SKYLINE

INTERNATIONAL

Management's Discussion and Analysis

For the year ended December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 27, 2015

Introduction

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Skyline International Development Inc. for the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013 and twelve months ended in December 31, 2012 (when applicable). References to "the Company", "we", "us" or "our" are to be taken as reference to Skyline International Development Inc.

Our audited consolidated financial statements for the year ended in December 31, 2014 have been prepared in accordance with International Financial Reporting Standards, using accounting policies adopted by the Company. These accounting policies are based on the International Accounting Standards, International Financial Reporting Standards and IFRS Interpretations Committee interpretations (collectively, "**IFRS**") that are applicable to the Company, and are the same used in preparation of the December 31, 2013 consolidated financial statements. The financial statements for the year ended in December 31, 2014 are prepared on the basis of all available information up to March 27, 2015. Amounts discussed below are based on our audited consolidated financial statements for the year ended December 31, 2014 and are presented in thousands of Canadian dollars, unless otherwise stated.

This Management's Discussion and Analysis (this "**MD&A**") should be read in conjunction with the following:

- our audited consolidated financial statements for the year ended December 31, 2014 (the "**Audited Financial Statements**");
- our annual information form for the year ended December 31, 2014 (the "**Annual Information Form**").

The documents outlined above, and additional information relating the Company, are all available under our SEDAR profile at www.sedar.com.

Except as expressly provided herein, none of the information on the SEDAR website is incorporated by reference into this document by this or any other reference.

NON – IFRS MEASURES

All financial information has been prepared in accordance with IFRS. However, this MD&A also contains certain non-IFRS financial measures including net operating income ("**NOI**"). These measures are commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

NOI is used by industry analysts, investors and management to measure operating performance of Canadian companies. NOI represents revenue from properties less property operating expenses as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS, except for adjustments related to IFRS Interpretations Committee 21, Levies.

Management believes that these terms are relevant measures in comparing the Company's performance to industry data. These terms are defined in this document, they do not have a standardized meaning prescribed by International Financial Reporting Standards (Canadian GAAP) and may not be comparable to similarly titled measures presented by other entities.

I. Overview

The Company intends to become the leading operator and developer of hotel and resort communities in Canada. Over the past five years, the Company has focused on hotels and resorts management and the development of residential and retail centers within hotel and resort communities. Currently, the assets are concentrated in southern Ontario except for one hotel in Cleveland, Ohio and a new ski resort in the US that the Company acquired on

December 19, 2014 (see "II. Business Highlights", below). In December 2013, the Company was recognized within the Canadian hotel industry with a Pinnacle Award for "Regional Company of the Year" and was named one of Canada's Best Managed Companies by Canadian Imperial Bank of Commerce and Deloitte LLP. The Company owns and/or manages 1,250 hotel rooms and 13,470 m^2 of retail area. The Company also holds land reserves with master plans for the development of 5,500 residential units, 76,000 m^2 of commercial space, and over 400 marina slips. Management's business strategy is as follows:

1. short term identification of hotel and resort acquisition opportunities that provide an acceptable investment risk adjusted rate of return from hotel and retail operations while offering development lands for long term value creation and cash flow upside;
2. medium term development of real estate segments with minimal investment and risk utilizing existing assets at the hotel or resort; and
3. long term focus on operating margin improvements that improve the return on investment, improve the value of landholdings through resort master planning and regulatory approval processes, and unlock real estate value through development of the land inventory.

On February 28, 2014, the Company received a receipt from the Israeli Securities Authority to publish a prospectus and offer common shares in the capital of the Company (the "**Common Shares**") on the Tel Aviv Stock Exchange. The Company completed an initial public offering in Israel on March 13, 2014 and raised approximately $22,450 (before fees) by issuing 1,759,250 Common Shares, representing 10.65% of the outstanding shareholdings, and an aggregate of 703,700 Series 1 Warrants and Series 2 Warrants.

On May 14, 2014, following the filing of the Company's (final) non-offering long form prospectus dated May 14, 2014, the Company obtained a receipt from the Ontario Securities Commission, and became a public issuer in Ontario, Canada.

On February 24, 2015, following the filing of the Shelf Prospectus, the Company received a receipt from the Israeli Securities Authority to publish a shelf prospectus and offer bonds (the "**Bonds**") on the Tel Aviv Stock Exchange.

