual Information Form, unless otherwise indicated, all references to international financial reporting standards (“**IFRS**”) are to accounting principles generally accepted internationally and in Canada. The financial statements of the Company contained in this Annual Information Form have been prepared in accordance with IFRS.

Unless expressly provided to the contrary, all monetary amounts in this Annual Information Form are stated in Thousands of Canadian dollars.

References to “management” in this Annual Information Form mean the persons acting in the capacities of the Company’s President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel and Corporate Secretary. Any statements in this Annual Information Form made by or on behalf of management are made in such persons’ capacities as officers of the Company and not in their personal capacities.

THE COMPANY

The Company was incorporated under the laws of the Province of Ontario pursuant to the OBCA on December 4, 1998. The Company filed articles of amendment on March 15, 2010 to change the number of Directors from a minimum of one (1) and a maximum of five (5) to a minimum of one (1) and maximum of ten (10). The Company then filed articles of amendment on February 27, 2014 to: (i) change the number of Directors from a minimum of one (1) and maximum of ten (10) to a minimum of three (3) and maximum of ten (10); (ii) revise the authorized share capital and attributes of the Common Shares; and (iii) remove transfer, number of shareholders and invitation to public restrictions typically imposed on a private company. The address of the Company's registered and head office is 150 King St. West, Suite 2108, Toronto, ON, M5H 1J9.

Subsidiaries

The Company holds all of the issued and outstanding capital of Skyline Executive Acquisitions Inc. ("**SEAI**"), a private company incorporated on July 15, 2009 under the laws of the province of Ontario. SEAI holds land located in the Deerhurst resort and is involved in infrastructure development and construction at the Deerhurst and Horseshoe resorts.

The Company holds all of the issued and outstanding capital of Skyline (Port McNicoll) Development Inc. ("**McNicoll**"), a private company incorporated on March 7, 2005 under the laws of the province of Ontario. McNicoll owns the lands upon which Port McNicoll project (discussed further below) is situated. McNicoll has two wholly owned subsidiaries: (i) Development Concept Inc. ("**DCI**"), a private company incorporated on August 29, 1988 under the laws of the province of Ontario, whose business operations have ceased; and (ii) Skyline Marine Inc. ("**SMI**"), a private company incorporated on September 17, 2010 under the laws of the province of Ontario, which was established for the construction and maintenance of the marina in the Port McNicoll project. During 2015, SMI and DCI were amalgamated into McNicoll.

The Company holds all of the issued and outstanding capital of Skyline Hospitality Technologies Inc., a private company incorporated on October 3, 2011 under the laws of the province of Ontario. This subsidiary provides technology services to the hotel and resorts owned by the Company.

The Company holds all of the issued and outstanding capital of Skyline Vacation Ownership Corporation ("**SVOC**"), a private company incorporated on August 14, 2013 under the laws of the province of Ontario. SVOC is engaged in the sale of units as timeshare.

During 2013, the Company began developing a "timeshare" operation so as to optimize the usage of the resort and hotel properties and services by the public. The timeshare operation was launched in late October 2013. This operation is being marketed as Skyline Vacation Club through SVOC.

The Company holds all of the issued and outstanding capital of Skyline (Port McNicoll) Land Inc., a private company incorporated on August 5, 2005, under the laws of the province of Ontario, which owns land in the Port McNicoll project.

The Company holds all of the issued and outstanding capital of Skyline – 70 Temperance Inc. ("**70 Temperance**"), a private company incorporated on December 13, 2007 under the laws of the province of Ontario. 70 Temperance provided a vendor take-back mortgage to the purchaser of a property located at 70 Temperance Street, Toronto, Ontario, which was repaid in December 2013. Upon the full repayment of the vendor take-back mortgage, the operations of 70 Temperance ceased.

The Company holds all of the issued and outstanding capital of Skyline Investments Acquisition Inc., a private company incorporated on May 12, 2011 under the laws of the province of Ontario. This company is currently inactive and will be used for future acquisitions.

The Company holds all of the issued and outstanding capital of Skyline King Edward Inc. ("**Skyline KE**"), a private company incorporated on January 13, 2010 under the laws of the province of Ontario. Skyline KE holds a 17% interest in King Edward Private Residences Limited Partnership, which is involved in the development of

condominiums in the King Edward Hotel for sale. The Company sold its interest (9.07%) in the King Edward Hotel in October 2015.

The Company holds all of the issued and outstanding capital of Skyline Cosmopolitan Ltd., a private company incorporated on October 24, 2000 under the laws of the province of Ontario, which owned suites and commercial spaces in the Cosmopolitan Hotel (the “**Cosmopolitan Hotel**”), in Toronto, Canada. The Company sold the Cosmopolitan Hotel in July 2015.

The Company holds all of the issued and outstanding capital of Skyline Executive Properties Inc. (“**SEPI**”), a private company incorporated on June 30, 2003 under the laws of the province of Ontario, which owns suites in the Pantages hotel & spa (“**Pantages**”), as discussed further below.

The Company holds all of the issued and outstanding capital of Skyline Esplanade Corporation Inc., a private company incorporated on June 24, 2003 under the laws of the province of Ontario, which sells and develops the project “Lake Side Lodge” at Deerhurst Resort.

The Company holds all of the issued and outstanding capital of Skyline Cleveland Renaissance Inc. (SCRI), a private company incorporated on July 23, 2015 under the laws of the state of Ohio which holds 50% of Skyline Cleveland Renaissance LLC (SCRL), a Delaware LLC, which owns the Renaissance Hotel in Cleveland, Ohio, USA (“**Renaissance**”).

The Company holds all of the issued and outstanding capital of Skyline Properties Inc. A private company incorporated on May 3, 2005 under the laws of the province of Alberta, which is currently inactive.

The Company holds all of the issued and outstanding capital of 2029861 Ontario Limited (“**2029861**”), a private company incorporated on July 18, 2003 under the laws of the province of Ontario, which owns real estate interests, including signage rights in the Pantages.

The Company holds the issued and outstanding capital of Skyline Executive Suites Inc. (“**SESI**”), a private company amalgamated on April 15, 2011 under the laws of the province of Ontario, which provided asset management services¹ in connection with condominium units in the Cosmopolitan hotel owned by the Company and third parties.

The Company holds all of the issued and outstanding capital of Skyline Executive Management Inc. (“**SEMI**”), a private company incorporated on August 15, 2002 under the laws of the province of Ontario, which provides asset management services¹ in connection with condominium units in the Pantages hotel owned by the Company and third parties.

The Company holds all of the issued and outstanding capital of Skyline Hotels and Resorts Inc. (“**SHR**”), a private company incorporated on May 24, 2006 under the laws of the province of Ontario, which provides property management services to the Company’s hotels and resorts (excluding the Hyatt).

The Company holds all of the issued and outstanding capital of Skyline Horseshoe Valley Inc. (“**Skyline Horseshoe**”), a private company incorporated on June 23, 2008 under the laws of the province of Ontario, which owns the Horseshoe resort (discussed further below). In addition, Skyline Horseshoe owns land that can be developed into more than 900 lots and/or residential units or hotel rooms on the resort’s area.

The Company holds all of the issued and outstanding capital of Skyline Deerhurst Resort Inc. (“**Skyline Deerhurst**”), a private company incorporated on December 23, 2010 under the laws of the province of Ontario,

¹ Asset management services include, among other things, marketing, financial management and assistance with regulatory authorities.

which owns the Deerhurst resort (discussed further below) and lands which can be developed in the future for residential, hotel, commercial or lease purposes.

The Company holds all of the issued and outstanding capital of Skyline Utility Services Inc., a private company incorporated on June 23, 2008 under the laws of the province of Ontario, which owns a sewage facility purchased concurrently with the acquisition by Skyline Horseshoe of the Horseshoe resort (described above). The sewage facility provides sewage services to the Horseshoe resort and residents of the area.

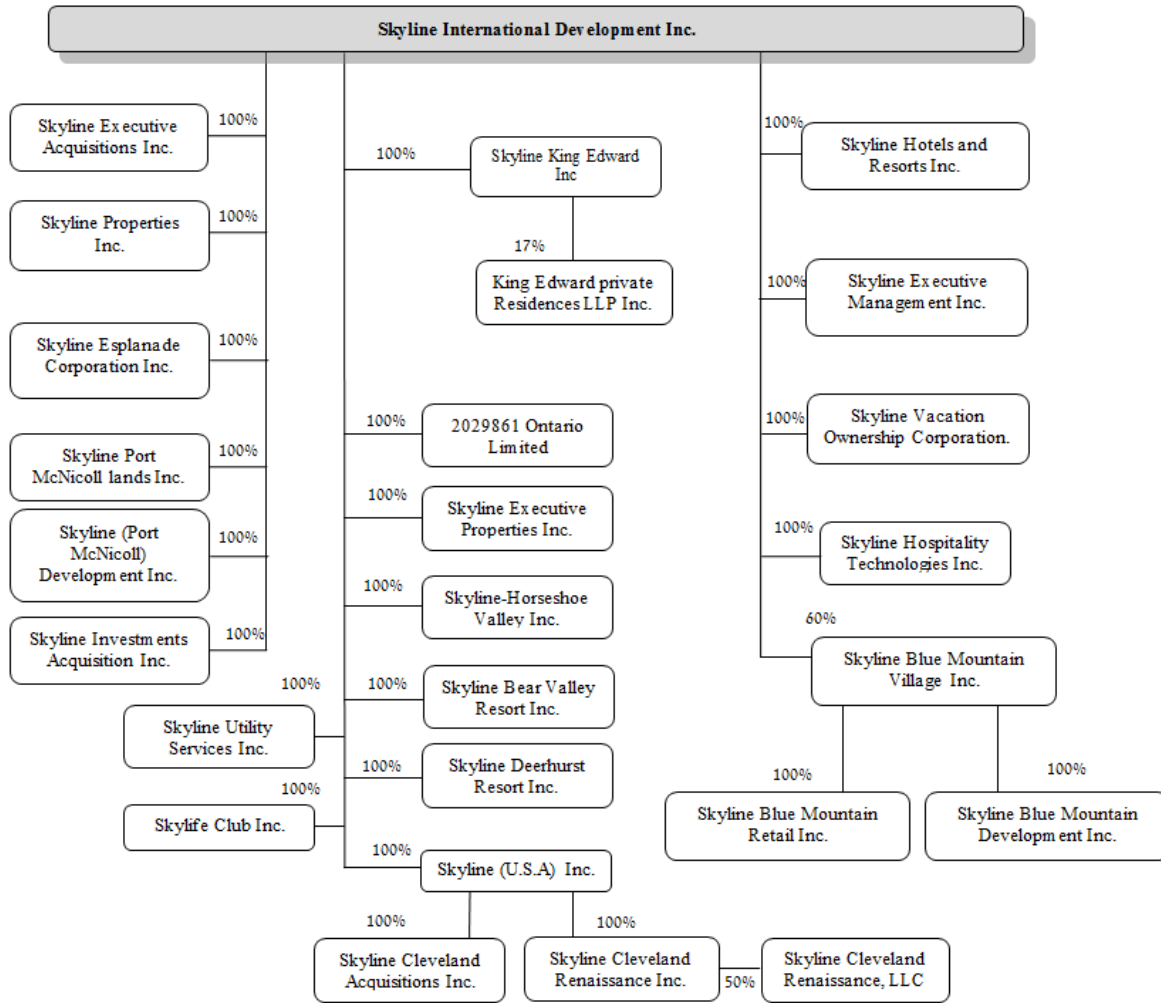
The Company holds all of the issued and outstanding capital of SkyLife Club Inc. (“**Skylife Club**”), a private company incorporated on June 4, 2008 under the laws of the province of Ontario. SkyLife Club operates a club, the registered members of which are entitled to use various facilities and operations of hotels and resorts owned by the Company for payment of initiation and monthly membership fees.

