



SKYLINE INVESTMENTS INC.
ANNUAL INFORMATION FORM

Year Ended December 31, 2018

March 31, 2019

TABLE OF CONTENTS

GLOSSARY OF TERMS	1
CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS	2
MEANING OF CERTAIN REFERENCES	3
THE COMPANY	3
Name, Address and Incorporation.....	3
Major Holdings in Other Entities (entities with substantial business activity).....	4
GENERAL DEVELOPMENT OF THE BUSINESS	6
Three Year History – Business Activity.....	6
DESCRIPTION OF THE BUSINESS	9
Overview	9
US Hotel and Resorts	10
Canadian Resorts.....	13
Income Generating Real Estate	14
Real Estate Development	15
Employees.....	18
Specialized Skill and Knowledge.....	18
RISK FACTORS	18
DIVIDENDS AND DISTRIBUTIONS	25
Distribution Policy	25
Dividends	25
DESCRIPTION OF SHARE CAPITAL	25
Common Shares	25
Stock Option Plan.....	26
Bonds/Debentures	26
Credit Ratings.....	28
MARKET FOR SECURITIES	28
Trading Price and Volume	28
DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY	29
Cease Trade Orders and Bankruptcies, Penalties or Sanctions	31
Penalties or Sanctions.....	31
Conflicts of Interest.....	32
AUDIT COMMITTEE MATTERS	32
Audit Committee Charter	32
Composition of Audit Committee	32
Relevant Education and Experience.....	32
Reliance on Certain Exemptions	33
Audit Committee Oversight	33
Pre-Approval Policies and Procedures	33
External Audit Services Fees	33
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	34
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	34
TRANSFER AGENT AND REGISTRAR	34
LANGUAGE OF COMMUNICATIONS	34
MATERIAL CONTRACTS	35
INTERESTS OF EXPERTS	36
ADDITIONAL INFORMATION	36
SCHEDULE A: CHARTER OF THE AUDIT AND FINANCIAL STATEMENTS COMMITTEE	1

GLOSSARY OF TERMS

In this Annual Information Form, in addition to the terms defined elsewhere 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.

“**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 - Major Holdings in Other Entities (entities with substantial business activity)”.

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

“**Bonds (Series A)**” means the 5.2% fixed interest bonds (Series A) of the Company due January 15, 2023, listed on the Stock Exchange and described under “Description of Share Capital - Bonds/Debentures”.

“**Debentures (Series B)**” means the 5.65% fixed interest debentures (Series B) of the Company due January 15, 2023, listed on the Stock Exchange and described under “Description of Share Capital - Bonds/Debentures”.

“**Deloitte**” means Brightman Almagor Zohar & Co. – Deloitte LLP.

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

“**Company**” means Skyline Investments Inc.

“**Company Event**” means a stock split, stock dividend, subdivision(s), redivision(s), reorganization, recapitalization, reclassification or combination of shares, merger, amalgamation, consolidation, spinoff, sale of assets or any such similar event affecting the Common Shares.

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

“**Deed of Trust**” has the meaning ascribed to such term under “Material Contracts - Deed of Trust”.

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

“**Examination Period**” means two consecutive quarters, and is based on the relevant financial statements at the end of each of the two quarters.

“**Financial Statement Committee**” means the financial statements committee of the Board.

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

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

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

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

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

“**McNicoll**” has the meaning ascribed to such term under “The Company - Major Holdings in Other Entities (entities with substantial business activity)”.

“**Mishorim**” means Mishorim Real Estate Investments Ltd.

“**NI 52-110**” has the meaning ascribed to such term under “Audit Committee Matters”.

“**NIS**” means Israeli New Shekels.

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

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

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

“**Skyline Deerhurst**” has the meaning ascribed to such term under “The Company - Major Holdings in Other Entities (entities with substantial business activity)”.

“**Skyline Horseshoe**” has the meaning ascribed to such term under “The Company - Major Holdings in Other Entities (entities with substantial business activity)”.

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

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

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. Any statements contained herein that are not statements of historical facts may be deemed to be forward looking statements. Forward looking statements can often, but not always, 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. Such forward looking statements represent management’s current beliefs and are based on information currently available to management that management considers 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: the 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 known and unknown risks and uncertainties and a number of factors, including, but not limited to, the factors discussed under “Risk Factors”, that could cause actual results, performance or achievements of the Company 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 natural disasters, insufficient insurance against material claims or losses and negative economic, business and market conditions. The forward looking statements contained in this Annual Information Form are based upon assumptions that management believes to be reasonable, including no adverse development in respect of any significant property in which the Company holds an interest, and the absence of other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. However, should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward looking statements or information prove incorrect, actual results may vary materially from those described herein. Accordingly, there can be no assurance that forward looking statements or information will prove to be accurate. Readers of this Annual Information Form are cautioned

that forward looking statements and information are not guarantees of future performance. The Company cannot assure investors that actual results will be consistent with these forward looking statements or information. Due to the inherent uncertainty therein, readers of this Annual Information Form should not place any undue reliance on forward looking statements or information because we give no assurance whatsoever that such expectations will prove to be correct. All of the forward looking statements and information in this Annual Information Form are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein.

The forward looking statements and information are made as of the date of this Annual Information Form only, and we have no intention and assume no obligation to update or revise any forward looking statements or information to reflect new events, information, estimates, opinions 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, 2018, unless otherwise indicated. More current information may be available on our public website at www.skylineinvestments.com or on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

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 Investments 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 and Chief Operating Officer. 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

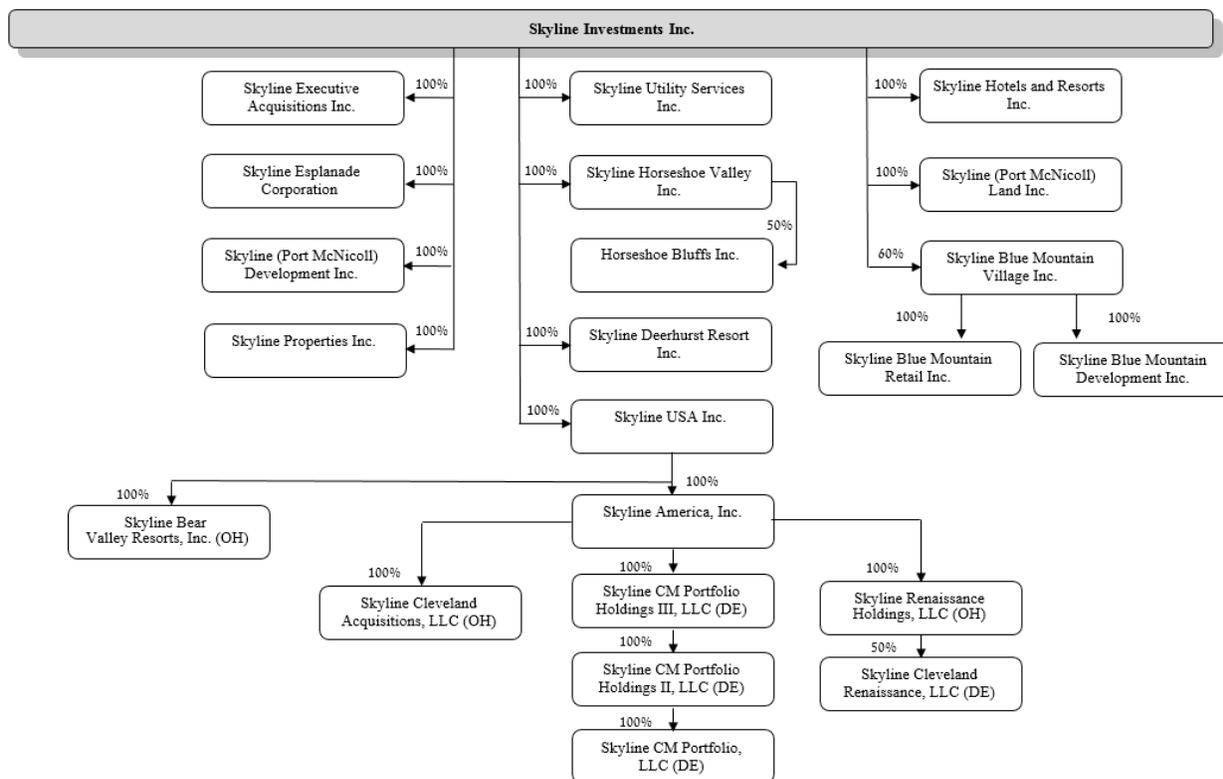
Name, Address and Incorporation

Skyline Investments Inc. was incorporated (under its predecessor name, “Skyline International Development Inc.”) 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 maximum of five (5) to a minimum of one (1) and maximum of ten (10). The Company 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 Company filed articles of amendment on July 4, 2016 to change the name of the Company from “Skyline International Development Inc.” to “Skyline Investments Inc.” and articles of amendment dated June 26, 2017 to change the number of Directors to a minimum of 3 and a maximum of 11.

The address of the Company’s registered and head office is 36 King Street East, Suite 700, Toronto, ON M5C 2L9.

The following simplified organizational structure chart sets forth the Company and its material subsidiaries (excluding certain inactive subsidiaries) as of December 31, 2018 and the percentage of voting securities held:

Major Holdings in Other Entities (entities with substantial business activity)



The Company holds all of the issued and outstanding capital of Skyline Executive Acquisitions Inc., a private company incorporated on July 15, 2009 under the laws of the province of Ontario, which holds land located at and surrounding 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 the Port McNicoll project (discussed further below) is situated. McNicoll had two wholly-owned subsidiaries: (i) Development Concept Inc., 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., 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, Skyline Marine Inc. and Development Concept Inc. were amalgamated into McNicoll.