II. Business Highlights

- On February 26, 2014, the Company reached an agreement with unrelated third party to purchase its ownership (40%) in the assets of Blue Mountain village for $15,400 and become the owner of 100% of the property. The parties agreed to complete the transaction within 90 days, subject to customary closing conditions, including the receipt of financing by the Company's lender and release of the seller from its financial obligations. On October 15, 2014, the Company signed a binding term sheet with the third party, which replaces the original agreement signed on February 26, 2014 regarding the acquisition of the assets of Blue Mountain village. Summary of the terms are that the Company and the third party will acquire the developable lands from the Blue Mountain Development Inc. The majority of lands acquired by the third party will be subsequently sold to the Company. The Company will issue to the third party shares for approximately 1.43% of the outstanding shares of the Company, and also provide the third party with the one year option to purchase additional shares at a nominal value for the total consideration of approximately $2,900 (For principal terms of the agreement see note 39 to the Company's consolidated financial statements for December 31, 2014.) The transaction is expected to close during the month of March 2015. For the principal terms, see note 39 in the Audited Financial Statements.
- On July 22, 2014, the Company launched a new 162 unit condominium development project known as "Lakeside Lodge" at Deerhurst Resort (100 units with a water front view). For more information see "VIII. – Income Statements and Segmental Analysis - Development For Sale Segment", below.
- In July 2014, the Company accepted an offer to sell all of the nine (9) lots that had been offered for sale; the sales program commenced in May 2014. On September 24, 2014 the Company closed the sale of the nine 9 lots in the Blue Mountain Village for $860 .
- On August 5, 2014, the Company entered into an agreement with a vendor for the acquisition of the operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The assets acquired include primarily nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot, as well as all of the snowmaking and other equipment, and ancillary maintenance and equipment buildings for an initial consideration of USD$2,000. In addition, the agreement stipulates that in the event the U.S. Department of

Agriculture Forest Service fails to issue a new operation permit to the Company, the Company shall be responsible to pay all operating expenses of a vendor in connection with the operation of the property until closing. The permit was received on December 19, 2014. The transaction includes a ten-year lease of 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential unit at the exercise price of $3,000 USD. Mr. Mark Goodman, a director of the Company, announced on his personal interest in the transaction, given that one of the affiliates of Dundee Realty Inc. (DREAM), a company owned by Mr. Goodman family, is affiliate to the vendor. The Company closed the transaction on December 19, 2014, for a total consideration of $7,198. Actual net cash paid amounted to $2,672. See note 11(a) and Cash flow to the Company's consolidated financial statements for December 31, 2014 for further details.

- In July 2014, the Company received rezoning approval from the Township of Oro-Medonte for the Copeland House condominium and in September started construction of phase 1 of the Copeland House project.
- During the reporting period ended December 31, 2014, the Company invested $8,279 in renovations and upgrades of its hospitality assets, primarily at the Cleveland Hyatt Regency Hotel where 114 guest rooms (40% of the hotel) have been fully renovated and renovations conducted at the Horseshoe resort.
- During the reporting period, the Company continued its efforts to improve hospitality operations. As a result, the Company's largest properties (Deerhurst and Horseshoe Resorts) improved operational results compared to the same period last year. The Company is focused on improvements of its downtown Toronto and Cleveland properties.
- As part of the Company's capital management, on November 13, 2014, the Company's board of directors authorized management to file a shelf prospectus in Israel. This shelf prospectus enables the Company fast-tracked access to the capital markets in Israel, responding to its frequently changing conditions, and achieving best possible terms of capital funding. The shelf prospectus is based on September 2014 financial statements. It can be utilized by the Company starting March 2015. Since the shelf prospectus addresses better the Company's capital funding needs, the board of directors decided to pursue its filing instead of the regular bond-raising prospectus as previously reported on September 7, 2014. On February 24, 2015, following the filing of the shelf prospectus, the Company received a receipt from the Israeli Securities Authority to publish a shelf prospectus and offer bonds on the Tel Aviv Stock Exchange.
- 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 ("OPA 9") – a policy document titled Deerhurst Resort Village Secondary Plan. A Secondary Plan provides more detailed guidance for development and, in cases of conflict, supersedes the provisions of the Official Plan. It provides the general policy framework for the Deerhurst Resort to which all implementing zoning by-laws will have to conform. The new policies address in particular the Village Centre with an area of approximately 15.9 hectares on which a maximum of 640 units, consisting of tourist commercial and resort–residential uses, are permitted in addition to 4,500 square metres of retail commercial uses. It is expected that the Town of Huntsville will adopt an implementing Zoning By-law early in 2015, together with the District of Muskoka's approval of the related draft plan of subdivision. No appeals are expected, as we passed the deadline for it.
- On December 23, 2014, the Company published on SEDAR a by-laws amendment and a report that describes the matters voted upon and the outcome of the votes at the general meeting of shareholders held on that date. For additional information relating to that matter please go to www.sedar.com.