The Company holds all of the issued and outstanding capital of Skyline USA Inc. (“**Skyline USA**”), a private company incorporated on December 22, 2011 under the laws of the province of Ontario. Skyline USA holds all of the issued and outstanding capital of Skyline Cleveland Acquisitions, Inc., a private company incorporated under the laws of Ohio, USA, on December 27, 2011, which holds the Hyatt (discussed further below).

The Company holds 60% of the issued and outstanding capital of Skyline Blue Mountain Village Inc. (“**Blue Mountain**”), a private company incorporated on March 4, 2013 under the laws of the province of Ontario. Blue Mountain holds all of the share capital of Skyline Blue Mountain Retail Inc., which owns commercial areas in the Blue Mountain resort (discussed further below). In addition, Blue Mountain holds all of the share capital of Skyline Blue Mountain Development Inc., which owns land for the development of the Blue Mountain resort.

The Company holds all of the issued and outstanding capital of Skyline Bear Valley Inc. (“**Skyline BV**”), a private company incorporated on September 12, 2014 under the laws of the state of Ohio. Skyline BV owns and operates Bear Valley Resort, a ski resort located in California, USA that was acquired on December 19, 2014.

The following chart sets out the simplified organizational structure of the Company as of December 31, 2015:



GENERAL DEVELOPMENT OF THE BUSINESS

Completion of Initial Public Offering

On March 13, 2014, the Company completed an initial public offering in Israel and listed its Common Shares on the Stock Exchange. The Company raised approximately \$22,450 (before fees) by issuing 1,759,250 Common Shares and an aggregate of 703,700 Series 1 Warrants and Series 2 Warrants.

On May 14, 2014, the Company filed and obtained a receipt from the Ontario Securities Commission for a (final) long form non-offering prospectus (the “**Prospectus**”), which enabled to the Company to become a reporting issuer pursuant to the securities legislation of the Province of Ontario notwithstanding that no sale of its securities was contemplated. A copy of the Prospectus is available on SEDAR at www.sedar.com.

Three Year History – Business Activity

In April 2013, the Company acquired Intrawest’s interest in the Blue Mountain village consisting of retail space in the village, development lands within the village and surrounding the golf course together with the management of the remaining 50% of the commercial retail space in the village for \$21 million. The Company was responsible for 60% of the investment equity with 40% contributed by an unrelated third party investor.

In July 2014, the Company accepted an offer to sell nine lots in the Blue Mountain village that had been offered for sale pursuant to a sales program that commenced in May 2014. On September 24, 2014, the Company closed the sale of the nine lots in the Blue Mountain village for \$860.

On August 5, 2014, the Company entered into an agreement with a vendor for the acquisition of the operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The contemplated assets include, among other things, nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot, as well as all of the snowmaking and other equipment and ancillary maintenance and equipment buildings for an initial consideration of USD\$2 million. The Company received a new operation permit from the U.S. Department of Agriculture Forest Service on December 19, 2014. The transaction includes a ten-year lease of a 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential units at the exercise price of USD\$3 million. The Company closed the transaction on December 19, 2014. Actual net cash paid amounted to \$2,672.

In April 2015, the Company decided to take advantage of the current market conditions and look for potential buyers for some of its hospitality properties at prices significantly above book value. That decision was made after considering the Company's experience of bidding on a few hospitality properties in 2014 and recognizing a sellers' market. Subsequently, during the year, the Company launched a sales program for the purpose of selling some of the Company's properties that are best positioned for disposition. These properties are classified as held for sale in the Company's financial statements. The sales program is expected to continue in fiscal 2016 and the proceeds from disposition of these properties will be used, in part, to look for new investment opportunities.

The Company continued its efforts to improve hospitality operations in 2015 and improved operational results at its largest properties.

In May 2015, Skyline Blue Mountain Development Inc. entered into an agreement of purchase and sale with an arm's length third party to sell two parcels of land at the Blue Mountain Resort for a total consideration of \$8,000. The sale of the first parcel was successfully completed on June 17, 2015. The sale of the second parcel suitable for 25 townhomes, was completed in February 2016. The Company has begun servicing works on the second parcel and is expected to deliver title to a buyer in summer of 2016.

On July 8, 2015, the Company successfully completed the sale of the Cosmopolitan Hotel located in downtown Toronto to an arm's length third party for a total consideration of \$12,950. The Company sold 29 suites, 18 parking spots and all of the commercial areas within the hotel.

On June 25, 2015, SCRI entered into a purchase and sale agreement to acquire the Renaissance Hotel in downtown Cleveland, Ohio (the "Hotel"). The acquired hotel building is 873,000 sq. ft. (approximately 81,000 square meters), includes 491 rooms, 65,000 sq. ft. of event and meeting space including 34 meeting rooms, a number of restaurants, and a 304 vehicle parking garage. On October 20, 2015, the Company entered into an agreement with a third party ("Partner") and the Partner became a 50% equity shareholder in the Subsidiary. The acquisition of the Hotel was completed on October 28, 2015 for a total acquisition cost of approximately US \$20.5 million. The transaction was funded by the way of shareholder loans provided by the Company (US \$6.5 million) and the Partner (US \$14.5 million). The property is expected to undergo substantial renovation over the next three to four years, which is projected to be financed by third party debt and shareholder loans. The Company will asset-manage the Hotel for a fee. The Hotel is operated through a Marriott Renaissance 20 year franchise agreement with the Subsidiary as the franchisee and property- managed by Aimbridge Hotels.

On September 28, 2015, the Huntsville town council approved the "Zoning By-Law" with respect to the Company's lands at the Deerhurst Resort. In particular, the approval addresses the Village Centre Lands at the resort, with an area of approximately 15.9 hectares on which a maximum of 640 units, consisting of tourist commercial and resort-residential uses, are permitted in addition to 4,500 square metres of retail commercial uses.

On October 29, 2015 the Company sold its stake (9.07%) in King Edward Realty Inc., which owns the King Edward Hotel in downtown Toronto, Ontario, Canada for a total consideration of \$5,164.

Shelf Prospectus

On November 13, 2014, the Board authorized the filing of a shelf prospectus in Israel and on February 24, 2015, the Company filed such shelf prospectus in Israel. The shelf prospectus will enable the Company quick access to the capital markets in Israel, responding to its frequently changing conditions and achieving the best possible terms of capital funding. The shelf prospectus will be valid for a period of two years and can be extended by one additional year.

DESCRIPTION OF THE BUSINESS

Overview

The Company's primary operating segments are as follows:

1. Development of real estate and land for investment – the development, construction and sale of real estate mainly designated for residential, and commercial as well as the acquisition, holding and value-enhancing regulatory approval processing of land mainly within the Company's Canadian resort sites (the "**Real Estate Development for Sale and Investment Lands**" segment).
2. Canadian hotels and resorts– the acquisition, operation, holding, improvement and asset management of hotels and resorts, including clubs, in Canada and asset management of hotels (the "**Canadian Hotel and Resorts**" segment).
3. US hotels and resorts– the acquisition, operation, holding, improvement of hotels and resorts in the United States (the "**US Hotel and Resorts**" segment).
4. Revenue producing investment property – the acquisition, holding, operation and management of rental income-generating assets (the "**Income Generating Real Estate**" segment).

In addition to the primary operating segments discussed above, the Company has a timeshare operation to optimize usage of the Company's resort and hotel properties and services by the public.

The Company's objective is to be the leading operator and developer of destination communities in Canada. The Company's operations are primarily performed by its subsidiaries, as described under the heading "The Company - Subsidiaries".

Real Estate Development for Sale and Investment lands

Effective 2015, Management of the Company manages its investment properties, regardless of their accounting classification, as one operating segment. Therefore, the lands, which were previously presented under the investments property segment, were classified to the development segment.

The Company's operations in this segment relate to the development infrastructure and construction for sale of three real estate projects in Ontario, Canada: the Port McNicoll project, within which the Company has initiated the establishment of a residential town with public and commercial areas; the Horseshoe project, located in proximity to the hotel and resort owned by the Company, within which it is developing residential neighborhoods with commercial and public areas; and the Deerhurst project, located in proximity to the hotel and resort owned by the Company, including lots developed for immediate construction and landholdings that it is developing as a village centre and additional residential neighbourhoods with commercial and public areas.