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 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., a private company incorporated on January 13, 2010 under the laws of the province of Ontario. Skyline King Edward Inc. holds a 17% interest in King Edward Private Residences LLP Inc., 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 Esplanade Corporation Inc., a private company incorporated on June 24, 2003 under the laws of the province of Ontario, which sells and develops the real estate project “Lakeside Lodge” at Deerhurst Resort Inc.

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 and transitioned in 2016 to the Province of Ontario, which sells and develops the real estate project “Slopeside Lodges” at Horseshoe Resort.

The Company holds all of the issued and outstanding capital of Skyline Hotels and Resorts Inc., 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 resorts in Ontario and asset management services to the company’s hotels in the USA.

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 Horseshoe Resort Inc. In addition, Skyline Horseshoe holds 50% of the issued and outstanding capital of Horseshoe Bluffs Inc., a private company incorporated on November 6, 2017 under the laws of the province of Ontario, which owns land that can be developed into lots and/or residential units or hotel rooms on the resort’s property.

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, which owns Deerhurst Resort and lands which can be developed in the future for residential, hotel, commercial or leasing 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 Horseshoe Resort. The sewage facility provides sewage services to Horseshoe Resort and residents of the area.

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., a private company incorporated on March 4, 2013 under the laws of the province of Ontario, which owns commercial areas in Blue Mountain Resort (discussed further below). In addition, Blue Mountain holds all of the share capital of Skyline Blue Mountain Development Inc., a private company incorporated on March 4, 2013 under the laws of the province of Ontario, which owns land suitable for the development of residential, hotel and retail purposes in and around Blue Mountain Resort.

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 America, Inc., a private company incorporated under the laws of Ohio, USA, on May 17, 2017, which holds all of the issued and outstanding capital of Skyline CM Portfolio Holdings III, LLC, a private company incorporated under the laws of Delaware, USA on October 2, 2017, which also holds all of the issued and outstanding capital of Skyline CM Portfolio Holdings II, LLC, a private company incorporated under the laws of Delaware, USA, on October 2, 2017, which also holds all of the issued and outstanding capital of Skyline CM Portfolio, LLC, a private company incorporated under the laws of Delaware, USA, on October 2, 2017, which owns the 13 Courtyard hotels across 9 states at the USA.

Skyline USA also holds all of the issued and outstanding capital of Skyline Bear Valley Resorts Inc., a private company incorporated on September 12, 2014 under the laws of the state of Ohio, which owns and operates Bear Valley Resort, a ski resort located in California, USA that was acquired on December 19, 2014. Skyline USA also holds all of the issued and outstanding capital of Skyline America, Inc.

Following the amalgamation of Skyline Cleveland Acquisitions, Inc. and Skyline Cleveland Renaissance, Inc. into Skyline America, Inc. On December 29, 2017, Skyline America, Inc. holds all of the issued and outstanding capital

of Skyline Cleveland Acquisitions, LLC, a private company incorporated under the laws of Delaware, Ohio, USA, in December 2017, which holds the Hyatt Regency Arcade.

Skyline America, Inc. also holds all of the issued and outstanding capital of Skyline Renaissance Holdings, LLC, a private company incorporated on in November 2017 under the laws of the state of Delaware, which holds 50% of Skyline Cleveland Renaissance, LLC, a Delaware LLC, which owns the Renaissance Hotel in Cleveland, Ohio, USA.

For additional information relating to the Horseshoe and Deerhurst resorts, see “Description of the Business - Overview”.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History – Business Activity

2016

On February 16, 2016, the Board appointed Mr. Blake D. Lyon as the new Chief Executive Officer of the Company effective February 17, 2016, following the end of the service term of Mr. Michael Sneyd.

On March 18, 2016, Skyline Cleveland Renaissance, LLC, a 50% subsidiary, received a bank loan of US\$12,350 to finance the acquisition of the Renaissance Hotel. An additional amount of US\$16,800 is available to finance the upgrade and renovation of the hotel. That loan replaced the loan originally provided by the Partner and the Company.

In spring 2016, the company substantially completed construction of its “Copeland House” condominium project, delivering interim occupancy to 85% of the condominiums. The majority of financial closings took place on March 10, 2017.

In June 2016, one of the Company’s wholly-owned subsidiaries met all of its conditions precedent and secured a \$32,000 construction financing for the Lakeside Lodge 162-condominium project at Deerhurst Resort.

On July 27, 2016, the Company closed a bond offering in Israel (the “**Bond Offering**”), pursuant to a Shelf Offering Report published by the Company on July 12, 2016. A copy of the Shelf Offering Report is available on SEDAR at www.sedar.com. The Company issued 128,240 bond units at an interest rate of 5.20% (fixed) and raised 128,240 New Israeli Shekels, gross before fees (approximately CAD\$43,200). The bonds are supported by a general guarantee of the Company and are backed by a first mortgage on Deerhurst Resort (excluding the surrounding developable lands). The interest on the bonds is payable semi-annually each January and July, together with 2.5% of the principal starting July 2017. The balance of the principal is payable in January 2023. The main financial covenants, as set out in the Deed of Trust, include the requirement of the Company to maintain a maximum outstanding balance of the bonds-to-property value ratio (LTV) of not more than 72.5%, a minimum shareholders’ equity of \$100,000, and some limitations to dividend distributions. As of December 31, 2017, the Company was in compliance with the required covenants. In 2017, the Company extended Series A by an additional 20,000 bond units. For further information see 2017 below.

On August 22, 2016, the Company closed the sale of the Pantages Hotel in downtown Toronto, Ontario, Canada for a total consideration of \$34 million (see below). The transaction generated approximately \$17.8 million in free cash flow, after repayment of the property financing.

In September and October 2016, a Company's subsidiary (60% ownership) executed a number of firm agreements to sell parcels of serviced land to unrelated third parties for a total consideration of \$21,000.

On November 14, 2016, the Board approved a new employee stock option plan (whereby directors, senior officers, employees and consultants may be granted options to purchase common shares) and approved a grant of 290,000 options to key employees, subject to obtaining any necessary approvals from the Stock Exchange. The Company received the approval in March 2017. In 2017, one of the employees resigned and his 10,000 options were cancelled.

In late 2016, the Company launched a 170-room renovation of Hyatt Arcade in Cleveland and installed a new six-chair ski lift in Horseshoe Resort.

On December 21, 2016, the Company announced that effective December 31, 2016, the Company would prospectively apply a “revaluation model” to account for its US hotels as well US and Ontario resorts, according to International Accounting Standard IAS 16, changing it from the “depreciated cost” model used to-date. The change in accounting was expected to allow investors to evaluate the company in a simpler way, while presenting more up-to-date data reflecting the current economic value embodied by the Company’s assets.

On December 27, 2016, the Company launched a pre-sale of “Slopeside Lodges”, its 44-condominium project at Horseshoe Resort.

2017

In January 2017, a wholly-owned subsidiary of the Company sold a major portion of the lands at Port McNicoll to a third party for a total consideration of \$42,000. The transaction closed on July 20, 2017. The Company received \$4,200 in cash on closing and provided the purchaser with a vendor take-back mortgage for the balance. The purchaser agreed to pay a monthly principal of \$350 for 71 months and the balance of \$13,000 would be due at the end of the term.

During March 2017, one of the Company's subsidiaries refinanced one of its properties and obtained a new US\$17,000 5-year loan, with an option to extend the loan by an additional two years. The principal, amortized over 25 years, is to be repaid on a monthly basis from May 5, 2019. The loan bears interest annually at the rate of 2.50% above 30-day LIBOR (3.40%). The Company, as a 50% recourse guarantor, is required to maintain certain financial covenants, as is customary for this type of transaction.

In April 2017, the Company paid a dividend of approximately 5,000 NIS (approximately \$1,800) for the first time since its inception.

On July 10, 2017, the Company sold lands at Horseshoe Resort for a total consideration of \$6,250. The purchaser paid a \$650 non-refundable deposit to the Company and paid an additional \$2,350 on closing. The remainder of \$3,250 is a 24-month VTB loan bearing an annual interest rate of 5%. The transaction closed on November 25, 2017. The Company recognized approximately \$5,000 profit on this transaction.

On August 3, 2017, the Company announced the conditional purchase of 13 Marriott Courtyard hotels in the US for a total consideration of US\$135 million (before transaction costs). The 13 hotels acquired included 1,913 rooms and, during 2016, generated revenues of approximately US\$51.1 million and EBITDA (“NOI”) of US\$14.5 million. The hotels are spread over 9 US states and are geographically diverse with strong locations in key Midwest, Southeast and Southwest markets. On November 14, 2017, the transaction closed. The hotels range from 131 to 153 rooms each, with a combined room count of 1,913. In addition to the acquisition of the properties, the Company entered into 13 separate 20-year franchise agreements with Marriott International securing access to the Marriott's reservation and sales platforms, and replaced Marriott's management with a third-party management company.

On August 29, 2017, the Company closed a private bonds placement to institutional investors. The Company issued 20,000 bond units by extending the original Series A bonds at an interest rate of 5.20% (fixed) and raised 20,750 New Israeli Shekels (raised at a premium), net of fees (approximately CAD\$7,000). The bonds issued are subject to the same covenants as the originally issued Series A bonds and will be repaid accordingly. On September 25th, the company concluded the raising of funds via Series B unsecured debentures and raised \$55,700, net of fees, at 5.65% interest rate. This series is linked to the USD.

In September 2017, the Company received a Baa1.il (stable) rating from Midroog, an Israeli subsidiary of an international rating company Moody’s.

For further information regarding securities issued/expired, please refer to the MD&A under *Outstanding Share Data*.