III. Balance Sheet Highlights

- Shareholders' equity as of December 31, 2014 was $157,975 (approximately 47% of total assets) compared to the equity as at December 31, 2013, which was $133,843. The equity was increased between the fiscal year ended in December 31, 2014 and the fiscal year ended December 31, 2013 by 18%. The equity increase was primarily due to the Company's initial public offering, pursuant to which the Company raised approximately $19,132 (net of costs) and the net income of $4,196.
- The consolidated balance sheet assets of the Company as of December 31, 2014 totaled $335,364 compared to $296,382 as of December 31, 2013 (an increase of 13%). The increase compared to December 31, 2013 is primarily due to an increase in cash and cash equivalents of $9,364, investment property increase of $13,662, primarily due to gains from fair value adjustments, resulting from the revaluation of the lands at Deerhurst Resort ($5,309) and at Blue Mountain ($8,182), plant and equipment assets in the amount of $12,523 (net of amortization) due to acquisition of the Bear Valley Resort in California, USA. A value of

$7,198 was accounted to Ski Lifts at Bear Valley resort and improvement to the Company's hospitality assets in the amount of $8,279 (before amortization), an increase in Real Estate inventory in the amount of $1,639, mainly due to capitalization of costs invested in the inventory and other changes in the Company's assets. For more information please refer to our Audited Financial Statements.

IV. Income Statement Highlights

- Revenue during the year ended in December 31, 2014 totaled $80,325 compared to $91,582 revenue result during the year ended in December 31, 2013 and $89,783 revenue in the period ended December 31, 2012.
- The gross profit for the twelve-month period ended December 31, 2014 was $4,832 (6.02% of revenue), compared with gross revenue of $1,538 (1.68% of the revenue) in the twelve-month period ended in December 31, 2013 and $6,395 in the period ended December 31, 2012.
- In the year ended December 31, 2014, revenue from the Development segment (see paragraph VI below) was $4,099 compared to $15,928 in the year ended December 31, 2013 and $13,299 in the year ended December 31, 2012.
- In the twelve-month period ended December 31, 2014, revenue from the Hospitality segment (see paragraph VI below) was $71,402 compared to $73,208 in the parallel period ended December 31, 2013 and $75,521 revenue from Hospitality segment in the year ended December 31, 2012.
- The Investment Property segment's (see paragraph VI below) revenue in the twelve-month period ended December 31, 2014 was $3,350 compared to $2,401 in the parallel period ended December 31, 2013. In the year ended December 31, 2012, the revenue from Investment Properties segment was $963.
- During the reporting period of 2014 the Company recognized a fair value adjustment income of $13,891 (compared to a gain of $21,567 in the same period last year and a gain of $1,508 during the period ended in December 31, 2012). On March 20, 2014, the Company received a letter from the Huntsville Township's Planning Department's head advising the Company that the application was considered "complete", however there are still some outstanding issues that need to be resolved. The Township and the Muskoka Regional authority see the project favorably and the application conforms to the Official Plan Therefore, the future development is considered to be nearing the approval stage. As a result the company recognized during the year a gain from fair value adjustment of $5,309. The appraisal was performed by an independent real estate appraiser from one of the top reputable firms, knowledgeable of the area and experienced in this type of appraisal engagement. During the reporting period, the Company hired independent appraisers for the Blue Mountain Lands and the Retail section, due to market indications, which suggested that these properties` fair value should be adjusted. The appraisal reports concluded there was a place for an increase in fair value of the properties by $5,722 for the Blue Mountain Lands, and $2,460 for the Blue Mountain Retail.
- For further information, see the segmental analysis (paragraph VIII below).

V. Cash Flow Statement Highlights

As its business development strategy, the Company acquires investment properties. Those investments result in negative cash flows from investing activities.