The Company's main operations in this segment are comprised of the land acquisition, holding, improvement, and property value enhancement through planning, designing and expanding regulatory approvals with various governmental entities in relation to the Company's development lands. These lands are expected to be used in the Port McNicoll project, Horseshoe resort and Deerhurst resort. Additionally, the Company holds land in Blue Mountain (described further below). The accounting classification of these lands is investment property in accordance with the provisions of the International Accounting Standard IAS40, as the final designation has yet to be determined. The Company has a number of options such as: building residential units for rent, forming the units

as expansion to the existing resorts and servicing the lands after their development, building condominiums in order to sell them as residential or resort condominiums, or holding them for the long-term in order to allow their values to increase.

Port McNicoll

The Port McNicoll project includes real estate assets in two sites, as follows:

(1) approximately 347 hectares, originally consisting of 173 hectares of land and 174 hectares of water lots. Currently available for development is 162.8 hectares of land of which approximately 37 hectares are currently undergoing development and construction and approximately 125 hectares are being held as Real Estate for Investment. This site includes a private port located along about 13.5 km of shoreline of the Georgian Bay, part of the five great lakes in North America; and

(2) approximately 120 hectares located at the entrance to the Port McNicoll town, including 25 hectares approved for commercial use, for which the Company has yet to consolidate final development plans, and 95 hectares of farm land for the purpose of future development. This land is located approximately 120 km away from Toronto in Ontario, Canada.

The local Official Plan, which applies to the project's land, permits residential construction in a scope of about 650 residential units and landing docks and commercial area in a scope of about 23,000 m². During June 2009, a new master plan was approved-in-principle for the project by the Township of Tay (the local authority), to include 1,736 residential units, 650 landing docks for ships and yachts, 150 hotel rooms and about 33,000 m² of commercial and public areas. During January 2014, the Township of Tay approved a subdivision plan within which 174 residential units were approved and which include 101 single family lots for independent construction, 26 townhouses and 47 condominium apartments.

The Company intends to establish a Yacht Club and Marina as an anchor for the site development. It will promote the project in a number of main phases, primarily by selling parcels to other developers suitable for about 800 residential units and 150 hotel rooms on an area totaling about 370,000 m². It may be that in practice, the amount of area in the multi stage building plan may be different than the new master plan approved as described above. The dates of the development and sale phases are contingent on the rate and success of sales of the project's earlier phases.

Horseshoe

The Horseshoe resort project is a residential, vacation and hotel site, spanning an area of approximately 271 hectares, of which approximately 1.6 hectares is undergoing development and construction, approximately 176 hectares on which the resort, the ski site, golf courses, hotel and commercial spaces are located, and approximately 94 hectares are held for future real estate development. Additionally, some current golf course land is planned for residential development. The site is located within one hour's drive north of Toronto, and only about 20 minutes from the Port McNicoll project.

During June 2009, a new master plan was approved by the local council, based on which about 1,500 residential units, 212 hotel rooms and about 36,500 m² of commercial areas to be divided into a number of neighborhoods.

The Company intends to develop the Horseshoe project and utilize the existing infrastructure over several phases. The initial phase consists of construction of the 67 unit residential complex, and development of additional sites for 100 condos by itself or with other builders on a total area of about 16,000 m². During February 2016, after substantial completion of construction of the 67 unit residential complex, the residential buyers began taking occupancy with the financial closings to follow in a few months.

Blue Mountain

The Blue Mountain resort is situated in Collingwood, 1.5 hour drive to the north of Toronto, Ontario. It is an all season resort, well known for its established 36-run ski hills, village hosting more than 1,000 residential and hospitality units, Westin hotel, restaurants and shops, golf course, and timeshare.

In April 2013, Skyline Blue Mountain Development Inc. acquired substantial commercial assets comprising 568 thousand square meters of lands suitable for development of about 364 residential units outside the village and about 434 residential units and 20,000 sq. ft. of commercial space in the village.

The vast majority of the lands is being held to capitalize on potential value appreciation. Some parcels can be sold to builders as is or serviced. In 2014 the Company sold one parcel of land suitable for construction of 9 residential units for \$860. During 2015, the Company entered into an agreement to sell 2 parcels of land suitable for construction of about 60-65 residential units outside the village for a total consideration of approximately \$8,000. The Company undertook to build servicing infrastructure for one of the parcels. The sale of the first parcel was completed in February 2016 and sale of the second parcel is expected to close in summer 2016.

Deerhurst

The Deerhurst resort project is located within two hours' drive north of Toronto, near the town of Huntsville in the Muskoka area of Ontario, Canada.

It is a residential, resort and hotel site spanning an area of approximately 325 hectares, of which approximately 53.1 hectares are undergoing development and construction, approximately 20.9 hectares are located on the resort, golf courses, hotel and private runway and about 251 hectares is held as real estate for investment.

During 2011, the Company sold 120 condominium units to third parties, and began the sale of 95 developed lots included at the site upon its purchase. Additionally, the Company is in the process of adjusting the additional structures located in the site's area for residential purposes and the sale thereof. During September 2012, the Company received an approval for an amendment to the zoning by-law, and during March 2013, the Company received site plan approval for the construction of 162 condominium units (known as Lakeside Lodge). As of December 31, 2015, the project is approximately 42% presold, which represents approximately \$22 million of projected revenue.

The Company intends to develop the project in a number of phases. The development and sale date of the phases depends on the rate and success of sales of the earlier project phases. Some of the phases may be sold to other developers. The Company has no undertakings towards unit purchasers regarding the scope of development of the other phases or the completion date thereof.

On November 18, 2014 the Council of the District of Muskoka approved unanimously Amendment No. 9 to the Official Plan of the Town of Huntsville pursuant to a policy document titled "Deerhurst Resort Village Secondary Plan" (the "**Secondary Plan**"). The Secondary Plan provides more detailed guidance for development and, in the event of conflict, supersedes the provisions of the original Official Plan. It provides the general policy framework for the Deerhurst Resort, to which all implementing zoning by-laws will have to conform. The new policies address, in particular, the village centre with an area of approximately 15.9 hectares on which a maximum of 640 units, consisting of tourist commercial and resort-residential uses, are permitted in addition to 4,500 square metres of retail commercial uses. On September 28, 2015, the Huntsville town council approved the "Zoning By-Law" with respect to the Company's lands at the Deerhurst Resort. In particular, the approval addresses the Village Centre Lands at the resort, with an area of approximately 15.9 hectares on which a maximum of 640 units, consisting of tourist commercial and resort-residential uses, are permitted in addition to 4,500 square metres of retail commercial uses.

Competitive Conditions

In this segment, competition revolves around a number of parameters, with the main ones being the geographic location of the projects and level of demand in the same area, the construction and development quality and the purchase prices and maintenance expenses collected by the applicable condominium corporation. The Company competes directly with a limited number of companies involved in the development of condominium units, single family homes, subdivisions, townhomes and retail villages.

The scope of development by the Company is insubstantial compared to the total market. Thus, the Company is unable to significantly impact competition in the market. In locations where there is a direct competitor with the Company, results will typically be more favorable to the party who offers condominium units with a higher level of

finishing, at a lower price and with lower maintenance fees. However, the Company believes it has a competitive advantage in the Blue Mountain, Horseshoe, Deerhurst and, to a lesser extent, Port McNicoll areas due to these areas not having competing projects of similar size, and their proximity to hospitality amenities.

Seasonality

The Port McNicoll project is located on a lake which is frozen during winter and autumn and therefore it is typically marketed during summer and spring.

The majority of the sales at Deerhurst typically occur prior to and after the winter months.

Seasonality has no impact on the activities of the Company's other projects in this segment.

The accounting classification of the Real Estate Development for Sale is determined in accordance with the provisions of the International Accounting Standard IAS2.

The accounting classification of the investment lands is determined in accordance with the provisions of the International Accounting Standard IAS40.

Canadian Hotel and Resorts

In 2015, following the acquisition of Renaissance Hotel, the Hospitality operation in the US became very significant. Therefore, Management decided to report the US hospitality operations as a separate segment, consisting of The Hyatt Regency Arcade and the Renaissance Hotel located in Cleveland, Ohio and the Bear Valley Resort located in California.

The Hospitality segment in Canada includes the Pantages Hotel, Horseshoe Resort and Deerhurst Resort.

In October 2013, the Company launched, through SVOC and marketed as "Skyline Vacation Club", a membership club within which the club's members could acquire timeshare points to purchase vacation packages for defined times for a period of up to fifty years in a variety of resorts belonging to the Company (and subject to certain conditions, at additional resorts which are not owned by the Company). In early 2015, the Company ceased actively marketing the club.

Within the timeshare activities, the Company may engage with an external financing entity which will provide financing for the Company's customers. The timeshare operations of the Company are not substantial at present.

Pantages Hotel and Spa

The Pantages is a hotel building with eight hotel floors located in the Pantages building, which spans 44 floors, and is located near the shopping and entertainment center of Toronto. The hotel has been operating since March 2004, and includes 82 suites (71 of which are suitable for long term stays), congress halls, meeting rooms, a spa, restaurant, gym, bar, lobby, offices and parking with 54 parking spaces. During 2015, the Company classified the Pantages Hotel as property held for sale, for more information see the notes for the consolidated financial statements for the period ended December 31, 2015.

The Company holds, through SEPI, 57 of the suites in the Pantages, which were purchased between 2005-2012 for approximately \$11 million, through loans taken by SEPI.

Additionally, the Company holds, through 2029861, 14 hotel rooms in the Pantages, areas in the parking garage, and all commercial areas of the project, amounting to approximately 3,000 m². These areas were purchased by 2029861 for \$4 million. In 2006, the Company purchased from the third party its share in 2029861 for \$3.5 million and became the sole owner of the property. The acquisitions of units in the Pantages were completed using funds loaned to 2029861.

SEMI, a subsidiary of the Company, provides asset management services for the suite owners in the Pantages, in consideration for management fees derived from the gross income from the rental thereof at an annual rate ranging

between 14%-15%. The suite owners bear operating, maintenance, insurance and suite marketing expenses. Additionally, the suite owners are responsible for payment of expenses relating directly to the suite owned thereby, including property tax, housing committee fees, asset insurance and mortgages.

Canadian Hospitality Segment:

Horseshoe resort

The Horseshoe resort includes a ski area, two golf courses, an adventure park, a hotel with 141 rooms, meeting rooms totalling 800 m², 2 swimming pools, 5 food and beverage outlets, and 3 retail shops.