On November 14, 2017, the Company's wholly-owned US subsidiary entered into a non-recourse loan agreement of US\$89,505 to finance 65% of the transaction costs. The total loan is comprised of the initial advance amount of US\$72,505 and mezzanine loan component of US\$17,000, bearing annual interest rates equal to LIBOR + 325 points

(approx. 5.77%) and LIBOR + 700 points (approx. 9.57%), respectively, and calculated on the actual number of days elapsed in a 360-day year. The loan is interest only and is issued for a total period of five years including three annual extensions, subject to various conditions, including the primary condition of maintaining particular levels of debt yield on the extension dates ranging from 10% to 11%. In addition to the acquisition financing, the bank also provided a US\$31,000 line of credit on the same terms as for the initial advance loan, that can be used for property improvements and upgrades as might be determined by Management in coordination with Marriott. The borrower would be required to invest 10% of the improvement costs as equity. During the reporting period, US\$1,400 of the line of credit was drawn for improvements and upgrades of 13 Marriott Courtyards hotels. The Company purchased a rate cap to insure against increases in LIBOR over 3.5%.

2018

On January 30, 2018, the Company commented on the implications of the United States tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). This change in US tax law will impact the Company's US operations in a number of ways including, but not limited to, reducing the corporate tax rate from 35% to 21% and moving from a worldwide tax system to a territorial system. At year-end, the Company estimated a one-time transition tax and the re-measurement of deferred tax assets and liabilities.

On February 5th, 2018, Mr. Bruce Riggins was appointed as the Company's COO.

On February 21, 2018, 135,000 options were granted to a senior employee, Mr. Bruce Riggins, in accordance with the Company's employee's stock option plan.

On April 13, 2018, Mr. Robert Waxman was appointed as the Company's CFO.

On March 20, 2018, the Compensation Committee and the Board of Directors of the Company approved an insurance policy for the directors and officers of the Company, for a period of one year commencing on April 1, 2018. The terms of the policy are as follows: insurance coverage up to US\$11.75 million per case and period; an annual premium of US\$18,000; a deductible of US\$50,000 for Canadian and US claims; and a deductible of US\$10,000 for any other claim. Executives and officers of the Company do not bear any deductible. On August 13, 2018, the Compensation Committee and the Board of Directors of the Company approved, subject to approval of an amendment to the Compensation Policy, an increase to the directors' and officers' insurance policy, to US\$20 million per event and per period, with an annual premium of US\$30,000 per year. This was approved by shareholders at the Company's AGM in September 2018.

On May 1, 2018, 100,000 options were granted to Mr. Robert Waxman, in accordance with the Company's employee's stock option plan.

Israel Land Development Overseas Ltd. ("**ILDC**") filed a lawsuit in Israel against Mishorim, Skyline Canada - Israel Ltd. ("**Canada-Israel**") (a company that owns 52% of Skyline's outstanding shares), and against other defendants who are current and past officers of Canada-Israel (the "claim"). On June 11, 2018, the parties signed a conditional settlement agreement. For more information, please refer to a report published on SEDAR on June 13, 2018. It should be noted that Skyline Investments Inc. was not a party to this lawsuit nor was it affected by the outcome of the settlement.

On June 30th, 2018, Mr. Vadim Shub ceased working at the Company as Executive Vice President.

On June 14, 2018, the Company announced that it was in negotiations to purchase, alone or in cooperation with a partner, a portfolio of five hotels comprising 759 rooms located in 3 south-eastern US states. The total consideration for this portfolio was approximately US\$100 million for a 100% interest. The Company also announced that it was considering an immaterial investment in a hotel complex located at the western end of Grand Bahama Island. Concurrently, the Company announced that after conducting its due diligence on the portfolio of 5 hotels, it concluded not to proceed with the acquisition.

On August 13, 2018, the Compensation Committee and the Board of Directors of the Company approved compensation for directors (including directors who may be considered controlling shareholders of the Company but

excluding directors who receive salary and/or management fees from the Company on a permanent basis) in the fixed amount according to the level of the Company's capital, as it will be set from time to time under the Israeli Companies Regulations. The annual compensation is subject to attending at least 66⅔% of meetings for the year, with pay calculations reviewed semi-annually. In addition, the directors shall be entitled to reimbursement of expenses under the Israeli Companies Regulations.

On August 28, 2018, Midroog, the Israeli subsidiary of Moody's confirmed the Company's rating of Baal.il and changed the outlook from stable to positive.

On November 13, 2018, the Company's Board of Directors approved the sale of the remaining 88 lots of Second Nature Phase 3 at Blue Mountain Resort (the Company's interest is 60%). The purchase price of \$19,976, which represents an average of \$227 per lot, is slightly below the original expectations of \$20,416 (representing approximately \$232 per lot). The lots will be serviced by the Company prior to delivery to the purchaser. The delivery is expected for the fourth quarter of 2019. The Company expects to recognize revenue of \$1,450 from the project on closing.

On November 21, 2018, the Company disclosed that its controlling shareholders were involved in a dispute. See resolution on December 27, 2018.

On November 29, 2018, Midroog, the Israeli subsidiary of Moody's, put the Company's bonds on credit review with negative implications as a result of the shareholder dispute.

On December 7, 2018, the Company announced that it was not going ahead with the purchase of the hotel complex in the Grand Bahamas and that it had succeeded in identifying an alternative buyer, allowing the Company to recover a portion of its costs incurred to date.

On December 27, 2018, the Company announced that the shareholders had come to an agreement to set aside their dispute. The resulting agreement stipulated that the shareholders would waive any claims against the Company, an additional director would be appointed to the board, Mr. Blutrich would cease to be part of management, and Mr. Blutrich would provide a call option on his shares of Mishorim (the parent company) at 11.50 NIS. The option would expire after four months.

DESCRIPTION OF THE BUSINESS

Overview

The Company is an investment company that invests in hotels and resorts in Canada and in the United States. The Company's primary operating segments are as follows:

1. US hotels and resorts – the acquisition, operation, holding, and improvement of hotels and resorts in the United States (the **"US Hotel and Resorts"** segment).
2. Canadian hotels and resorts – the acquisition, operation, holding, improvement and asset management of hotels and resorts in Canada (the **"Canadian Hotel and Resorts"** segment).
3. Income producing investment property – the acquisition, holding, operation and management of rental income-generating assets (the **"Income Generating Real Estate"** segment).
4. Real estate development – the development, construction and sale of real estate (mainly 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"** segment).

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

Skyline's business model is centered on 4 distinct strategies:

1. Identification and acquisition of stable cash-flowing hotels with a specific focus on the limited service and select service segments that provide an acceptable risk adjusted rate of return from both current cash flow and value-add opportunities. Adjacent development rights are viewed as an independent value creation opportunity;
2. short and medium term efficiencies in the existing resort and hotel operations;
3. strategic development with low investment and risk to further enhance the cash flow and value of the existing asset base and sale of non-core real estate; and
4. diversification of hotel and resort income through the acquisition of other retail and/or commercial properties that are complementary to the existing base of hotels and resorts and that provide stable and predictable cash flow.

Skyline will seek acquisitions that align with the Company's stringent investment criteria focused on location, valuation, and asset quality. However, the Company may also undertake opportunistic acquisitions in circumstances in which management believes a hotel or resort asset requiring value-add capital can be acquired at an attractive valuation and its profitability improved upon completion of repositioning efforts.

When evaluating potential acquisition opportunities, Skyline focuses on: (i) growing markets with strong economic fundamentals; (ii) markets with multiple demand drivers (including, but not limited to, hospitals, universities, multiple corporate head offices, government and private sector investment); (iii) markets that have limited new supply; (iv) properties with strong brand affiliation; (v) properties characterized by a good operating history with stabilized in-place income, or with potential for value enhancement through repositioning or other value-add initiatives; and (vi) properties that can be purchased at an attractive valuation, preferably below replacement cost.

The Company's operations are primarily performed by its subsidiaries, as described under the heading "The Company - Major Holdings in Other Entities (entities with substantial business activity)".

US Hotel and Resorts

Courtyard Marriott

In November 2017, the Company purchased 13 Courtyard by Marriott Select-Service hotels in the US for US\$135M. The hotels are branded under "Courtyard by Marriott", ranging between 131 and 153 rooms each, with a combined room count of 1,913. Spread over 9 states in the US, the properties provide the Company with significant geographical diversification, with strong locations in key Midwest, Southeast and Southwest markets.

As part of the acquisition process, Skyline (on behalf of its wholly-owned US subsidiary) has signed the following agreements:

1. The Company signed with Marriott International new 20-year franchise agreements for the Courtyard by Marriott brand. Based on these agreements, all 13 hotels will continue to operate under the Courtyard brand and will benefit from access to Marriott's industry-leading reservation and sales platforms. The Courtyard brand began more than 30 years ago and is now considered one of the leading hotel brands with more than 1,200 hotels in 47 countries.
2. The Company signed management agreements with Aimbridge Hospitality LLC, the largest third-party operator of Marriott-branded hotels, to operate the 13 acquired hotels for a period of five years. The agreement can be terminated earlier by the Company or extended upon notice. As part of the closing, Aimbridge successfully transitioned all 13 hotels from the previous Marriott brand management.
3. The Company signed a non-recourse loan agreement of US\$89,505 to finance 65% of the transaction costs. The total loan is comprised of the initial advance amount of US\$72,505 and mezzanine loan component of

US\$17,000, bearing annual interest rates equal to LIBOR + 325 points (approx. 5.77%) and LIBOR + 700 points (approx. 9.57%), respectively, and calculated on the actual number of days elapsed in a 360-day year. The loan is interest only and is issued for a total period of five years including three annual extensions, subject to various conditions, including the primary condition of maintaining particular levels of debt yield on the extension dates ranging from 10% to 11%. In addition to the acquisition financing, the bank also provided a US\$31,000 line of credit on the same terms as for the initial advance loan, that can be used for property improvements and upgrades as might be determined by Management in coordination with Marriott. The borrower would be required to invest 10% of the improvement costs as equity. During the reporting period, US\$1,400 of the line of credit was drawn for improvements and upgrades of 13 Marriott Courtyards hotels. The Company purchased a rate cap to insure against increases in LIBOR over 3.5%.