- In the reporting period ended in December 31, 2014, the decrease in net cash from operations was $110 compared to an increase of $2,526 in the twelve-month period ended in December 31, 2013 and a year ended in December 31, 2012 which resulted in a decrease in net cash from operations in the amount of $4,119.
- In the twelve-month period ended in December 31, 2014 the decrease in net cash used in investing activities was $12,106 versus $2,535 in the year ended in December 31, 2013. The decrease in cash from investing activities during the year ended December 31, 2012 was $10,231.
- In the reporting period ended in December 31, 2014 the increase in net cash provided by financing activities was $23,400 compared to $1,308 and $2,296 in the twelve period ended in December 31, 2013 and December 31, 2012 respectively.
- For further information, see cash flow analysis set forth on paragraph XII, below.

VI. Factors Affecting Performance

<u>Real Estate Development for Sale segment ("Development")</u>

Competitive Conditions

The Company has extensive real estate holdings at their resorts in Muskoka and Oro-Medonte, Ontario and in Port McNicoll and Blue Mountain, Ontario. Real estate operations, through Skyline Resort Communities, a wholly-owned subsidiary, include the planning, oversight, infrastructure improvement, development, marketing and sale of the real estate holdings. In addition to the cash flow generated from real estate development sales, these development activities benefit the Company's Hospitality Segment (see in this page below) through (1) the creation of additional resort lodging and other resort related facilities and venues (primarily restaurants, spas, commercial space, private clubs and parking structures) that provide the opportunity to create new sources of recurring revenue, enhance the guest experience at the resorts and expand the destination bed base; (2) the ability to control the architectural themes of the resorts; and (3) the expansion of the Company's property management and commercial leasing operations.

Currently, Skyline Resort Communities' principal activities include the marketing and selling of remaining condominium units and lots that are available for sale, which primarily relate to Lakeside Lodge at Deerhurst Resort and Copeland House at Horseshoe Resort (see also "Overview - Business Highlights", paragraph II above), Swan Island Estates, Golf Cottages and Sanctuary; planning for future real estate development projects, including rezoning and acquisition of applicable permits; and the purchase of selected strategic land parcels for future development.

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 is exposed to competition by a small number of directly competitive companies in the development of condominium units, single family homes, subdivisions, townhomes and retail villages.

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 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.

<u>Hotel and Resorts segment ("Hospitality")</u>

Competitive Conditions

Competition in the hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, price and 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 such brands as Four Seasons, Hilton, Hyatt, Marriott, Ritz-Carlton, Starwood and Westin. Properties also compete for convention and conference business across the national market. The Company has a competitive advantage in the market due to:

- *Enhancements it has undertaken in 2014:* 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 seamless and useful way to make reservations at hotels. The Company is also in the process of implementing an online booking platform for resort activities, which will streamline guests' trip planning experience.
- *Skyline Hospitality rebranding project:* During 2014, the Company started a rebranding project of its hotels and resorts, whereby the Company is actively upgrading the quality of accommodations and

amenities available at the hotels through capital improvements. Projects completed over the last year include extensive upgrades to the majority of guestrooms and meeting and conference spaces at Horseshoe Resort; guestroom renovations at Deerhurst Resort; and 114 guestrooms at the Hyatt Regency Arcade in Cleveland, Ohio.

Accessibility from major metropolitan areas

Ontario Properties – The Company's hotels and resorts are mostly located within the Greater Golden Horseshoe and within driving distance of the fast growing Greater Toronto Area (GTA), Canada's largest city. The Greater Golden Horseshoe, with a population of approximately 8.8 million, encompasses the GTA and is expected to grow to more than 13 million by 2041. The Company's resort properties are located within one hour (Horseshoe) and two hours (Deerhurst) from the GTA, with access via a major highway. Additionally, all properties are proximate to Toronto's Pearson International Airport.

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 Horseshoe and Bear Valley Resorts vs summer months at Deerhurst, the Company offers counter-seasonal attractions such as mountain biking, hiking, guided ATV, Segway and adventure buggy tours, golf and an adventure park (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. During the third quarter of 2013 the Company introduced a timeshare product, Skyline Vacation Club, to help drive off-season revenue through pre-purchased vacation points that the member is required to spend annually at the properties.

With respect to the Hospitality segment, Horseshoe Resort in Ontario, Canada and Bear Valley Resort in California, USA operations are strong particularly during the winter, while the Deerhurst resort operations are strongest during the third quarter of a fiscal year.