Deerhurst resort

During March 2011, the Company, through Skyline Deerhurst, completed the purchase of the resort and development lands. The resort includes 400 suites (100 of which are currently owned by Skyline Deerhurst and the rest are held by third parties), 4 food and beverage outlets, swimming pool, 2 golf courses, tennis courts and a private airstrip. The resort is operated by Skyline Deerhurst.

King Edward

During March 2010, King Edward completed the purchase of the property known as Le Meridian King Edward Hotel (the “**Meridian Edward**”), located in central Toronto, Canada. The Company’s share in King Edward on the purchase date was 17%.

Shortly after the purchase of the Meridian Edward, approximately 16,000 m² of the Meridian Edward’s area that was vacant was converted into 143 luxury condominiums. During July 2010, substantially all of the luxury condominiums were sold. The Company’s share in the income from the sale of the units totalled approximately \$9,673. During the year ended December 31, 2013, the Company recognized \$9,269 revenue from the closing of agreements of purchase and sale for 130 of the luxury condominiums, as at December 31, 2015 131 units were sold and closed. The remaining consideration will be recognized upon the closing of the remaining condominiums to the purchasers. On August 1, 2013, the Company ceased to manage the Meridian Edward, and the Company sold 8% (46.64% of its interest) in King Edward in consideration for an approximate total of \$3,154 (net of debt). On October 29, 2015 the Company sold its remaining stake (9.07%) in King Edward for a total consideration of \$5,164. (net of debt).

US Hospitality Segment

Hyatt Regency, Cleveland

In February 2012, the Company completed the acquisition of the Hyatt with 293 rooms and an indoor mall with an area of approximately 4,446 m², in downtown Cleveland, Ohio, in consideration for approximately USD\$7.7 million. The purchase of the property was completed following the Company’s successful tender bid and subsequent Sheriff’s sale. The Company financed the purchase with equity. The hotel component of the property is managed by the Hyatt Corporation pursuant to a 10-year management agreement that expires on December 31, 2021 subject to the Hyatt Corporation’s right to renew the agreement for an additional five years. As part of the agreement with Hyatt, the Company is required to deposit 5% of the hotel’s revenue toward renovation reserve and to complete the renovation of the hotel by the end of 2017, as per the agreed property improvement plan (PIP). As at December 31, 2015, the Company has completed renovations of 114 of the 293 rooms at the hotel. The Hyatt Corporation is entitled to management fees in the amount of 3% of the hotel’s revenues.

Following the acquisition of the property, an examination of the Hyatt’s books by the Company revealed that the hotel had cash reserves of approximately USD\$4.3 million, of which USD\$2.7 million were in the form of cash held as furniture, fixtures and equipment reserve fund designated for the hotel’s renovation, and a total of USD\$1.6 million was working capital. The local municipality’s past participation in financially assisting the complex through Tax Increment Financing (“**TIF**”) entitles it to USD\$6.8 million from the property owners and, therefore, the Company is bound to biannual payments with interest of 9% (including property tax payments), based on a payment

schedule determined in advance, expected to be concluded in 2025. The TIF agreement also provides the property owners with a partial property tax exemption until 2030.

As of December 31, 2015, subsequent to an early partial repayment of TIF, the balance of the Company's liabilities towards the local authorities was approximately \$3.8 million US.

During June 2013, the Company and a U.S. financial institution entered into a non-recourse financing agreement secured by the Hyatt Regency Cleveland hotel and commercial complex in the amount of USD\$12.3 million, bearing interest at a fixed annual rate of 4.78%. The loan is provided for a period of five years, while the repayment of the loan's principal is calculated over 30 years. As of December 31, 2015 the balance of the Company's liabilities for the financing was approximately \$11.8 million US. As security for the provision of the loan, the Company has placed a mortgage on the property and a lien on its rights in the project for the benefit of the lender and has additionally made other conventional covenants, including compliance with financial ratios.

Renaissance Hotel, Cleveland

On June 25, 2015, one of the SCRI entered into a purchase and sale agreement to acquire the Renaissance Hotel in downtown Cleveland, Ohio (the "Hotel"). The acquired hotel building is 873,000 sq. ft. (approximately 81,000 square meters), includes 491 rooms, 65,000 sq. ft. of event and meeting space including 34 meeting rooms, a number of restaurants, and a 304 vehicle parking garage. On October 20, 2015, the Company entered into an agreement with a third party ("Partner") and the Partner became a 50% equity shareholder in the Subsidiary. The acquisition of the Hotel was completed on October 28, 2015 for a total acquisition cost of approximately US \$20.5 million. The transaction was funded by the way of shareholder loans provided by the Company (US \$6.5 million) and the Partner (US \$14.5 million). The Partner paid the Company a fee of US \$3.5 million. The property is expected to undergo substantial renovation over the next three to four years, which is projected to be financed by third party debt and shareholder loans. The Company will asset manage the Hotel. The Company holds 50% of the equity in the Subsidiary and its nominees comprise the majority of the board of directors. The Hotel is operated through a Marriott Renaissance 20-year franchise agreement, commencing October 27, 2015 (with no right for extension for an additional period), with the Subsidiary as the franchisee. Marriott is entitled to 5% of the room revenue in addition to other fees (as sales and marketing and system fees). The Company agreed to a property improvement plan (PIP), which will be executed over the next 3-4 years. As at December 31, 2015, the Company is in the preliminary planning stage of the renovation. Ambridge Hospitality LLC will be the hotel manager and is entitled to 2.5% of the hotel revenue in addition to centralized services provided by Aimbridge, mainly for revenue management, accounting and other non-mandatory services the Company chooses to use, as asset insurance and property plant and equipment management. Aimbridge will also be entitled to an additional 7.5% of EBITDA before certain expenses should certain operating income levels be achieved. The agreement with Aimbridge is for a term of five years with the right of Aimbridge to renew the agreement for an additional five years.

Bear Valley Resort, California

On August 5, 2014, the Company entered into an agreement with a vendor (an affiliate to one of the Company's shareholders who is also a member of the Board) for the acquisition of operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The assets acquired include primarily nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot, as well as all the snowmaking and other equipment, and ancillary maintenance and equipment buildings for an initial consideration of US\$2,000. In addition, the agreement stipulates that in the event the U.S. Department of Agriculture Forest Service fails to issue a new operation permit to the Company, the Company shall be responsible to pay all operating expenses of the vendor in connection with the operation of the property until closing. The permit was received on December 19, 2014.

The transaction includes a ten-year lease of 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential unit at the exercise price of US\$3,000. The Company closed the transaction on December 19, 2014. Actual net cash paid amounted to \$2,672.

Competitive Conditions

In Canada, the Company's hotel, resorts, and development projects are well-positioned within the competitive marketplace. Deerhurst Resort is a well-known and leading brand competing favourably with other large group and leisure resorts in Ontario's cottage country. Horseshoe Resort competes directly with other ski, golf and adventure parks in Simcoe County behind the industry leading Blue Mountain ski area. The Toronto downtown hotels maintain a competitive share of the boutique business and leisure market.

In the US, the Company's hotel and resorts are well-positioned within the competitive marketplace. The Cleveland downtown hotels maintain a competitive share of leisure market while the Bear Valley Resort in California is a well-known ski resort.

Seasonality

The Hospitality segment in Canada is impacted by seasonality. The Horseshoe and Deerhurst Resorts have complimentary high seasons, with the Horseshoe Resort having its high season in the winter season and the Deerhurst Resort having its high season during summer and early fall. Together with the impact of seasonality on the operations of the resort portion of the Hotel and Resort segment, the hotel operations in downtown Toronto maintain a balanced level of income throughout the year.

The Hospitality segment in US is also impacted by seasonality. Bear Valley resort, the newly acquired ski resort in California, has strong seasonality patterns having its high season in the winter and low season during the remainder of the year. Bear Valley resort is subject to volatile snow conditions, evidenced by the continuous droughts and abnormally high temperatures that affected the majority of the ski resorts in the area during the previous winter season. The downtown Cleveland hotels maintain a balanced level of income throughout the year.

Income producing Real Estate for Investment

During 2009, the Company began the process to sell part of the income-producing assets that were renovated, and during 2010, completed this process, such that at the end of 2010, the Company did not hold any income-producing assets in Canada or the US, excluding 362 m² of leased spaces in the Pantages Hotel. In March 2012, the Company completed the purchase of all of the rights in the Hyatt, including commercial space. In April 2013, the Company completed the purchase of the Blue Mountain village project, comprised of commercial areas and land, as described below.

The accounting classification of this real estate is investment property in accordance with the provisions of the International Accounting Standard IAS40.

The income-generating areas of the Company in Canada and the USA are used for commercial and recreational use only. The income-generating areas of the Company used for commercial and recreational purposes are divided into two main types: (1) commercial areas in and around hotels, operated by the Company; and (2) commercial areas in the Blue Mountain project. Additionally, the Company serves as a management company of all of the commercial spaces in the Blue Mountain project which it does not own, in consideration for management fees at a rate of 4% of the revenue.

Blue Mountain

In April 2013, the Company completed the purchase of certain real estate located at Blue Mountain, comprised of commercial areas (about 4,457 m²) and land which it has construction rights to for the establishment of commercial spaces in a scope of about 1,800 m².that was 83% occupied. During 2015 the Company achieved 100% occupancy of the facility.

Competitive Conditions

In the Real Estate for Investment segment, the competition revolves around a number of parameters, the main ones being: the geographic location of the lands designated for lease, the demand for rental space in the same area, the amount of rental fees, management and maintenance costs, construction quality of the leased assets, the level of

accompanying services and the reputation of the landlord. As related to the parking facility, the typical competition is with other parking garages and open parking located on the available for construction lands. The parking availability is impacted by residential or commercial development of this lands the resulting increase in volume of business and population and changes in hotel occupancy. The scope of income-generating assets owned by the Company is unsubstantial compared to the total market. Thus, the Company is unable to impact competition in the segment of income-generating assets. In places where the Company has direct competitors, there will be preference for the party offering space for which the rental, management and maintenance fees are the lowest.