These assets generated revenues of about US\$52.9 million and a NOI of US\$14.9 million in 2017. In 2018, they generated revenues of about US\$50.6 million and a NOI of US\$13.7 million.

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 for approximately US\$7.7 million. 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 revenues towards a renovation reserve and to complete the renovation of the hotel by the end of 2017, as per the agreed property improvement plan (PIP). As of December 31, 2018, the Company has completed renovations of all of the 293 guestrooms with the exception of four suites. During 2018, the Company completed the renovation of the fitness centre, the meeting rooms and corridors and is in design stage for the renovation of the lobby, restaurant, and bar. The Hyatt Corporation is entitled to management fees in the amount of 3% of the hotel's revenues.

The local municipality's past participation in financially assisting the complex through Tax Increment Financing ("TIF") entitles it to US\$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, 2018, the balance of the Company's liabilities towards the local authorities was approximately US\$3.0 million.

During March 2017, the Company refinanced the previous \$11.6 million loan and entered into a non-recourse financing agreement with PNC Bank in the amount of US\$17 million, bearing interest at a variable rate of LIBOR + 2.5%. The loan has a term of five years and is amortized over a 30-year period. As of December 31, 2018, the balance of the Company's liabilities for the financing was approximately US\$16.9 million. As security for the provision of the loan, the lender placed a mortgage on the property and requires the Company to be in compliance with certain financial covenants.

Renaissance Hotel, Cleveland

On June 25, 2015, Skyline Cleveland Renaissance, Inc. entered into a purchase and sale agreement to acquire the Renaissance Hotel in downtown Cleveland, Ohio (the "**Renaissance 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 the Partner to become a 50% equity shareholder in the new corporation, Skyline Cleveland Renaissance, LLC. The acquisition of the Renaissance Hotel was completed on October 28, 2015 for a total acquisition cost of approximately US\$20.5 million. The transaction was originally 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 consulting fee of US\$3.5 million. On March 18, 2016, Skyline Cleveland Renaissance, LLC, a 50% subsidiary, received a bank loan of US\$12.35 million to finance the acquisition of the Renaissance Hotel. An additional amount of US\$16.8 million is available to finance the renovation and improvement of the hotel. That loan replaced the loan originally provided by the Partner and the Company. As of December 31, 2018, the balance of the Company's liabilities for the financing was approximately US\$19.3 million (comprised of a US\$12.35 million acquisition loan

and a US\$6.95 million construction loan). As of the date of this report, the company had completed the first phase of the renovations.

The Company asset manages the Renaissance Hotel. The Company holds 50% of the equity in the New Corporation and its nominees comprise the majority of the board of directors. The Renaissance Hotel is operated through a 20-year Marriott Renaissance franchise agreement, commencing October 27, 2015 (with no right for extension for an additional period), with the New Corporation as the franchisee. Marriott is entitled to a percentage of the room revenue in addition to other fees (such as sales and marketing and system fees). The Company agreed to a property improvement plan (PIP), which will be executed over the next 2 to 3 years. As of December 31, 2018, the Company had completed the renovation of the exhibit hall, the comprehensive upgrade of the HVAC system in all guest rooms, the roof replacement, and the first stage of the exterior wall repairs. Design work for the renovation of the entrance, lobby, bar area, ballrooms and meeting rooms has been completed. Aimbridge Hospitality LLC is the hotel manager and is entitled to a percentage 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, such as asset insurance and property, plant and equipment management. Aimbridge is entitled to an additional fee as a percentage of EBITDA before certain expenses above a hurdle amount should certain operating income levels be achieved. The agreement with Aimbridge is for a term of five years and Aimbridge has the right 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 for the acquisition of and the operation of 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 included, among other things, nine lifts, a mountain-based 40,000 sq. ft. lodge, equipment area, a 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 US\$2 million. The Company received a new operation permit from the U.S. Department of Agriculture Forest Service on December 19, 2014. The Company closed the transaction on December 19, 2014. Actual net cash paid amounted to \$2,672. The transaction included a ten-year lease of a 53 guest room lodge and a 17,000 sq. ft. commercial center. Currently, only 51 of 53 rooms are available to rent as 2 rooms are out of order. In 2017, a new chair lift was installed at the resort to provide guests with an enhanced experience.

Competitive Conditions

Competition in the US hotel industry is generally based on the quality and consistency of rooms, restaurants, meeting facilities and services, attractiveness of locations, availability of a global distribution system, and price among other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels as well as facilities owned or managed by national and international chains, including brands such as Marriott, Hilton, IHG, and Hyatt. The Company's properties also compete for convention and conference business across the national market. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at the hotels through capital improvements.

In the US, the Company's hotels and resorts are well-positioned within the competitive marketplace. The Cleveland hotels maintain a competitive share of the leisure market due to their central downtown location and affiliation with leading international brands Marriott and Hyatt. The Bear Valley Resort in California is a well-known ski resort with proximity to significant population centers such as San Francisco and Sacramento. Skyline's Select-Service Courtyard by Marriott hotels offer geographic diversity with strong locations in key Midwest, Southeast and Southwest markets, and benefit from the industry-leading Marriott loyalty program and worldwide distribution system. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at the hotels through capital improvements. Recently completed projects include guestroom renovations at the Hyatt Regency Arcade in Cleveland, Ohio (114 of which was renovated during 2014 and the balance of the 180 rooms were renovated during the first six months of 2017), and an investment in Bear Valley Resort by installing a new high-speed lift and modernizing its equipment. In October 2015, the Company (together with a 50% partner) acquired Renaissance Hotel in Cleveland, Ohio (a 65,000 square foot event and meeting space, which includes 491 rooms, 34 meeting rooms, a number of restaurants and a 304-vehicle parking garage). As of December 31, 2018, the Company had completed the comprehensive upgrade of the HVAC system in all guest rooms of the Renaissance Hotel and completed the meeting space and fitness center renovation at the Hyatt Regency Arcade.

Over the next several years, the Company intends to complete the renovation and improvement of all the conference space, common areas and rooms at the Renaissance Hotel.

On August 3, 2017, the Company announced the purchase of 13 Marriott Courtyard hotels in the US for a total consideration of US\$135 million (before transaction costs). The 13 hotels acquired include 1,913 rooms and, during 2018, according to the financial data, generated revenues of approximately US\$50.6 million and a NOI of US\$13.7 million, with an average occupancy rate of 64.1% and an ADR of US\$103.81. The hotels are spread over 9 US states and are geographically diverse, with strong locations in key Midwest, Southeast and Southwest markets. The transaction closed on November 14, 2017.

Seasonality

Bear Valley Resort in California has strong seasonality patterns having its high season in the winter and low season during the remainder of the year. The resort is also subject to volatile snow conditions. The urban hotels are all-season operations, though stronger during June through October and slower during December through February, and therefore maintain a balanced level of income throughout the year. Second quarter is historically strongest and first quarter is weakest for the 13 Marriott by Courtyard hotels.

Canadian Resorts

The Hospitality segment in Canada, as of December 31, 2018, consists of Horseshoe Resort and Deerhurst Resort.

Horseshoe Resort

Horseshoe Resort was acquired in 2008. Horseshoe Resort includes a downhill and cross-country ski area, a golf course, an adventure park, a 101-room hotel, 24 Copeland condominium units, 38 Slopeside condominium units, 9,000 square feet of meeting rooms, indoor and outdoor swimming pools, 5 food and beverage outlets, and 2 retail shops owned by Skyline Horseshoe Resort Inc. During 2016, a new high speed six chair ski lift was installed at the resort at the approximate cost of \$4.2 million. In addition, during 2017 a new lake was built at the resort to provide guests with an improved summer stay experience. During the winter, the lake is used to produce artificial snow. The Resort is operated by Skyline Hotels and Resorts.

Deerhurst Resort

During March 2011, the Company, through Skyline Deerhurst, completed the purchase of Deerhurst Resort and the development lands. The resort includes substantial conference and event facilities, 308 suites (102 of which are currently owned by Skyline Deerhurst and the rest are held by third parties), 4 food and beverage outlets, a swimming pool, 2 golf courses, significant amenities, and beach and tennis courts. The resort is operated by Skyline Hotels and Resorts.

In addition to its revenue generating facilities, the company owns 20 waterfront condominiums at Deerhurst Resort, used as timeshares. The right of use of these condominiums will return to the Company at the end of the timeshare lease period during 2022-2035.

Competitive Conditions

Deerhurst Resort competes mainly within the Ontario marketplace, with approximately 80% of its guests travelling within the province. Guest visits at the resort are divided equally between leisure travel (family and couples) and group travel (corporate, association, government, and social). Competitors for leisure guest visits include locally owned independent resorts in rural locations known for their natural beauty as well as larger hotel and resort experiences in Ontario's key tourism destinations. Competitors for group travel include all branded hotel chains with conference facilities or branded hotels in major cities close to convention centres. Key differentiators for Deerhurst Resort include its reputation as one of the oldest resorts in the province of Ontario, its lakefront setting in the world renowned Muskoka region, and its outdoor recreation and adventure offerings. June 2019 will see the official resort opening of Lakeside Lodge, adding 100 rooms to the hotel's rental inventory and marking the first major entrance into the hotel and resort market in Muskoka since 2009. There is not another lakefront resort development expected to enter the

market in the foreseeable future making this a strong differentiator from both Muskoka and province-wide competitors. In addition, there is a commitment to a 4-year renovation plan for the Conference Center at Deerhurst Resort, including over \$500,000 in renovations to the Conference Center West Wing in 2018. Paired with the opening of Lakeside Lodge, this introduces the resort to an entirely new Association market, which will include National Conferences and groups with attendee numbers greater than 600 people. Deerhurst Resort has recently completed a brand refresh that has positioned the resort as a four-season family experiences resort, leveraging the ease of entry for children and new Canadians into quintessential Canadian activities and experiences as well as positioning the resort as a home for cultural experiences geared towards couple getaways. This repositioning of our leisure market has already led to increases in both ADR and occupancy and dovetails into the existing conference positioning of the resort as well. Horseshoe Resort competes directly with other ski, golf and adventure parks in Simcoe County behind the industry leading Blue Mountain ski area.