Real Estate for Investment segment ("Investment Properties")

Seasonality

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

VII. Discussion of Operations

Revenue is generated by three broad business units: Hospitality, Development and Investment Properties. Hospitality includes: hotel operations, alpine and Nordic ski facilities, golf courses, adventure park operations, as well as other businesses, including food and beverage, spa, retail and rental operations, and other related or ancillary activities. Hospitality represented 88.9%, 79.9% and 84.1% of the Company's total revenue for the periods ended December 31, 2014, December 31, 2013 and year ended December 31, 2012, respectively. Development revenue includes the sale of serviced lots, semi-custom single family cottages, and condominiums. The Investments Properties segment's revenue is mainly generated from Company's income producing properties at the Blue Mountain Resort, the Hyatt Regency Hotel in Cleveland and an investment property located at the Pantages Hotel in Downtown Toronto.

The revenue from the Hospitality and Development segments are driven by the volume of guests and competitive pricing. Volume is impacted by a number of factors including the guest experience, economic conditions, geo-political factors, weather and accessibility of the resorts.

VIII. Income Statements and Segmental Analysis

	YEAR ENDED Dec 31,		
	2014	**2013**	**2012**
	(Audited)	*(Audited)*	*(Audited)*
REVENUE			
Sale of condominiums	185	9,269	4
Sale of residential condos and lots	3,914	6,657	13,299
Income from investment properties	3,183	2,362	959
Hospitality income	71,101	72,176	73,172
Property management fees	343	1,032	2,349
Timeshare income	1,474	45	--
Other revenue	125	41	--
	80,325	91,582	89,783
EXPENSES AND COSTS			
Cost of sale of condominiums	207	7,221	--
Operating expenses of investment properties	1,256	1,005	900
Hospitality operating expenses	62,211	67,304	65,170
Property management expenses	--	--	741
Timeshare expenses	1,364	33	--
Cost of sale of residential condos and lots	3,998	7,472	9,946
Development periodic costs	1,047	1,706	1,542
Depreciation	5,410	5,303	5,089
	75,493	90,044	83,388
GROSS PROFIT	**4,832**	**1,538**	**6,395**
Gain (loss) from fair value adjustments	13,891	21,567	1,508
Selling and marketing expenses	3,212	1,459	1,447
Administrative and general expenses	3,390	6,053	6,066
PROFIT FROM OPERATIONS	**12,121**	**15,593**	**390**
Financial expense	6,555	7,178	6,733
Financial income	(180)	(566)	(124)
Other expense	--	95	59
Gain on bargain purchase	--	--	(16,967)
Loss (gain) on sale of investment	--	(1,155)	163
PROFIT BEFORE INCOME TAXES	**5,746**	**10,041**	**10,526**
Income tax expense (recovery)	1,550	2,102	4,875
PROFIT (LOSS) FOR THE PERIOD	**4,196**	**7,939**	**5,651**
Attributable to:			
Shareholders of the Company	1,689	2,858	5,632
Non-controlling interest	2,507	5,081	19
	4,196	7,939	5,651
BASIC EARNINGS PER SHARE	**0.10**	**0.20**	**0.41**
DILUTED EARNINGS PER SHARE	**0.10**	**0.20**	**0.41**

	For the year ended December 31, 2014 (Audited)				
	Investment Properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	185	--	--	185
Sale of residential condos and lots	--	3,914	--	--	3,914
Income from investment properties	3,183	--	--	--	3,183
Hospitality income	--	--	71,101	--	71,101
Property management fees	42	--	301	--	343
Timeshare income	--	--	--	1,474	1,474
Other Revenue	125	--	--	--	125
	3,350	4,099	71,402	1,474	80,325
EXPENSES AND COSTS					
Cost of sale of condominiums	--	207	--	--	207
Operating expenses of investment properties	1,256	--	--	--	1,256
Hospitality operating expenses	--	--	62,211	--	62,211
Timeshare expenses	--	--	--	1,364	1,364
Cost of sale of residential condos and lots	--	3,998	--	--	3,998
Development periodic costs	--	1,047	--	--	1,047
Depreciation	--	157	5,104	149	5,410
	1,256	5,409	67,315	1,513	75,493
SEGMENTED RESULTS	**2,094**	**(1,310)**	**4,087**	**(39)**	**4,832**
Gain (loss) from fair value adjustments	13,891	--	--	--	**13,891**
Selling and marketing expenses					**3,212**
Administrative and general expenses					**3,390**
Financial expense					**6,555**
Financial income					**(180)**
PROFIT BEFORE INCOME TAXES					**5,746**