Seasonality

The Real Estate for Investment segment is impacted by seasonality, with each project being impacted differently. For the commercial and retail components of the Real Estate for Investment segment, the Horseshoe and Deerhurst resorts have complimentary high seasons, with the Horseshoe resort having its high season in the winter season and the Deerhurst resort having its high season during summer and early fall. As lands in the Real Estate for Investment segment are held for long periods, seasonality is not a factor.

Employees

As of December 31, 2015, the Company and its subsidiaries employed approximately 1,591 employees.

RISK FACTORS

Investing in our Common Shares is subject to considerable risk. Our hospitality operations, real estate development projects, vacation club, and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. The following risks should be considered as part of any investment decision in the Company's Common Shares.

Our industry is sensitive to weakness in general economic conditions and risks associated with the overall travel, leisure, and recreational community industries.

Weak economic conditions in Canada and the United States, including high unemployment, erosion of consumer confidence, and the availability and cost of debt, may potentially have negative effects on the travel and leisure industry, the recreational community development industry, and on our results of operations. An economic downturn could negatively impact consumer spending on vacation real estate and at our hospitality outlets. We cannot predict how economic trends will worsen or improve our future operating results. The actual or perceived fear of weakness in the economy could also lead to decreased spending by our guests. We may not be able to increase the price of our offerings commensurate with our costs.

Further, the uncertainty over the duration of these weak economic conditions could have a negative impact on the vacation ownership industry. As a result of weak consumer confidence and limited availability of consumer credit, we may experience weakened demand for our vacation ownership products. Recent improvements in demand trends globally may not continue, and our future financial results and growth could be further harmed or constrained if the recovery stalls or conditions worsen. Moreover, as a result of current economic conditions, an increasing number of existing owners are offering their vacation ownership interests for sale on the secondary market, thereby creating additional pricing pressure on our sale of vacation ownership products, which could cause our sales revenues and profits to decline.

Variations in the timing of peak periods, holidays and weekends may affect the comparability of our results of operations.

Depending on how peak periods, school breaks, holidays and weekends fall on the calendar, in any given year we may have more or less peak periods, holidays and weekends in each fiscal quarter compared to prior years, with a corresponding difference in adjacent fiscal quarters. These differences can result in material differences in our quarterly results of operations and affect the comparability of our results of operations.

We are vulnerable to the risk of unfavorable weather conditions and the impact of natural disasters.

Our ability to attract guests to our resorts is influenced by weather conditions such as rain in the summer and the amount and timing of snowfall during the ski season. Unfavorable weather conditions can adversely affect visits and our revenue and profits. Unseasonably cold or warm weather may influence the momentum and success of the high seasons at our resorts. Unfavorable weather conditions can adversely affect our resorts and lodging properties as guests tend to delay or postpone vacations if conditions differ from those that typically prevail at such resorts for a given season. There is no way for us to predict future weather patterns or the impact that weather patterns may have on our results of operations or visitation.

Climate change may adversely impact our results of operations.

There is a growing political and scientific consensus that emissions of greenhouse gases continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue affecting the global climate. The effects of climate change, including any impact of global warming, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Warmer overall temperatures and other effects of climate change may adversely affect skier and summer visits and our revenue and profits. In addition, a steady increase in global temperatures could shorten the ski season. Changes to the amount of snowfall and differences in weather patterns may increase our snowmaking expense, inhibit our snowmaking capabilities and negatively impact skier perceptions of the ski season.

The high fixed cost structure of our business can result in significantly lower margins if visitation to our hotels and resorts declines.

Our profitability is highly dependent on visitation. However, the cost structure of our business has significant components that cannot be eliminated when skier visits decline, including costs related to utilities, information technology, insurance, year-round employees and equipment. The occurrence of other risk factors discussed herein could adversely affect visitation at our resorts and we may not be able to reduce fixed costs at the same rate as declining revenues.

We face significant competition.

The hotel, resort, lodging, vacation club, and real estate development industries are highly competitive. Our competitors may have access to greater financial, marketing and other resources and may have access to financing on more attractive terms than us. As a result, they may be able to devote more resources to improving and marketing their offerings or more readily take advantage of acquisitions or other opportunities. Our vacation club competes with the vacation ownership brands of major hotel chains in national and international venues, as well as with the vacation rental options (e.g., hotels, resorts and condominium rentals) offered by the lodging industry. If we are unable to compete successfully, our business, prospects, financial condition, results of operations and cash flows will be materially adversely affected.

Our real estate development projects rely on municipal approvals and adequate infrastructure.

Our real estate development projects require adequate municipal services for sewage treatment, potable water supply, fire flow, and road access. There are risks associated with insufficient capacities, particularly in rural areas, resulting in costly delays and expensive upgrades to sewage treatment plants, pumping stations, water wells, water storage towers, and road intersection improvements.

Timely municipal approvals for Official Plan Amendments, Zoning By-law Amendments, Plans of Subdivisions, Consents for Severance, Site Plan Approvals, Minor Variances to the Zoning By-law, and Building Permits not only depend on adequate municipal services but also on political support. There are considerable risks in being subjected to lengthy appeals procedures initiated either by us, in the absence of required approvals, or by existing residents opposed to our developments.

Our business is capital intensive.

We must regularly expend capital to construct, maintain and renovate our properties in order to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. We cannot always predict where capital will need to be expended in any fiscal year and capital expenditures can increase due to forces beyond our control. Further, we cannot be certain that we will have enough capital or that we will be able to raise capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to execute our business plan. A lack of available funds for capital expenditures could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We may not be able to fund resort capital expenditures and investment in future real estate projects.

Our ability to fund expenditures will depend on our ability to generate sufficient cash flow from operations and/or to borrow from third parties. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. In addition, there can be no assurances that future real estate development projects can be self-funded with cash available on hand, through advance pre-sale deposits or through third party real estate financing. Our ability to generate cash flow and to obtain third-party financing will depend upon many factors, including: our future operating performance; general economic conditions and economic conditions affecting the resort industry, the general capital markets; competition; legislative and regulatory matters affecting our operations and business; and our ability to meet our presale targets on our vertical real estate development projects. Any inability to generate sufficient cash flows from operations or to obtain adequate third-party financing could cause us to delay or abandon certain projects and/or plans.

Further, the ability to enter into a revolving corporate credit facility on reasonable economic terms, may adversely affect our ability to obtain the additional financing necessary to acquire additional vacation ownership inventory. The ability to provide consumer financing for vacation ownership customers may impact the results from operations and cash flow.

Our operations and development activities are subject to extensive laws, rules, regulations and policies administered by various federal, provincial, state, regional, municipal and other governmental authorities.

Our operations are subject to a variety of federal, state, provincial, regional and local laws and regulations, including those relating to lift operations, emissions to the air, discharges to water, storage, treatment and disposal of fuel and wastes, land use, remediation of contaminated sites and protection of the environment, natural resources and wildlife. We are also subject to worker health and safety laws and regulations. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. While regulatory approvals provide a significant barrier to new entrants in our industry, such approvals may be time consuming and consume considerable capital and manpower resources. Our efforts to comply with applicable laws and regulations do not eliminate the risk that we may be held liable for breaches of these laws and regulations, which may result in fines and penalties or subject us to claims for damages. Liability for any fines, penalties, damages or remediation costs, or changes in applicable laws or regulations, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We are subject to extensive environmental laws and regulations in the ordinary course of business.

Our operations are subject to a variety of federal, provincial, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. However, our efforts to comply do not eliminate the risk that we may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties we now or formerly owned or operated, newly discovered

environmental impacts or contamination at or from any of our properties, or changes in environmental laws and regulations or their enforcement.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of sophisticated information technology and systems, including technology and systems used for central reservations, point of sale, procurement, administration and technologies we make available to our guests. We must continuously improve and upgrade our systems and infrastructure to offer enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our infrastructure to meet rapidly evolving consumer trends and demands and to respond to competitive service and product offerings.

In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and could decrease our quality of service that we offer to our guests. Also, we may be unable to devote financial resources to new technologies and systems in the future. If any of these events occur, our business and financial performance could suffer.

We are subject to litigation in the ordinary course of business.

We are, from time to time, subject to various asserted or unasserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert management's attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

The nature of our responsibilities in managing our vacation ownership properties will from time to time give rise to disagreements with the owners of vacation ownership interests and property owners' associations. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential owners and property owners' associations but cannot always do so. Failure to resolve such disagreements has resulted in litigation, and could do so again in the future. If any such litigation results in a significant adverse judgment, settlement or court order, we could suffer significant losses, our profits could be reduced, our reputation could be harmed and our future ability to operate our business could be constrained. Disagreements with property owners' associations could also result in the loss of management contracts.

Our business depends on the quality and reputation of our brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our business.

A negative public image or other adverse events could affect the reputation of one or more of our ski resorts, other destination resorts, hotel properties and other businesses or more generally impact the reputation of our brands. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition or results of operations could be adversely impacted. The unauthorized use of our trademarks could also diminish the value of our brands and their market acceptance, competitive advantages or goodwill, which could adversely affect our business.

The maintenance and improvement of vacation ownership properties depends on maintenance fees paid by the owners of vacation ownership interests.

Owners of our vacation ownership interests must pay maintenance fees levied by property owners' association boards. These maintenance fees are used to maintain and refurbish the vacation ownership properties and to keep the properties in compliance with our brand standards. If property owners' association boards do not levy sufficient maintenance fees, or if owners of vacation ownership interests do not pay their maintenance fees, the vacation ownership properties could fall into disrepair and fail to comply with applicable brand standards. If a resort fails to

comply with applicable brand standards, the result could be decreased customer satisfaction thereby impairing our ability to market and sell our products.

We depend on a seasonal workforce.

Our outdoor and lodging operations are highly dependent on a large seasonal workforce. We recruit year-round to fill thousands of seasonal staffing needs each season and work to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. We cannot guarantee that material increases in the cost of securing our seasonal workforce will not be necessary in the future. Furthermore, we cannot guarantee that we will be able to recruit and hire adequate seasonal personnel as the business requires. Increased seasonal wages or an inadequate workforce could have an adverse impact on our results of operations.