The Company seeks to gain a competitive advantage in the market through:

- *Continued enhancements to its online reservation and booking platform:* The Company has a central reservations system, located at one of its properties, and is constantly improving its online planning and booking platform, offering guests a useful way to make reservations at its hotels. The Company is also in the process of implementing an online booking platform for resort activities, which is expected to streamline guests' trip planning experience.
- *Skyline hospitality modernization:* The Company is actively upgrading the quality of accommodations and amenities available at its hotels through capital improvements, including adding new amenities. Projects completed over the last two years include the installation of a new chair lift at Horseshoe Resort, improvement of snow-making facilities by adding a new artificial water reservoir that is also used as a new attraction (as a lake in summer), and modernization of facilities at Horseshoe and Deerhurst resorts.
- *Joint promotion* of its residential real estate offerings and the hospitality experiences of its Resorts.

Seasonality

The Hospitality segment in Canada is impacted by seasonality. Resort operations are highly seasonal in nature, with a typical winter/ski season beginning in early December and running through the end of March, and typical summer seasons beginning late in June and ending in early September. In an effort to partially counterbalance the concentration of revenue in the winter months at the Horseshoe Valley Resort in comparison to the summer months at Deerhurst Resort, the Company offers counter-seasonal attractions such as mountain biking, hiking, guided ATV, Segway and adventure buggy tours, golf and an adventure park, including the newly built lake (at Horseshoe) and guided snowmobiling tours, dog sledding, skating, snowshoeing and winter hiking (at Deerhurst). These activities also help attract destination conference and group business to the resorts.

The Horseshoe and Deerhurst resorts have complementary high seasons, with Horseshoe Resort having its high season in the winter and Deerhurst Resort having its high season during the summer and early fall. Both resorts are working together to learn best practices from one another as they pertain to their key seasons to increase visitors in their respective slower seasons.

Income Generating Real Estate

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 developable real estate. During 2017, Boat House 3 was completed at Blue Mountain Resort. The Company signed a lease with a tenant prior to commencing construction. During 2016, the Company designated several underutilized spaces of the Renaissance Hotel as to be leased as retail and offices. During 2017 and 2018, the Company leased a number of these spaces to commercial tenants.

The accounting classification of this real estate is investment property in accordance with the provisions of the International Accounting Standard IAS 40.

The income-generating properties of the Company in Canada and the US are used for commercial and recreational use only and 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 space in the Blue Mountain project which it does not own, in return for management fees at a rate of 4% of revenue.

Blue Mountain

In April 2013, the Company completed the purchase of certain real estate located at Blue Mountain, comprised of commercial areas (approximately 4,457 m²) and developable real estate for which it has zoning rights to develop approximately 1,800 m² of commercial space. The existing commercial space at the time of acquisition was 83% occupied. As at December 31, 2018, the Company had achieved 100% occupancy of the facility, including the newly built Boat House 3 retail space which was completed in 2017. Subsequent to year-end, the Company entered into an agreement of purchase and sale with an unrelated third party for total consideration of \$34.1 million. The transaction is being completed in two phases. The first phase in March 2019 for \$31.7 million and the second phase in March 2021 for \$2.4 million.

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. With regard 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 the land and the resulting increase in the volume of business, population, and changes in hotel occupancy. The scope of income-generating assets owned by the Company is not substantial 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 a 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 complementary high seasons, with Horseshoe Resort having its high season in the winter and Deerhurst Resort having its high season during summer and early fall.

Real Estate Development

The Company's operations in this segment relate to the development and sale of real estate surrounding its resorts in Ontario, Canada: the Horseshoe project (Slopeside), 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 (Lakeside), 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; and the Blue Mountain land holdings within and outside of Blue Mountain Resort.

The Company's main operations in this segment are comprised of real estate acquisition, holding, improvement, and property value enhancement through planning, design, and obtaining regulatory approvals from various governmental entities in relation to the Company's developable real estate. The Company has a number of options for its developable real estate such as: building residential units for rent, forming the units as an 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.

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 which 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 of Toronto (to the north).

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

In 2017, the Company completed the development of Copeland House as part of a multi-phased project at Horseshoe Valley Resort. The initial phase consisted of a 67 unit residential complex. As of December 31, 2018, 59 of the 67 units were sold.

In December 2016, the Company launched a new development project (a significant renovation of an existing building at the resort) known as Slopeside. The project consists of 44 condominiums. Total revenues of \$15,000 have been recognized in 2018 from an estimated total revenue of \$17,000. As of December 31, 2018, the Company sold and delivered occupancy to 40 condominiums in the project. The project was substantially completed prior to December 31, 2018 and closing is expected in the second quarter of 2019.

Blue Mountain

Blue Mountain Resort is situated in Collingwood, 1.5 hours north of Toronto, Ontario. It is an all-season resort, well known for its established 36-run ski hill, retail stores, and residential village hosting more than 1,000 units, including a Westin hotel, restaurants and shops, a golf course, and timeshares.

In April 2013, Skyline Blue Mountain Development Inc. acquired developable real estate assets comprised of 568,000 m² of lands suitable for the development of approximately 364 residential units outside the village and approximately 434 residential units and 20,000 sq. ft. of commercial space in the village.

The vast majority of the real estate is being held to capitalize on potential value appreciation. Some parcels can be sold to builders as is or serviced. In 2016, one of the Company's subsidiaries (60% ownership) executed a number of firm agreements to sell parcels of serviced land to unrelated third parties for a total consideration of \$21,000. In 2017, one of the Company's subsidiaries (60% ownership) executed an agreement of purchase and sale of lands at Blue Mountain Resort for total consideration of \$3,500. During 2018, the Company closed the sale of Second Nature Phase 1 and 4. In 2018, the Company entered into an agreement to sell the balance of the lots at the project known as Second Nature Phase 3. The final phase of 88 lots was sold for \$19,976. The transaction including Second Nature Phase 2 is expected to close in the fourth quarter of 2019.

Deerhurst

The Deerhurst Resort project is located within a two hour 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 are held as real estate for investment.

As of December 31, 2018, the project is approximately 92% presold (138 firm agreements out of 150 condominiums - 142 units as of the date of this report), which represents approximately \$50 million of projected revenue. As of December 31, 2018, the Company delivered 56 units to the purchasers (70 units as of the date of this report).

The Company intends to develop or sell the Deerhurst lands 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 dates 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 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 Deerhurst Resort. In particular, the approval addressed 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.

Port McNicoll

The Port McNicoll project includes real estate assets of 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.

In January 2017, a wholly-owned subsidiary of the Company sold a major portion of the lands at Port McNicoll to a third party for total consideration of \$42,000. The transaction closed on July 20, 2017. The Company received \$4,200 million in cash on closing and provided the purchaser with a vendor take-back mortgage for the balance. The purchaser agreed to pay a monthly principal of \$350 for 71 months and the balance of \$13,000 would be due at the end of the term. The loan bears interest at 2% per year.

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 not substantial 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 the remainder of Port McNicoll areas due to these areas not having competing projects of similar size, and their proximity to hospitality amenities.

Seasonality

Since the Port McNicoll project as well as the Deerhurst Resort lands attract mostly clientele interested in summer activities, such properties are typically marketed during summer and spring, compared to the properties located at the Horseshoe Resort and Blue Mountain that benefit from the opposite seasonality and are typically marketed during the fall and winter seasons.

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 IAS 2.

The accounting classification of the investment lands is determined in accordance with the provisions of the International Accounting Standard IAS 40.

Employees

As of December 31, 2018, the Company and its subsidiaries employed approximately 2,000 employees including approximately 800 seasonal employees.

Specialized Skill and Knowledge

The Company believes its success is largely dependent on the performance of its management and key employees, many of whom have specialized skills, knowledge and world-wide experience in the hotel and resort business. The Company believes that it has adequate personnel with the specialized skills and knowledge to successfully carry out the Company's business and operations.

RISK FACTORS

Investors should carefully consider all of the information disclosed in this Annual Information Form prior to investing in the securities of the Company. 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. In addition to the other information presented in this Annual Information Form, the following risks should be given special consideration as part of any investment decision in the Company's securities.

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, if any, 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 and dependent on the availability of cash flows and credit facilities.

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.

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 presales 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 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. 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.

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 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 as well as a loan and Debentures (Series B) raised to support the acquisition of 13 limited service hotels by Marriott Courtyard which was closed on November 14, 2017, 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.

We borrowed approximately \$110 million dollars through the capital market in Israel (Bonds Series A and Debentures Series B), denominated in Israeli Shekels. A significant fluctuation in the Canada/Israel exchange rate will impact our net income after tax, and cash flow. In January 2017, the Company acquired a financial instrument to mitigate an exposure from most of Bonds Series A.

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, 2018, we believe we will have net operating loss carry-forwards of approximately \$62 million for Canadian and US federal, provincial and 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 can be 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 not be sustained.

Although our Common Shares are listed on the Stock Exchange, an active trading market for our Common Shares may not be sustained. Accordingly, if an active trading market for our Common Shares 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 regular dividend, our investors must rely on sales of their Common Shares after price appreciation 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.