	For the year ended December 31, 2013 (Audited)				
	Investment Properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	9,269	--	--	9,269
Sale of residential condos and lots	--	6,657	--	--	6,657
Income from investment properties	2,362	--		--	2,362
Hospitality income	--	--	72,176	--	72,176
Property management fees	--	--	1,032	--	1,032
Timeshare income	--	--	--	45	45
Other revenue	39	2	--	--	41
	2,401	15,928	73,208	45	91,582
EXPENSES AND COSTS					
Cost of sale of condominiums	--	7,221	--	--	7,221
Operating expenses of investment properties	1,005	--	--	--	1,005
Hospitality operating expenses	--	--	67,304	--	67,304
Timeshare expenses	--	--	--	33	33
Cost of sale of residential condos and lots	--	7,472	--	--	7,472
Development periodic costs	--	1,706	--	--	1,706
Depreciation	--	276	4,983	44	5,303
	1,005	16,675	72,287	77	90,044
SEGMENTED RESULTS	**1,396**	**(747)**	**921**	**(32)**	**1,538**
Gain (loss) from fair value adjustments	21,567	--	--	--	**21,567**
Selling and marketing expenses					**1,459**
Administrative and general expenses					**6,053**
Financial expense					**7,178**
Financial income					**(566)**
Other expense					**95**
Loss (gain) on sale of investment					**(1,155)**
PROFIT BEFORE INCOME TAXES					**10,041**

	For the year ended December 31, 2012 (Audited)				
	Investment properties	**Development**	**Hospitality**	**Other**	**Total**
REVENUE					
Sale of condominiums	4	--	--	--	4
Sale of residential condos and lots	--	13,299	--	--	13,299
Income from investment properties	959	--	--	--	959
Hospitality income	--	--	73,172	--	73,172
Property management fees	--	--	2,349	--	2,349
	963	13,299	75,521	--	89,783
EXPENSES AND COSTS					
Cost of sale of condominiums	900	--	--	--	900
Hospitality operating expenses	--	--	65,170	--	65,170
Property management costs	--	--	741	--	741
Cost of sale of residential condos and lots	--	9,946	--	--	9,946
Development periodic costs	--	1,542	--	--	1,542
Depreciation	--	16	5,073	--	5,089
	900	11,504	70,984	--	83,388
SEGMENTED RESULTS	**63**	**1,795**	**4,537**	**--**	**6,395**
Gain (loss) from fair value adjustments	1,508	--	--	--	**1,508**
Selling and marketing expenses					**1,447**
Administrative and general expenses					**6,066**
Financial expense					**6,733**
Financial income					**(124)**
Other expense					**59**
Gain on bargain purchase					**(16,967)**
Loss (gain) on sale of investment					**163**
LOSS BEFORE INCOME TAXES					**10,526**

Revenue:

Revenue in the twelve month period ended December 31, 2014 totaled $80,325 compared with $91,582 and $89,783 in the twelve month period ended in December 31, 2013 (a decrease of $11,257 or 12%) and December 31, 2012 respectively. This decrease is primarily attributable to the decrease in the Development segment of $11,829, a decrease in Hospitality segment of $1,806 and an increase of $949 in the Investment Properties segment. For further comparison between periodic revenue see below.

Development Segment Revenue:

In the current reporting period, the Company recognized revenue of $4,099. A revenue of $860 was recognized from the delivery of nine lots at the Blue Mountain resort, one lot and four cottages at the Deerhurst resort resulted in revenue recognition of $3,054 and a condo unit at King Edward Hotel (Company's share of 9.07%) compared to a revenue of $15,928 which was recognized during the parallel period last year in which the Company recognized 17% of revenues ($9,269) from the sale of 137 units that were sold and delivered at the King Edward, which contributed $2,048 to gross profit during the parallel reporting period of 2013, and a revenue of $6,057 from the sale of 14 lots and 6 cottages at the Deerhurst Resort. During the parallel reporting period last year the Company sold and delivered two lots at Port McNicoll which resulted in revenue recognition of $600.

In July 2014, the Company launched a new $51 million project known as Lakeside Lodge at Deerhurst resort. The project consists of 162 condos, of which 100 of the 162 units have a waterfront view. As of March 19, 2015, the Company sold 40 condos in the project (sales materialized after cooling-off period of 10 days by law in Ontario.) The Company is in the process of negotiation with banks to secure financing for the project. The Company will continue presale activities during the late spring of 2015.

During 2012, the Company launched the first phase of Horseshoe Village condos (Copeland House 1). As of December 31, 2014, the Company has sold 58 out of 67 units with an expected revenue of $18.6 million. Construction of Copeland House 1 started during October 2014 and the Company secured $12.3 million in construction funding. The project is expected to be completed by December 2015. As of December 31, 2014, the cost to date is $2.9 million.