If we do not retain our key personnel, our business may suffer.

The success of our business is heavily dependent on the leadership of key management personnel, including our senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed. We maintain “key-man” life insurance on our President. The Company relies on Mr. Gil Blutrigh (who is also Chair of the Board and a controlling shareholder) for his expertise in the Company’s areas of operation and ability to promote our business.

We are subject to risks associated with our workforce.

We are subject to various federal, state and provincial laws governing matters such as minimum wage requirements, overtime compensation and other working conditions, citizenship requirements, discrimination and family and medical leave. Our operations in Canada are also subject to laws that may require us to make severance or other payments to employees upon their termination. In addition, we are continuing to assess the impact of U.S. federal healthcare reform law and regulations on our healthcare benefit costs, which will likely increase the amount of healthcare expenses paid by us. Immigration law reform could also impact our workforce because we recruit and hire foreign nationals as part of our seasonal workforce. We have a significant workforce due to our vast operations and if our labor-related expenses increase, our operating expenses could increase and our business, financial condition and results of operations could be harmed.

From time to time, we have also experienced non-union employees attempting to unionize. While only a small portion of our employees are unionized at present, we may experience additional union activity in the future. In addition, future legislation could make it easier for unions to organize and obtain collectively bargained benefits, which could increase our operating expenses and negatively affect our business, prospects, financial condition, results of operations and cash flows.

Our acquisitions or future acquisitions might not be successful.

We have acquired certain resorts, hotel properties and destination resort community development lands. Acquisitions are complex to evaluate, execute and integrate. We cannot assure you that we will be able to accurately evaluate or successfully integrate and manage acquired ski resorts, properties and businesses and increase our profits from these operations. We continually evaluate potential acquisitions and intend to actively pursue acquisition opportunities, some of which could be significant. As a result, we face various risks from acquisitions, including: our evaluation of the synergies and/or long-term benefits of an acquired business; our inability to integrate acquired businesses into our operations as planned; diversion of our management’s attention; potential increased debt leverage; litigation arising from acquisition activity; and unanticipated problems or liabilities.

In addition, we run the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

We are subject to risks related to currency fluctuations.

We present our financial statements in Canadian dollars. While we have sourced debt in United States dollars for the Hyatt Regency Cleveland hotel and Renaissance Hotel in Cleveland Ohio, a significant fluctuation in the Canada/U.S. exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency

variations can also contribute to variations in sales at our hotels and resorts from: United States residents visiting Canada and Canadian residents travelling to the United States.

Certain circumstances may exist whereby our insurance coverage may not cover all possible losses and we may not be able to renew our insurance policies on favorable terms, or at all.

Although we maintain various property and casualty insurance policies and undertake safety and loss prevention programs to address certain risks, our insurance policies do not cover all types of losses and liabilities and in some cases may not be sufficient to cover the ultimate cost of claims which exceed policy limits. If we are held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, we may not be able to renew our current insurance policies on favorable terms, or at all. Our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected if we or other companies within or outside our industry sustain significant losses or make significant insurance claims.

We are subject to accounting regulations and use certain accounting estimates and judgments that may differ significantly from actual results.

Implementation of existing and future legislation, rulings, standards and interpretations from the International Accounting Standards Board or other regulatory bodies could affect the presentation of our financial statements and related disclosures. Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change an investor's interpretation or perception of our financial position and results of operations.

We may not be able to fully utilize our net operating loss carry-forwards.

As of December 31, 2015, we believe we will have net operating loss carry-forwards of approximately \$52 million for Canadian/US federal/provincial/state income tax purposes. To the extent available, we intend to use these net operating loss carry-forwards to offset future taxable income associated with our operations. There can be no assurance that we will generate sufficient taxable income in the carry-forward period to utilize any remaining loss carry-forwards before they expire.

Our stock price is highly volatile.

The market price of our stock is highly volatile and subject to wide fluctuations in response to factors such as quarterly variations in our operating results, which is beyond our control. We are listed on the Stock Exchange and are subject to the capital markets in the State of Israel. Events beyond our control that take place in the State of Israel may negatively affect our stock price.

An active trading market for our Common Shares may never develop or be sustained.

Although our Common Shares are listed on the Stock Exchange, an active trading market for our Common Shares may not develop on the Stock Exchange or elsewhere or, if developed, that market may not be sustained. Accordingly, if an active trading market for our Common Shares does not develop or is not maintained, the liquidity of our Common Shares, your ability to sell your Common Shares when desired and the prices that you may obtain for your Common Shares will be adversely affected.

We cannot provide assurance that we will pay dividends.

Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board in accordance with applicable law after taking into account various factors, including our financial condition, our operating results, our current and anticipated cash needs, the impact on our effective tax rate, our indebtedness, legal requirements and other factors that our Board deems relevant. Our debt agreements limit our ability to pay dividends.

Because we are a holding company, our ability to pay cash dividends on our Common Shares will depend on the receipt of dividends or other distributions from our subsidiaries. Until such time that we pay a dividend, our investors must rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

Our level of indebtedness could have important consequences. For example, it could: make it more difficult for us to satisfy our obligations; increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; place us at a competitive disadvantage compared to our competitors that have less debt; and limit our ability to borrow additional funds.

Fluctuations in interest rates could negatively affect our business.

Fluctuations to available interest rates as a result of changes to the inflation rate or other factors may negatively impact the business, results of operations and financial position of the Company. As well, increases to the interest rate may impact the stability of tenants and therefore occupancy rates and rental fees, which could negatively impact the value of the Company's assets.

Our business is sensitive to rising travel costs.

Many of our guests travel by vehicle and higher gasoline prices may make travel more expensive and impact the number of guests that visit our properties. As a result, occupancy rates of our hotels and resorts may be negatively impacted, which would impact the Company's revenues.

Our business is sensitive to changes in the real estate industry.

Decreased demand for retail space, decreased rental fees, decreased ability for tenants to meet payment obligations, increased financing costs and improvements at competitive resorts may negatively impact the Company's operations.

The cost of contractors may impact our future projects.

The cost of employing contractors for the Company's projects impacts the Company's profitability. The Company could also be impacted by changes in the cost of raw materials and labour, shortages of raw materials and labour and strikes for unionized labour.

We are subject to certain legal and regulatory matters in Israel that may affect the Company.

The Company is subject to the regulations and requirements of Israeli Securities Law and Israeli Companies Law. It is possible that the Company will be subject to any changes in Israeli law and regulatory requirements and the possible imposition of requirements from time to time by regulators and Stock Exchange authorities in Israel.

DISTRIBUTIONS

Distribution Policy

The Company does not currently have a dividend or distribution policy. Any declaration and payment of future dividends to holders of our Common Shares will be at the discretion of the Board in accordance with applicable law after taking into account various factors, including our financial condition, our operating results, our current and anticipated cash needs, our indebtedness, legal requirements and other factors that the Board deems relevant. Certain covenants in our debt agreements regarding appropriate loan to asset ratios may limit our ability to pay dividends.

Because we are a holding company, our ability to pay cash dividends on our Common Shares will depend on the receipt of dividends or other distributions from our subsidiaries. Until such time that we pay a dividend, our investors must rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Previous Distributions

The Company has not made any cash dividends or declared any distributions for the Common Shares since the date of the Company's initial public offering.

DESCRIPTION OF SHARE CAPITAL

Common Shares

The Company's authorized capital consists of an unlimited number of Common Shares at no par value. As of December 31, 2015, there were 16,531,360 Common Shares issued and outstanding. Holders of Common Shares are entitled to receive in each financial year of the Company, when, as and if declared by the Board out of the monies or property of the Company properly applicable to the payment of dividends, a variable non-cumulative dividend or dividends in such amount as may be determined by the Board from time to time in its discretion. The holders of Common Shares are entitled to receive notice of and to attend any meeting of the shareholders of the Company and shall be entitled to one (1) vote in respect of each Common Share held as of the record date for the shareholders meeting. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of its assets or property among shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive, in equal amounts per share, without preference or distinction, all of the remaining property and assets of the Company.

Warrants

The Company had 351,850 warrants (series 1) (each, a "**Series 1 Warrant**") issued and outstanding as at December 31, 2015. Each Series 1 Warrant was exercisable until March 5, 2016 for one Common Share in exchange for the exercise price of NIS47 (\$14.77) per Series 1 Warrant. All unexercised Series 1 Warrants expired on March 5, 2016.

Further, the Company has 351,850 warrants (series 2) (each, a "**Series 2 Warrant**") issued and outstanding. Each Series 2 Warrant is exercisable until March 5, 2018 for one Common Share in exchange for the exercise price of NIS55 (\$17.28) per Series 2 Warrant. A Series 2 Warrant that is not exercised prior to March 5, 2018 expires and is terminated, with no further rights to the holder thereof. A Series 2 Warrant cannot be exercised in the event of a Company Event. If the ex-date of the Company Event occurs before the effective date for the Company Event, the exercise on the ex-date shall not be performed.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the Stock Exchange under the trading symbol “SKLN”. The following table shows the monthly range of high and low prices per Common Share and total monthly volumes traded on the Stock Exchange for the year ended December 31, 2015.

Period	Price Per Common Share Monthly High (NIS)	Price Per Common Share Monthly Low (NIS)	Total Monthly Volume (Common Shares)
January 2015	23.65	17.31	31,671
February 2015	22.64	22.62	1,159
March 2015	24.40	21.23	161,656
April 2015	23.50	22.44	15,175
May 2015	24.50	23.00	66,959
June 2015	24.14	22.50	108,972
July 2015	22.60	22.16	15,366
August 2015	22.24	21.77	2,129
September 2015	22.43	21.75	49,736
October 2015	23.40	22.30	14,532
November 2015	25.00	22.70	61,837
December 2015	27.50	23.60	10,648

The Series 1 Warrants are listed and posted for trading on the Stock Exchange under the trading symbol “SKLN.W1”. The following table shows the monthly range of high and low prices per Series 1 Warrant and total monthly volumes traded on the Stock Exchange for the year ended December 31, 2015.