The Company is required to maintain certain financial covenants

The Deed of Trust that governs the outstanding Bonds (Series A) and Debentures (Series B) requires the Company to maintain certain financial conditions which may limit the Company's ability to incur additional indebtedness or raise additional equity. These restrictions may limit the Company's ability to take advantage of business opportunities as they arise. More importantly, the Company's ability to comply with the covenants may be affected by changes in economic or business conditions or other events beyond its control. A breach of these covenants by the Company and a corresponding default under the Deed of Trust in circumstances may result in the aggregate amount of the principal and interest on the Bonds (Series A) becoming due and payable by the Company or the exercise of collateral. The Company's ability to make accelerated payments will be dependent upon its cash resources at the time, its ability to generate sufficient revenue and its access to alternative sources of funds. Accordingly, the Company's inability to comply with the financial conditions could have a materially adverse effect on the Company's financial condition.

Additional issuance of securities by the Company may dilute existing security holders, reduce some or all of the Company's financial measures on a per share basis, reduce the trading price of the Common Shares or other the Company securities or impede the Company's ability to raise future capital.

The Company may issue additional securities in the future in connection with acquisitions, strategic transactions, financings or for other purposes. To the extent additional securities are issued, the Company's existing security holders could be diluted and some or all of the Company's financial measures could be reduced on a per share basis. Additionally, the Company securities issued in connection with a transaction may not be subject to resale restrictions and, as such, the market price of the Company's securities may decline if certain large holders of the Company securities or recipients of the Company securities in connection with an acquisition, sell all or a significant portion of such securities or are perceived by the market as intending to sell such securities. In addition, such issuances of securities may impede the Company's ability to raise capital through the sale of additional equity securities in the future.

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Company's securities.

The Company is subject to changing rules and regulations promulgated by a number of Israeli and Canadian governmental and self-regulated organizations, including the Stock Exchange and the Canadian Securities Administrators. These rules and regulations continue to evolve in scope and complexity, making compliance more difficult and uncertain. Further, the Company's efforts to comply with such rules and regulations, and other new rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Certain of the Company's directors and officers serve in similar positions with other public companies, which could put them in a conflict position from time to time.

Certain of the directors and officers of the Company also serve as directors or officers of, or have significant shareholdings in, other companies, and, to the extent that such other companies may engage in transactions or participate in the same ventures in which the Company participates, or in transactions or ventures in which the Company may seek to participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the directors and officers may result in a material and adverse effect on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities.

DIVIDENDS AND 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.

Dividends

The following table sets forth total amount of the dividends paid by the Company on the Common Shares during each of the last three financial years.

<u>Year</u>	<u>Total Amount of Dividends Paid (per Common Share)</u>
2018	-
2017	5,000 NIS
2016	-

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, 2018, there were 16,736,780 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.

On March 23, 2016, the Board of Directors approved a private allotment of 200,000 shares to a company controlled by the CEO, Mr. Blake Lyon, for a total consideration of 4,793 NIS (approximately \$1,638) or 23.96 NIS (approximately \$8.2) per share, reflective of the average share price during the 30 days prior to the appointment against a loan bearing 3% interest to be repaid in full until February 17, 2021.

The issuance of the shares is treated as share-based payment - options (IFRS 2). Upon repayment of the loans, the corresponding portion of the shares will be reported in the Share Capital. The average value of this share-based compensation was determined by an independent valuator to be 4.23 NIS (approximately \$1.5) per option, assuming an average share volatility of 26.4% and that the expected useful life of options is between 1-5 years. The valuator applied a Binominal model.

Stock Option Plan

The Corporation has a stock option plan (the “**Stock Option Plan**”) under which the Company may grant options to directors, senior officers, employees and consultants of the Company to purchase Common Shares. These options are granted with an exercise price determined from time to time by the Board, in compliance with all the rules and requirements respecting the pricing of options imposed by the Stock Exchange. The maximum number of Common Shares which may be reserved for issuance under the Stock Option Plan shall be no greater than ten percent (10%) of the total issued and outstanding Common Shares from time to time (calculated on a non-diluted basis). The Board shall determine the period of time during which an option which is granted under the Stock Option Plan may be exercised; provided, however, that such exercise period shall not exceed five (5) years from the applicable grant date. Under the Stock Option Plan, as of December 31, 2018, the Corporation had 407,500 options outstanding, each exercisable for one Common Share until November 14, 2021 at a weighted average exercise price of \$10.57 (see also Note 20 to the annual audited financial statements). On February 21, 2018, the Board of Directors approved the grant of 135,000 new options to a senior employee at a weighted average exercise price of \$11.72, which was approved by the Tel Aviv Stock exchange in March 2018. On May 1, 2018, 100,000 options were granted to Mr. Robert Waxman, in accordance with Company’s employee’s stock option plan.

Bonds/Debentures

Bonds (Series A)

On July 27, 2016, the Company closed an initial offering in Israel of Bonds (Series A). Pursuant a Shelf Offering Report published by the Company on July 12, 2016, by virtue of the 2015 Shelf Prospectus, the Company offered up to 140,000 bond units (Series A) and received offers to issue 264,454 bond units, an oversubscription of 220% for the institutional round of financing. A copy of the Shelf Offering Report is available on SEDAR at www.sedar.com. As a result of the over-subscription, the Company issued 128,240 bond units at an interest rate of 5.20% (fixed) and raised 128,240 New Israeli Shekels, gross before fees (approximately CAD\$43,200). These Bonds (Series A) commenced trading on the Stock Exchange on July 19, 2016. The bonds are supported by a general guarantee of the Company and are backed by a first mortgage on Deerhurst Resort (excluding the surrounding developable lands).

The main financial covenants, as set out in the Deed of Trust include the requirement of the Company to maintain a maximum outstanding balance of the bonds-to-property value ratio of not more than 72.5%, a minimum shareholders’ equity of \$100,000, and limitations to dividend distributions to 50% of the “current cash income” as defined in the debenture.

As of December 31, 2018, the Company is in compliance with the prescribed covenants.

The Bonds (Series A) bear interest at the rate of 5.2% (fixed), payable semi-annually every 15th of January and July beginning January 2017.

The Bonds (Series A) are redeemable (principal) in 12 payments that shall be made on January 15 and July 15 of each year with the first payment being on July 15, 2017 and the last payment being on January 15, 2023. Each payment shall redeem 2.5% of the par value of the principal of the Bonds (Series A), except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 72.5% of the par value of the principal of the Bonds (Series A). The unpaid balance of the principal of Bonds (Series A) shall bear a fixed annual interest. The interest on the Bonds (Series A) shall be paid in semi-annual payments on January 15 and on July 15 of each year with the first payment of interest to be made on January 15, 2017, and the last payment of interest to be made on January 15, 2023.

Bonds (Series A) – Addition

On August 29, 2017, the Company closed an offering of Bonds (Series A) to institutional investors. The Company issued 20,000 bond units at a determined interest rate of 5.20% (fixed) and raised 20,750 New Israeli Shekels (raised at a premium), net of fees (approximately CAD\$7,000), reflective of the effective interest rate of approximately 5%.

The Bonds (Series A) (addition) are redeemable (principal) in 11 payments that shall be made on January 15 and July 15 of each year with the first payment being on July 15, 2018 and the last payment being on January 15, 2023. Each payment shall redeem approximately 2.56% of the par value of the principal of the bonds except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 72.5% of the par value of the principal of the bonds.

The unpaid balance of the principal of Bonds (Series A) (addition) shall bear a fixed annual interest. The interest on the Bonds (Series A) shall be paid in semi-annual payments on January 15 and on July 15 of each year with the first payment of interest to be made on January 15, 2018, and the last payment of interest to be made on January 15, 2023.

The Bonds (Series A) are supported by a general guarantee of the Company and are backed by a first mortgage on Deerhurst Resort only (excluding the surrounding developable lands).

The main financial covenants, as set out in the Deed of Trust, include the requirement of the Company to maintain a maximum outstanding balance of the bonds-to-property value ratio (LTV) of not more than 72.5% and a minimum shareholders' equity of \$100,000. The Company complies with all covenants required in the deed of trust.

Debentures (Series B)

Pursuant to the 2015 Shelf Prospectus issued by the Company on February 23, 2015 and a supplementary Shelf Offering Report issued by the Company in Israel on September 24, 2017, the Company issued 164,464 units comprising of NIS 1,000 par value Debentures (Series B) at a fixed interest rate of 5.65% and raised 164,464 New Israeli Shekels (\$57,786). The Debentures (Series B) interest and principal is linked to the NIS/US dollar exchange rate. The Debentures (Series B) commenced trading on the Tel Aviv Stock Exchange on September 28, 2017.

The Debentures (Series B) are redeemable (principal) in 11 payments that shall be made on January 15 and July 15 in each of the years 2019 to 2023 (inclusive), and the last payment will be on January 15, 2024. Each payment shall redeem 3.25% of the par value of the principal of the Debentures (Series B) except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 64.25% of the par value of the principal of the Debentures (Series B).

The interest on the Debentures (Series B) shall be paid in semi-annual payments on January 15 and on July 15 of each of the years 2019 to 2024, with the first payment of interest was made on January 15, 2019, and the last payment of interest to be made on January 15, 2024.

The financial liabilities, as set out in Section 6.2 to the Deed of Trust, include the requirement of the Company to maintain a consolidated nominal equity (excluding minority interests) of not less than \$130,000 and a ratio between the Company's consolidated equity (including minority interests) and the total assets of not less than 26%. The financial covenants, as set out in Section 5.4 to the Deed of Trust (regarding Interest Rate Adjustment), include the requirement of the Company to maintain a consolidated nominal equity (excluding minority interests) of not less than 180 million Canadian dollars and a ratio between the Company's consolidated equity (including minority interests)

and the total assets of not less than 28.5%. Therefore, the Company complies with all covenants and liabilities prescribed by the Deed of Trust.