Hospitality Segment Revenue:

The change in revenue and expenses in this reporting period resulted mainly from the discontinuance of a proportionate consolidation of King Edward Hotel results of operations in August, 2013, which contributed $1,754 to the group’s revenue in the prior period, an increase of $453 in Hyatt Regency Arcade revenue, which resulted due to the renovation of 114 rooms at the property (completed in April, 2014), an increase in revenue of $439 at the Horseshoe resort mainly due to an increase in rooms, food and beverage results as well as an increase in ski operations, a decrease in revenue of $956 from Cosmopolitan Hotel in downtown Toronto, mainly due to reduction in available room inventory from 53 rooms as of December 31, 2013 to 48 as of December 31, 2014. Gross income rate in the reporting period was 5.7% (compared to a gross income of 1.3% for the parallel period last year). The NOI (excluding restructuring costs and amortization) for the Hospitality segment recorded $9,191, which represent 12.9% of the Hospitality revenue segment during the reporting period compared to $5,904 recorded in 2013.

Investment Property Segment:

The increase in both the revenue and expenses is mostly due to inclusion of Blue Mountain Retail in this reporting period. During the reporting period of 2014 the Company recognized a fair value adjustment income of $13,891 (compared to a gain of $21,567 in the same period last year). On March 20, 2014, the Company received a letter from the Huntsville Township’s Planning Department’s head advising the Company that the application was considered “complete”, however there are still some outstanding issues that need to be resolved. The Township and the Muskoka Regional authority see the project favorably and the application conforms to the Official Plan Therefore, the future development is considered to be nearing the approval stage. As a result the company recognized during the year a gain from fair value adjustment of $5,309. The appraisal was performed by an independent real estate appraiser from one of the top reputable firms, knowledgeable of the area and experienced in this type of appraisal engagement. It is envisioned for a mixed-use residential and commercial development of 47.13 acres for 640 residential units and approximately 46,758 square feet of commercial gross floor area. During the reporting period, the Company hired independent appraisers for the Blue Mountain Lands and the Retail section, due to market indications, which suggested that these properties` fair value should be adjusted. The appraisal reports concluded there was a place for an increase in fair value of the properties by $5,722 for the Blue Mountain Lands, and $2,460 for the Blue Mountain Retail.

Other (Vacation Ownership):

In late October 2013, the Company launched a "Vacation Ownership" operation so as to optimize the usage of the resort and hotel properties and services within the group to the public. All costs incurred in marketing, operating, and promoting the timeshare business as well as administration, set up and sales costs are expensed as incurred. The Company has made a number of operational changes, reduced staffing levels of this operation and is in process of relocating its sales and call centre to Horseshoe Resort. Since Vacation Ownership’s inception, the Company spent $3,032 under sales and marketing and $1,185 under general and administrative costs for the timeshare. See note 35 to the Audited Financial Statements.

<u>Gross Profit/Loss</u>

The gross profit for the year ended December 31, 2014 is $4,832, compared to a gross profit of $1,538 and $6,395 in the reporting periods ended in December 31, 2013 and December 31, 2012 respectively.

In the year ended in December 31, 2014, the gross rate was 6.01% compared to 1.7% and 7.12% in the parallel reporting periods ended in December 31 2013 and December 31, 2012 respectively. The difference in profitability between 2014 and 2013 is attributable to the following three matters:

(1) During the reporting period, the Company recognized a gross income of $2,094 from the income producing properties at the Blue Mountain Resort, the Hyatt Regency Hotel in Cleveland and an investment property located at the Pantages Hotel in Downtown Toronto. In the parallel period of 2013, the Company recognized a gross profit of $1,396 from those properties. The increase is mainly explained by the acquisition of the Blue Mountain retail portion in April 2013.

(2) During the reporting period there was an increase in the gross profit of the Hospitality segment, although there was a reduction in revenue (for more information regarding the increase see segmental revenue, paragraph VIII above). During the reporting period of 2014 the Company commenced restructuring in the Hospitality segment to improve efficiency by reducing costs. The segment's expenses included a one-time expense of $605 from severance pay to employees caused by the restructuring process.