Period	Price Per Series 1 Warrant Monthly High (NIS)	Price Per Series 1 Warrant Monthly Low (NIS)	Total Monthly Volume (Series 1 Warrant)
January 2015	0.305	0.037	10,075
February 2015	0.291	0.091	5,220
March 2015	-	-	-
April 2015	-	-	-
May 2015	0.90	0.15	2,236
June 2015	0.29	0.27	720
July 2015	-	-	-
August 2015	0.29	0.11	5,820
September 2015	0.05	0.026	202
October 2015	0.249	0.04	61,921
November 2015	0.169	0.037	23,126
December 2015	0.39	0.035	25,244

The Series 2 Warrants are listed and posted for trading on the Stock Exchange under the trading symbol “SKLN.W2”. The following table shows the monthly range of high and low prices per Series 2 Warrant and total monthly volumes traded on the Stock Exchange for the year ended December 31, 2015.

Period	Price Per Series 2 Warrant Monthly High (NIS)	Price Per Series 2 Warrant Monthly Low (NIS)	Total Monthly Volume (Series 2 Warrant)
January 2015	0.226	0.18	3,402
February 2015	0.17	0.18	4,930
March 2015	-	-	-
April 2015	0.16	0.13	1,348
May 2015	0.13	0.13	150
June 2015	-	-	-
July 2015	0.13	0.13	1,700
August 2015	0.999	0.13	29,210
September 2015	3.33	1.199	186
October 2015	1.65	0.8	402
November 2015	0.999	0.24	15,714
December 2015	1.5	0.4	300

ESCROWED SECURITIES

In accordance with securities law in the State of Israel, 14,512,280 Common Shares, representing 98.33% of the issued and outstanding Common Shares on a fully-diluted basis (the “**Escrowed Securities**”), were held by shareholders prior to the Company’s initial public offering and accordingly are subject to escrow. The Escrowed Securities are held by each of Dundee Corporation and Dream Asset Management Corporation, Dynamic², BHI, The Israel Land Development Co. Ltd., Mishorim and Skyline Israel.

For three months commencing on March 13, 2014 (the “**Initial Escrow Period**”), the Escrowed Securities could not be transferred, sold or otherwise disposed of by the applicable shareholders. After the Initial Escrow Period and until September 13, 2015, each holder of Escrowed Securities could transfer, sell or otherwise dispose of a maximum of 2.5% of such shareholder’s aggregate number of Escrowed Securities per month. The Escrowed Securities were released from escrow on September 13, 2015.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Pursuant to the Company’s constating documents, the Board must comprise of not less than three and not more than ten Directors. As of the date hereof, the Board consists of eight members: Gil Blutrich, Maayan Ben-Zion Gittleband, Mark Goodman, Mordechai Karet, Shimshon Marfogel, Rami Shriki, Ben Blutrich and Tomer Katz.

The following table sets forth the names and residence of those individuals who are Directors and executive officers of the Company as of December 31, 2015, their current positions or offices with the Company, the date when they

² “**Dynamic**” means, collectively: Dynamic Global Real Estate Fund, Dynamic Income Opportunities Fund, Dynamic Small Business Fund, Dynamic Strategic Yield Class and Dynamic Strategic Yield Fund.

first became a Director and/or executive officer of the Company and their respective principal occupations during the five preceding years.

The term of each of the Directors expires on the date of the Company's next annual meeting, unless such appointment terminates earlier.

<u>Name and Residence</u>	<u>Position with the Company</u>	<u>Commencement of Directorship</u>	<u>Principal Occupation During the Five Preceding Years</u>	<u>Securities Beneficially Owned or Controlled as of March 25, 2016⁽⁴⁾</u>
Gil Blutrich Ontario, Canada	Chair of the Board and President, Director	1998	Chair of the Board and President, Director Director and President of Mishorim	11,944,812 ⁽⁵⁾
Maayan Ben-Zion Gittleband ⁽²⁾⁽³⁾ Israel	Director	2014	Personal and business trainer, independent median and providing legal services	0
Christopher Lund ⁽¹⁾ Ontario, Canada	Regional Vice President	N/A	General Manager at Deerhurst and Horseshoe Resorts Regional Vice President at Delta	0
Mark Goodman ⁽²⁾⁽³⁾ Ontario, Canada	Director	2014	Officer of Dundee Corporation	1,122,270 ⁽⁶⁾
Mordechai Karet ⁽²⁾⁽³⁾ Israel	Director	2014	Chief Executive Officer and owner of Karet Management and Holdings Ltd.;	0
Shimshon Marfogel Israel	Director	2007	Deputy Chief Executive Officer of Israel Land Development Ltd.	0
Rami Shriki Israel	Director	2010	Director and Chief Executive Officer of Mishorim	4,941
Vadim Shub Ontario, Canada	Chief Financial Officer	N/A	Chief Financial Officer of the Company and its subsidiaries	0
Michael Sneyd ⁽⁷⁾ Ontario, Canada	Chief Executive Officer	N/A	Chief Executive Officer of the Company President and Chief Executive Officer of Signature Properties International LP	0
Blake Lyon Ontario, Canada ⁽⁸⁾	Chief Executive Officer	N/A	Financial asset manager and advisor	0
Raymond Zar ⁽¹⁾ Ontario, Canada	Chief Operating Officer and President of Hotel and Resorts segment	N/A	Senior Vice President at Skyline International Development Senior Vice President at Mary-Am Group	0

Notes:

- (1) Was appointed in March 19, 2015.
- (2) Member of the Compensation Committee.
- (3) Member of the Audit Committee.
- (4) Number of securities does not include options to acquire Common Shares.

- (5) Of the 11,944,812 Common Shares, (a) Mr. Blutrigh's family trust is the registered holder of 431,430 Common Shares; (b) Mishorim (of which Mr. Blutrigh is a controlling shareholder) is the registered holder of 578,382 Common Shares; and (c) Skyline Israel (of which Mishorim is a controlling shareholder) is the registered holder of 10,935,000 Common Shares.
- (6) Held by Dundee Corporation (of which Mr. Goodman's family is a controlling shareholder).
- (7) As of February 16, 2016 is no longer the CEO of the Company.
- (8) Company's CEO as from February 17, 2016.

As a group, the Directors and executive officers of the Company, as of December 31, 2015, beneficially owned or exercised control or direction, directly or indirectly, over 13,332,020 Common Shares, which does not include Common Share options, representing approximately 81% of the Common Shares outstanding at that time on a fully-diluted basis. Such 12,093,750 Common Shares includes (a) 578,382 Common Shares held by Mishorim (of which Mr. Blutrigh is a controlling shareholder); and (b) 10,935,000 Common Shares held by Skyline Israel (of which Mishorim is a controlling shareholder).

Corporate Cease Trade Orders and Bankruptcies

Other than as set forth below, none of the Company's existing Directors or executive officers, and to the best of the Company's knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Penalties or Sanctions

None of the Company's directors or executive offices, and to the best of the Company's knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the Company's existing Directors or executive officers, and to the best of the Company's knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

To the best of the knowledge of management of the Company and other than as disclosed herein, there are no known existing or potential conflicts of interest among the Company and its Directors, officers or other members of management as a result of their outside business interests. However, certain of the Company's Directors and officers serve as directors, officers and controlling shareholders of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director, officer or controlling

shareholder of such other companies. In the event of such a conflict, the parties will comply with the conflict of interest provisions of the OBCA.

Committees of the Board of Directors

The Board has established two committees: the Audit Committee and the Compensation Committee. All members of the Audit Committee are independent and financially literate, except for temporary periods in limited circumstances in accordance with National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). All of the members of the Compensation Committee are persons determined by the Board to be independent. Audit Committee Matters

AUDIT COMMITTEE MATTERS

Audit Committee Charter

The Board has adopted a written charter for the Audit Committee, in the form set out under Schedule A to this Annual Information Form, which sets out the Audit Committee’s responsibilities. The Audit Committee’s responsibilities include: (i) reviewing the Company’s procedures for internal control with the Company’s auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the Company’s annual information form and management’s discussion and analysis; (iv) assessing the Company’s financial and accounting personnel; (v) assessing the Company’s accounting policies; (vi) reviewing the Company’s risk management procedures; (vii) reviewing any significant transactions outside the Company’s ordinary course of business and any pending litigation involving the Company; (viii) overseeing the work and reviewing of the independence of the external auditors; and (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

Composition of Audit Committee

The Audit Committee consists of three Directors, all of whom are independent and financially literate within the meaning of NI 52-110. The Audit Committee is comprised of Mordechai Karet, who acts as chair of the Audit Committee, Maayan Ben-Zion Gittleband and Mark Goodman, all of whom have been determined to be independent. Each of the Audit Committee members have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Company to prepare its financial statements.

Mordechai Karet (Chair) – Mr. Karet is an Israeli CPA and completed his studies at Tel-Aviv University in Israel. Mr. Karet has extensive experience as an external director for publicly traded companies in Israel including Bezeq Israeli Communication Company Ltd, Tria P2P Ltd and TIA Investments Ltd. and acts as an internal director for Priortec Ltd.; Karet Management And Holdings Ltd, Shirliad Holdings Ltd, Shirliad Real Estate Ltd. and Shirliad Ir-Yamin (2009) Ltd.

Maayan Ben-Zion Gittleband - Mrs. Gittleband completed law school at the University of Sussex and is a designated lawyer in Israel.

Mark Goodman – Mr. Goodman completed his B.A at York University. Mr. Goodman is Senior Vice President for Dundee, Chief Executive Officer of Cogtore Resources Inc. and was the Chairman of the Board for Cogtore Resources Inc. until June 2013. Mr Goodman serves as director for Corona Gold, Dundee Energy, Dundee, Dynamic Venture Opportunities Fund, Energy Fuels Inc., Night Hawk Gold , Odyssey Resources, and Ryan Gold.

Reliance on Certain Exemptions

Following the Company's initial public offering, the Company relied upon the exemption in section 3.2 (*Initial Public Offerings*) under NI 52-110.

Pre-Approval of Non-Audit Services

In accordance with the independence standards for auditors, the Company is restricted from engaging its external auditors to provide certain non-audit services to the Company, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The Company does engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. All non-audit services must be specifically pre-approved by the Audit Committee.