The net proceeds were used for the acquisition of 13 Marriott Courtyard hotels.

Credit Ratings

A credit rating generally provides an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally Aaa) to default payment (generally C).

The credit rating provided by is not a recommendation to buy, sell or hold securities and may be subject to revision of withdrawal at any time by the credit rating organization. There can be no assurance that any credit rating will remain in effect for any given period of time or that any credit rating will not be withdrawn or revised by a rating agency at any time.

MARKET FOR SECURITIES

The Common Shares, Bonds (Series A) and Debentures (Series B) are listed and posted for trading on the Stock Exchange under the trading symbol “SKLN”, “SKLN.B1” and “SKLN.B2”, respectively. The Series 1 Warrants were formerly listed and posted for trading on the Stock Exchange under the trading symbol “SKLN.W1”.

Trading Price and Volume

The following table shows the high and low prices and volumes for the Common Shares traded on the Stock Exchange for the year ended December 31, 2018.

Period	High (NIS)	Low (NIS)	Volume
January 2018	33.18	30.53	83,218
February 2018	33.49	30.1	45,698
March 2018	33	29.56	25,786
April 2018	31.16	28.26	97,962
May 2018	30.1	27.43	58,194
June 2018	28.38	24.71	62,343
July 2018	28.45	25.65	63,469
August 2018	31.24	26.73	103,310
September 2018	31.31	28.42	18,371
October 2018	31.6	28	37,780
November 2018	29.66	26.56	74,294
December 2018	26.86	22.5	106,846

The following table shows the high and low prices and volumes for the Bonds (Series A) traded on the Stock Exchange for the year ended December 31, 2018.

Period	High (NIS)	Low (NIS)	Volume
January 2018	1.13	1.09	2,235,463
February 2018	1.12	1.07	2,031,609
March 2018	1.09	1.08	1,962,593

Period	High (NIS)	Low (NIS)	Volume
April 2018	1.09	1.07	5,705,426
May 2018	1.07	1.07	1,773,560
June 2018	1.08	1.06	707,542
July 2018	1.07	1.02	1,561,874
August 2018	1.05	1.02	3,716,397
September 2018	1.07	1.04	830,218
October 2018	1.07	1.05	1,336,835
November 2018	1.07	1.02	1,639,470
December 2018	1.03	0.93	5,016,478

The following table shows the high and low prices and volumes for the Debentures (Series B) traded on the Stock Exchange for the year ended December 31, 2018.

Period	High (NIS)	Low (NIS)	Volume
January 2018	1.04	1.02	8,009,824
February 2018	1.05	0.00	10,803,126
March 2018	1.02	0.00	3,478,591
April 2018	1.03	0.00	21,830,475
May 2018	1.00	0.00	21,184,441
June 2018	0.98	0.97	12,231,545
July 2018	1.00	0.95	6,971,332
August 2018	1.00	0.00	6,216,336
September 2018	1.00	0.00	882,845
October 2018	1.01	0.00	4,163,388
November 2018	1.02	0.00	4,127,564
December 2018	0.97	0.83	12,278,495

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth, the name, province or state, and country of residence of each Director and executive officer of the Company, as of December 31, 2018, their respective positions and offices held with the Company, the period during which each Director has served as a director, and their respective principal occupations during the five preceding years.

Name and Municipality of Residence	Position with the Company	Commencement of Directorship	Principal Occupation During the Five Preceding Years
Gil Blutrich..... Ontario, Canada	Chair of the Board and Director	1998	Company's Chair of the Board and President of business development. Serves as a President, Director and President of business development of Mishorim (TASE: MSHR), a company engaged in the acquisition and development of real estate properties in Israel and Canada.
Ruhama Avraham ⁽¹⁾⁽²⁾⁽³⁾ ... Israel	Director	2017	Strategic Consultant for companies. External Director at Beit Yair Ltd. (TASE: BYAR), a real estate company.

Name and Municipality of Residence	Position with the Company	Commencement of Directorship	Principal Occupation During the Five Preceding Years
Lana Sherman ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	Director	2017	Corporate advisor to private companies specializing in real estate and operating businesses.
Mordechai Keret ⁽¹⁾⁽²⁾⁽³⁾ Israel	Director	2014	Chief Executive Officer and owner of Keret Management and Holdings Ltd., a privately owned company. Director at Priortech Ltd.
Shimshon Marfogel Israel	Director	2007	Deputy Chief Executive Officer of Israel Land Development Ltd. (TASE: ILDC), a company providing property development services.
Rami Shriki Israel	Director	2002	Chair of the Board of Mishorim (TASE: MSHR). Chief Executive Officer of Yaffo Tel Aviv Building Company Ltd. Served as Chief Executive Officer of Mishorim, a company engaged in the acquisition and development of real estate properties in Israel and Canada.
Tomer Katz..... Israel	Director	2015	Vice President of Business Development and Investments of Israel Land Development Ltd., a company providing property development services.
Daniel Leventhal Israel	Director	2017	Chief Executive Officer of Mishorim (TASE: MSHR), a company engaged in the acquisition and development of real estate properties in Israel and Canada. Served as Chief Financial Officer and Deputy Chief Executive Officer at Delek Nadlan Ltd. and Deputy Chief Executive officer at Basat Building.
Neil Labatte Ontario, Canada	Director	2018	Chief Executive Officer of Global Dimension Capital, Inc.
Blake Lyon Ontario, Canada	Chief Executive Officer	N/A	Chief Executive Officer of the Company (February 17, 2016 to Present). Prior to that, financial asset manager and advisor.
Robert Waxman..... Ontario, Canada	Chief Financial Officer	N/A	Chief Financial Officer of the Company and its subsidiaries (April 17, 2018 to Present). Prior roles include Senior Advisor at Deloitte Canada and CFO CHC Student Housing.
Paul Mondell Ontario, Canada	Senior Vice President of Development	N/A	Senior Vice President of Development of the Company.
Bruce A. Riggins Ontario, Canada	Chief Operating Officer	N/A	Chief Financial Officer of LaSalle Hotel Properties (NYSE: LHO).
Shmuel Rosenblum.... Israel	Internal Auditor	N/A	Founding partner of the CPA firm Rosenblum-Holtzman; internal auditor of publicly traded companies.

Notes:

- (1) Member of the Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Financial Statements Committee.

Each Director's term of office expires at the next annual meeting of shareholders of the Company or when his or her successor is duly elected or appointed, unless his or her term ends earlier in accordance with the articles or by-laws of the Company, he or she resigns from office or he or she becomes disqualified to act as a Director of the Company.

As a group, the Directors and executive officers of the Company, as of December 31, 2018, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of 12,206,295 Common Shares, representing

approximately 72.93% of the Common Shares outstanding on an undiluted basis. This figure includes (a) 578,382 Common Shares (representing approximately 3.46% of the Common Shares outstanding on an undiluted basis) held by Mishorim, of which Mr. Blutrigh is a joint controlling shareholder with Mr. Alex Shnaider and (b) 10,935,000 Common Shares (representing approximately 65.34% of the Common Shares outstanding on an undiluted basis) held by Skyline Canada-Israel Ltd. This company is held by 2 Israeli public companies, 29.7% by Israel Land Development Corporation and 70.3% by Mishorim Real Estate Investments Inc. Mishorim is jointly controlled by Mr. Gil Blutrigh (37.6%) and Mr. Alex Shnaider (37.6%).

Cease Trade Orders and Bankruptcies, Penalties or Sanctions

Other than as set out below, no Director or executive officer of the Company (and in the case of paragraphs (b) and (c) below, to the best of the Company's knowledge, no shareholder holding a sufficient number of securities of the Company) to affect materially the control of the Company):

- (a) is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that:
 - (i) was subject to an order that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
 - (ii) was subject to an order that was issued after the 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
- (b) is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the 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; or
- (c) has, within 10 years before 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 the director, executive officer or shareholder.

For the purposes of paragraph (a) above, "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order, or (iii) an order that denied the relevant company access to any exemption under securities legislation, and, with respect to each, was in effect for a period of more than thirty (30) consecutive days.

Mr. Labatte is currently a director and/or officer of Talon International Inc. and several affiliated entities, including Talon International Development Inc., TFB Inc., 2263847 Ontario Limited and 2270039 Ontario Limited. On November 1, 2016, such corporations became parties to a receivership order from the Ontario Superior Court of Justice (Commercial List) appointing a court-appointed receiver of certain assets of such entities used in relation to the Trump International Hotel & Tower in Toronto, Ontario. The sale of such assets to various third parties was facilitated through the receivership process.

Penalties or Sanctions

No Director or executive officer of the Company, and, to the best of the Company's knowledge, no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the knowledge of management of the Company and other than as disclosed herein, there are no existing or potential material conflicts of interest among the Company or a subsidiary of the Company, its Directors, officers or other insiders of the Company or a subsidiary of the Company. Certain of the Company's Directors, officers or other insiders 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 that any such conflict of interest arises (or could potentially arise), the parties will comply with the conflict of interest provisions of the OBCA. Any decision made by any of such Directors involving the Company will be required to be made in accordance with their duties and obligations to deal honestly and in good faith with a view to the best interests of the Company.

AUDIT COMMITTEE MATTERS

The following information is provided in accordance with Form 52-110F1 under National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

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 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

As of December 31, 2018, 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 Mr. Mordechai Keret, who acts as chair of the Audit Committee, Ms. Ruhama Avraham and Ms. Lana Sherman.

Relevant Education and Experience

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 and the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions, as well as an understanding of the internal controls and procedures necessary for financial reporting.

Mordechai Keret (Chair) – Mr. Keret is an Israeli CPA and completed his studies at Tel-Aviv University in Israel. Mr. Keret has extensive experience as an external director for publicly traded companies in Israel, including; Issta Lines Ltd.; Histur Eltive Ltd.; Issta Real Estate Ltd.; Issta Hotels Ltd.; Tarya P2P Ltd., Keret

Management and Holdings Ltd., Shirliad Holdings Ltd., Shirliad Real Estate Ltd. and Shirliad Ir-Yamin (2009) Ltd. Mr. Keret also previously acted as a director for Priortech Ltd., Bezeq The Israel Telecommunication Corporation Ltd. and TAYA Investments Ltd.

Ruhama Avraham - Ms. Avraham is a graduate of social studies at Bar Ilan University and completed a Masters of Business Administration (specialization in organizational management and human resources) at Peres Academic Center at Rehovot, Israel. Ms. Avraham has experience at strategic consulting for companies and she is an External Director at Beit Yair Ltd.

Lana Sherman – Ms. Sherman has completed her B.Comm (taxes specialization) at the University of Toronto and is a Canadian CPA and CA. Ms. Sherman is a Business Consultant for The Rose Corporation, Director at North York General Foundation, Imcba, Cadan Inc. and Scaled Insights.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any exemption from NI 52-110 – *Audit Committee*.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

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 Deloitte and SLF, our independent public accounting firm in Israel and Canada respectively, for the fiscal period ended December 31, 2018 and December 31, 2017 are set forth below:

	Year Ended December 31,	
	2018	2017 ⁽¹⁾
Audit fees	\$723	\$500
Audit-related fees	–	\$30
Tax fees	\$122	\$98
All other fees	\$64	–
Total	\$909	\$628

⁽¹⁾ Not including approximately \$260 payable to Deloitte Canada for various consulting services provided during the year.

Audit Fees

Audit fees are the aggregate fees billed 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 the aggregate fees billed 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 accounting consultations (such as internal auditor fees).

Tax Fees

Tax fees are the aggregate fees billed for professional services rendered related to tax compliance, tax advice and tax planning and include preparation of tax returns, review of restrictions on net operating loss carry forwards and other general tax services.

All Other Fees

Fees incurred for any products or services provided by the Company’s external auditors, other than the fees disclosed above relating to audit, audit-related and tax services, rendered during the years ended December 31, 2018.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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. For further information regarding legal claims please refer to Note 21 in the Audited financial statements for the year ended December 31, 2018.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during fiscal 2018 and there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during fiscal 2018.

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 for the year ended December 31, 2018, no Director or executive officer of the Company, any other insider of the Company or any associate or affiliate of any of such individuals or companies has any material interest, directly or indirectly, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected the Company or is reasonably expected to 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.

The Bonds (Series A) and Debentures (Series B) are transferred through the Trustee, Reznik Paz Nevo Trusts Ltd. located at 14 Yad Harutzim Street, Tel-Aviv, Israel, 6770007.

LANGUAGE OF COMMUNICATIONS

The Company’s head office and business is conducted in North America and accordingly, most of its material business and legal documentation is in English. Because the Company is listed on the Tel Aviv Stock Exchange, Israeli legal and regulatory matters are conducted in English or Hebrew through the Company’s lawyers and auditors in Israel.

All the Company’s members of the Board of Directors are fluent in English and Hebrew (except for Ms. Lana Sherman and Mr. Neil Labatte, who are not fluent in Hebrew).

MATERIAL CONTRACTS

The following are the material contracts that the Company or a subsidiary of the Company has entered into since January 1, 2017 or prior thereto but still in effect and that are required to be filed under National Instrument 51-102 – *Continuous Disclosure Obligations*, other than material contracts entered into in the ordinary course of business (unless otherwise required to be disclosed).

Franchise agreements with Marriott International Inc. (the "Marriott"):

On November 14, 2017, one of the Company's subsidiaries entered into 13, 20-year franchise agreements with Marriott for its Courtyard Hotels. As part of the terms of this agreement, the Company is entitled to access Marriott reservation system, as well as its sales platforms, in consideration for various payments, including franchise fees and others. Upon early termination of the agreements Marriott is entitled for various termination fees.

Management agreements with Aimbridge Hospitality LLC (the "Aimbridge"):

On November 14, 2017, one of the Company's subsidiaries entered into 13, 5-year property management agreements with Aimbridge to operate and provide property management services to its Courtyard by Marriott hotels, in consideration for property management fees, and other payments, as is customary for this type of agreement. The Company may terminate those agreements with 6 months of advanced notice.

Condominium owners:

The Company's subsidiaries entered into agreements with third-party real estate owners at its resorts to rent their condominiums for its hospitality operations in Canada. Upon the terms of these agreements, the condominium owners are entitled to variable rental fees based on the lodging revenue from the hospitality guests.

These agreements can be terminated by the parties upon twelve months' notice.

Deed of Trust (Series A)

On July 12, 2016, the Company entered into a deed of trust (the "**Deed of Trust (Series A)**") with Reznik Paz Trusts Ltd. (the "**Trustee**"), pursuant to which the Trustee agreed to act as sole trustee for the holders of Bonds (Series A) issued in connection with Bond (Series A) offerings under the Deed of Trust (Series A). In the event of cancellation of the issuance of the Bonds (Series A) for any reason whatsoever, the agreement between the Company and the Trustee under the Deed of Trust (Series A) shall be terminated.

The Deed of Trust (Series A) provides, *inter alia*, the collateral securing the Bonds (Series A).

Under the Deed of Trust (Series A), the Company may, in its sole discretion, at any time after the lapse of sixty (60) days from the date the Bonds (Series A) shall be listed for trading, make the Bonds (Series A) available for early repayment, in whole or in part (subject to the guidelines of the Israeli Securities Authority and the Stock Exchange regulations). The frequency of early repayment shall not exceed one per quarter. The amount payable to the holders of Bonds (Series A) in the event of early repayment shall be the higher of: (i) the market value of the outstanding Bonds (Series A), (ii) the liability value of the outstanding Bonds (Series A), and (iii) the cash flow balance of the Bonds (Series A) (principal plus interest), capitalized, based on the yield of government bonds (as defined in the Deed of Trust (Series A)), plus interest at the rate of 1.5%. On the date of partial early repayment, if applicable, the Company shall pay to the holders of Bonds (Series A) on the date of the partial early repayment, the interest accrued only for the portion of the partial redemption and not for any unpaid balance.

As long as there are outstanding Bonds (Series A), the Deed of Trust (Series A) requires the Company to maintain certain financial conditions, including: (i) the Bonds (Series A) to Property value ratio (LTV) cannot exceed 72.5%; (ii) during the Examination Period, the adjusted equity of the Company (being the equity under IFRS rules, less minority interests, plus capital notes and any shareholders' loans that shall be provided, all in accordance with the consolidated financial statements of the Company) shall not be less than \$100 million; and (iii) for the duration of the Examination Period, the ratio of the Company's adjusted equity (being the equity under IFRS rules, plus minority

interests, plus capital notes and all shareholders' loans to be provided, all in accordance with the consolidated financial statements of the Company) to the Company's total consolidated balance (according to IFRS rules and in accordance with the consolidated financial statements of the Company) shall not be less than 25%.

As long as there are outstanding Bonds (Series A), the Deed of Trust (Series A) requires the Company to maintain certain financial conditions, including: (i) during the Examination Period, the consolidated nominal equity (excluding minority interests) of not less than \$130,000; and (ii) for the duration of the Examination Period, the ratio between the Company's consolidated equity (including minority interests) and the total assets is not to be less than 26%.

In addition, the financial covenants, as set out in the Deed of Trust (Series A) (regarding Interest Rate Adjustment), include the requirement of the Company to maintain a consolidated nominal equity (excluding minority interests) of not less than 180 million Canadian dollars and a ratio between the Company's consolidated equity (including minority interests) and total assets of not less than 28.5%.

The Deed of Trust (Series A) imposes restrictions on the amount of dividends that can be paid out to the Company's shareholders, with the primary limit being 50% of the cumulative (since January 1, 2016) net cash income as defined by the Deed of Trust which mainly requires the net income to be adjusted for non-cash items impacting the net income and includes also a cash profit on disposition of items of property, plant and equipment. The Company is required to maintain a minimum consolidated equity to total assets ratio of 28.5%.

Deed of Trust (Series B)

On September 24, 2017, the Company entered into a deed of trust (the "**Deed of Trust (Series B)**") with the **Trustee** (Reznik Paz Trusts Ltd.), pursuant to which the Trustee agreed to act as sole trustee for the holders of Debentures (Series B) issued in connection with Debenture (Series B) offerings under the Deed of Trust (Series B). In the event of cancellation of the issuance of the Debentures (Series B) for any reason whatsoever, the agreement between the Company and the Trustee under the Deed of Trust (Series B) shall be terminated.

The Deed of Trust (Series B) provides that the Debentures (Series B) are not secured with any collateral.

The Company may carry out a full or partial early redemption, on 60 day notice, if the Stock Exchange decides to delist the Debentures (Series B) because the value of the Debentures (Series B) has fallen below the minimum listing requirement.

The Company pays a fee for services to the Trustee of NIS 30,000 per year, plus reasonable expenses and NIS 500 per hour for special operations in its capacity as trustee.

The preceding is a summary only and is qualified in its entirety by, and should be read in conjunction with, the full text of the Deed of Trust (Series A) and Deed of Trust (Series B), a copy of which is available on SEDAR at www.sedar.com. See also (See "Description of Share Capital - Bonds/Debentures").

INTERESTS OF EXPERTS

Brightman Almagor Zohar & Co. - Deloitte LLP, the Company's independent public accounting firm in Tel Aviv, Israel, 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.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's information circular filed on SEDAR on August 30, 2018 and 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, 2018 which can be found on SEDAR at www.sedar.com.

SCHEDULE A: CHARTER OF THE AUDIT AND FINANCIAL STATEMENTS COMMITTEE

SKYLINE INVESTMENTS 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.