External Audit Services Fees

The aggregate fees paid or expected to be paid to SLF, our independent public accounting firm in Canada, and to Gai Goffer, our independent public accounting firm in Israel, for the fiscal periods ended December 31, 2013 and 2014, are set forth below:

	Year Ended December 31,	
	2014	2015
Audit fees	\$425	\$430
Audit-related fees	\$19	\$20
Tax fees	\$102	\$82
Total	<u>\$546</u>	<u>\$532</u>

Audit Fees

Audit fees are for professional services for the audit of our annual financial statements, the reviews of the quarterly financial statements, and services in connection with our statutory and regulatory filings.

Audit-Related Fees

Audit related fees are for assurance and related services that are reasonably related to the audit and reviews of our financial statements, exclusive of the fees disclosed as "Audit Fees" above. These fees include initial public offering related fees, accounting consultations (such as internal auditor fees).

Tax Fees

Tax fees are for services related to tax compliance and include preparation of tax returns, review of restrictions on net operating loss carry forwards and other general tax services.

All Other Fees

We did not incur fees for any services, other than the fees disclosed above relating to audit, audit-related and tax services, rendered during the years ended December 31, 2014 and 2015.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

On October 21, 2009, a legal claim was commenced in the State of Israel by a group of individuals who purchased approximately 20 condominium units in the Cosmopolitan and Pantages hotels against, *inter alia*, the Company and certain of its subsidiaries. The claimants allege that the defendants violated the terms of certain agreements of purchase and sale and seek to be refunded the purchase price. A statement of defence was submitted on March 25,

2010. On October 28, 2015 the claim was dismissed. On January 4, 2016, two of the claimants filed an appeal of the claim dismissal. Their claim amounts to approximately \$480,000. Management reasonably believes that the chances of the appeal being successful are below 50%.

The Company is involved in various other legal matters arising out of its operations in the normal course of business, none of which are expected, individually or in the aggregate, to have a material adverse effect on the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Annual Information Form and in the notes to the audited financial statements of the Company, there are no material interests, direct or indirect, of the Directors or officers of the Company, any shareholder that beneficially owns more than 10% of the Common Shares or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is The Nominees Company of Bank Hapoalim Ltd. at its principal office in Tel Aviv, Israel.

LANGUAGE OF COMMUNICATIONS

Mr. Gil Blutruch, the Company's Chair and President, Mr. Vadim Shub, the Company's Chief Financial Officer, and Mr. Rami Shriki and Mr. Shimshon Marfogel each of whom is a director of the Company, are all fluent in Hebrew.

The Company engaged an Israeli law firm to advise with regard to its initial public offering in Israel and ongoing Israeli legal requirements. The Israeli lawyers are fluent in English (as well as in Hebrew) and are familiar with the activities of the Company. Such lawyers have advised and continue to advise the officers of the Company with regard to Israeli laws and requirements. In addition, the Israeli lawyers have prepared a memorandum describing applicable procedures and requirements under Israeli laws and have met in person with the Company's officers and Canadian counsel for the Company to discuss such matters.

The Company's communications regarding Israeli legal and regulatory matters are generally conducted in English through the Company's lawyers in Israel. Since the Company's business is conducted in North America, most of its material business and legal documentation is in English. Any document that is required to be made public in Israel in the Hebrew language will be translated into English prior to its publication.

MATERIAL CONTRACTS

The Underwriting Agreement is the only material agreement that the Company or its subsidiaries has entered into within the last financial year or prior thereto but still in effect, other than contracts entered into in the ordinary course of business.

Underwriting Agreement

On February 27, 2014, the Company entered into an underwriting agreement (the "**Underwriting Agreement**") with a syndicate of underwriters managed by Poalim IBI – Underwriting and Issuances Ltd., Leumi Partners Underwriters Ltd., Rosario Underwriting Services (A.S.) Ltd., Excellence Nessuah Underwriting (1993) Ltd., Apex Issuances Ltd., Discount Underwriting and Issuances Ltd. and Brack Capital Underwriting Ltd. with respect to the Company's initial public offering in Israel. Pursuant to the terms and conditions of the Underwriting Agreement, the Company agreed to issue and sell and the underwriters severally agreed to purchase an aggregate of 32,690 units (each unit representing ten (10) Common Shares, two (2) Series 1 Warrants and two (2) Series 2 Warrants).

Under the Underwriting Agreement, the Company agreed to indemnify and hold harmless the underwriters against certain liabilities, including civil liabilities and potential litigation due to an error or omission in the initial public offering prospectus filed in Israel, subject to certain limitations. The Underwriting Agreement provides that the

underwriters shall be entitled to receive gross fees as follows: (i) a management fee of 1.5% of the immediate consideration actually received by the Company from the subscription of units pursuant to the initial public offering; (ii) an additional fee of 1% of the immediate consideration actually received by the Company from the subscription of units pursuant to the initial public offering; and (iii) an underwriting fee of 3.25% of the immediate consideration received by the Company from the subscription of units pursuant to the initial public offering. According to the Underwriting Agreement, the Company could elect to pay the syndicate of underwriters or certain of them an additional fee of 1.5% of the immediate consideration actually received by the Company from the subscription of units pursuant to the initial public offering, in its sole discretion. The Company elected to pay the underwriters such discretionary fee.

The Underwriting Agreement was originally drafted and executed in the Hebrew language. A translated copy of the Underwriting Agreement into the English language is available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Schwartz Levitsky Feldman LLP, the Company's independent public accounting firm in Toronto, Ontario, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Other information, including information on the remuneration and indebtedness of directors and officers, the principal holders of the Company's Common Shares and Common Shares authorized for issuance under equity compensation plans, where applicable, will be contained in the management information circular to be prepared in connection with the Company's upcoming annual meeting of shareholders that involves the election of directors.

Additional financial information is provided in the Company's financial statements and MD&A for the year ended December 31, 2015 which can be found on SEDAR at www.sedar.com.

SCHEDULE A: CHARTER OF THE AUDIT AND FINANCIAL STATEMENTS COMMITTEE

SKYLINE INTERNATIONAL DEVELOPMENT INC. CHARTER OF THE AUDIT AND FINANCIAL STATEMENTS COMMITTEES (the “Charter”)

1. GENERAL

A. Purpose

The Audit and Financial Statements Committees (the “**Committee**”) is a committee of the Board of Directors (the “**Board**”) of Skyline International Development Inc. (the “**Company**”). The members of the Committee and the chair of the Committee (the “**Chair**”) are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the Company’s financial controls and reporting and monitoring whether the Company complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

2. COMPOSITION

The Committee should be comprised of a minimum of three directors and a maximum of five directors.

(1) The Committee must be constituted as required under National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time (“**NI 52-110**”).

(2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

(3) No members of the Committee will receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory or other compensatory fee from the Company or any of its related parties or subsidiaries.

(4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements).

(5) Any member of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy will exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

3. LIMITATIONS ON COMMITTEE’S DUTIES

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee will be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the Company (“**Management**”) as to the non-audit services provided to the Company by the external auditor, (iv) financial statements of the Company represented to them by a member of Management or in a written report of the external auditors to present fairly the financial position of the Company in accordance with applicable generally accepted accounting principles, and (v)

any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. MEETINGS

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the Company and will meet within 90 days following the end of the fiscal year of the Company. A quorum for the transaction of business at any meeting of the Committee will be a majority of the members of the Committee or such greater number as the Committee will by resolution determine. The Committee will keep minutes of each meeting of the Committee. A copy of the minutes will be provided to each member of the Committee.

Meetings of the Committee will be held from time to time and at such place as any member of the Committee will determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor will be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the Company (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee will have full access to information of the Company (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and will be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Company with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the Company's interim financial statements.

The Committee will determine any desired agenda items.

5. COMMITTEE ACTIVITIES

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

A. Financial Disclosure

- (1) Review, approve and recommend for Board approval the Company's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related management's discussion & analysis and press release.
- (2) Review, approve and recommend for Board approval the Company's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form and the related management's discussion & analysis and press release.
- (3) Review and approve any other press releases that contain financial information and such other financial information of the Company provided to the public or any governmental body as the Committee requires.
- (4) Satisfy itself that adequate procedures have been put in place by Management for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and the related management's discussion & analysis.
- (5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Company and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

(6) Receive periodically Management reports assessing the adequacy and effectiveness of the Company's disclosure controls and procedures.

B. Internal Control

(1) Review Management's process to identify and manage the significant risks associated with the activities of the Company.

(2) Review the effectiveness of the internal control systems for monitoring compliance with financial disclosure matters, financial risk management, laws and regulations.

(3) Have the authority to communicate directly with the internal auditor (if any).

(4) Receive periodical Management reports assessing the adequacy and effectiveness of the Company's internal control systems.

(5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management, the internal auditor (if any) and the external auditors and assess whether recommendations made by the internal auditor (if any) or the external auditors have been implemented by Management.

C. Relationship with the External Auditor

(1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.

(2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.

(3) Advise the external auditor that it is required to report to the Committee and not to Management.

(4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.

(5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the Company, Management, the external asset manager or employees that might interfere with the independence of the external auditor.

(7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

(8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

(9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the Company, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the Company, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Company.

D. Audit Process

- (1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.
- (4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee will seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (6) Review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

E. Financial Reporting Processes

- (1) Review the integrity of the Company's financial reporting processes, both internal and external, in consultation with the external auditor.
- (2) Periodically consider the need for an internal audit function, if not present.
- (3) Review all material balance sheet issues, material contingent obligations and material related party transactions.
- (4) Review with Management and the external auditor the Company's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

F. General

- (1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.
- (2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.
- (3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (4) Review the public disclosure regarding the Committee required from time to time by NI 52-110.

- (5) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Company) the compensation for any such advisors.
- (6) Review in advance, and approve, the hiring and appointment of the Company's senior financial executives.
- (7) Perform any other activities as the Committee or the Board deems necessary or appropriate.

6. COMPLAINT PROCEDURES

- (1) Anyone may submit a complaint regarding conduct by the Company or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair will have the power and authority to oversee treatment of such complaints.
- (2) Complaints are to be directed to the attention of the Chair.
- (3) The Committee should endeavour to keep the identity of the complainant confidential.
- (4) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.