(3) During the reporting period, the Company recognized a gross loss of $1,310 from lots, houses and a condo sold in the Deerhurst Resort, nine lots that were sold at the Blue Mountain resort and a condo unit at King Edward Hotel (Company’s portion of 17%). In the same period of 2013, the Company recognized a gross loss of $747 from closing and delivery of 137 condos in the King Edward Hotel and 14 lots and six houses at the Deerhurst Resort. Cost of sale for the lots sold at the Deerhurst resort and Blue Mountain included a fair value gain component of $1,145 which was recognized in prior years compared to $2,159 in the parallel period last year, which was recognized in prior years. Net of these non-cash cost components, the gross loss for the period ended in December 31, 2014 and a gross profit in December 31, 2013 is $8 and $1,688 correspondingly.

<u>Sales and marketing expenses</u>

Sales and marketing expenses in the period ended in December 31, 2014 are $3,212, compared to $1,459 in the period ended in December 31, 2013.

The increase in sales and marketing expenses, compared to the same period in 2013, is primarily due to extensive marketing and sales of the vacation ownership program following its launch in October 2013.

<u>Administrative and general expenses</u>

Administrative and general expenses during the year ended December 31, 2014 totaled $3,390, compared to $6,053 during the year ended December 31, 2013, an improvement of $2,663. The decrease in costs is due to employees, (including company’s president) compensation cost reduction of $2,250 compared to a parallel period last year. The decrease is primarily due to a reduction in the compensation expense accrual to the Company’s Chairman in the amount of $814, a decrease of $625 in president’s annual compensation (compared to the parallel period last year) and a reduction in share based compensation in the amount of $165, compared to an expense of $631 recorded during 2013. On December 23, 2014 during the Company’s general shareholders meeting, a new executive compensation policy was approved. For more information see Company’s profile on SEDAR www.sedar.com.

Fair Value Adjustment

See “Overview - Income Statement Highlights”, paragraph IV above.

Financing expenses, net

Financing expenses, net in the period ended in December 31, 2014 were $6,375, compared to $6,612 recorded during the period ended in December 31, 2013. The decrease in financial expenses, net compared to the same period last year is mainly due to a decrease of financial expenses due to loans from related parties in the amount of $347 and discontinue of consolidation of King Edward in the financial statements, which resulted a decrease of $99 in the financing expenses, net during the reporting period compared to the parallel period in 2013. During the reporting period there was an increase in financial expenses due to mortgage served for an acquisition of Blue Mountain properties, which was acquired in April, 2013. Other financial expenses reduction is due to credit line loans that were used for several Company’s projects during 2013.

Income Taxes

Company’s tax expenses in the year ended December 31, 2014 were $1,550, compared to tax expense of $2,102 in the year ended December 31, 2013. Tax expenses which were recorded during the reporting period are due to a gain from fair value adjustments, resulting from the revaluation of an investment properties.

Profit for the period

In the year ended December 31, 2014, the profit of the Company was $4,196, compared to a gain of $7,939 in the year ended December 31, 2013.

IX. Summary of Quarterly Results

The table below provides selected quarterly financial information for our twelve most recently completed fiscal quarters, This information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented.

Qarter-by-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(in thousands of Canadian Dollars)	**Q4-2014**	**Q3-2014**	**Q2-2014**	**Q1-2014**
REVENUE	**18,642**	**24,246**	**18,930**	**18,507**
EXPENSES AND COSTS	**17,003**	**20,364**	**20,236**	**17,890**
GROSS PROFIT (LOSS)	**1,639**	**3,882**	**(1,306)**	**617**
Gain (Loss) from fair value adjustments	2,162	6,642	(3)	5,090
Selling and marketing expenses	809	785	412	1,206
Administrative and general expenses	(8)	1,558	815	1,025
PROFIT (LOSS) FROM OPERATIONS	**3,000**	**8,181**	**(2,536)**	**3,476**
Financial expense	1,716	1,463	1,545	1,831
Financial income	(113)	(29)	(35)	(3)
PROFIT (LOSS) BEFORE INCOME TAXES	**1,397**	**6,747**	**(4,046)**	**1,648**
Income tax (expense) recovery	(310)	(1,926)	1,004	(318)
PROFIT (LOSS) FOR THE PERIOD	**1,087**	**4,821**	**(3,042)**	**1,330**

(in thousands of Canadian Dollars)	Q4-2013	Q3-2013	Q2-2013	Q1-2013
REVENUE	**18,164**	**26,571**	**20,659**	**26,188**
EXPENSES AND COSTS	**19,893**	**24,281**	**21,619**	**24,251**
GROSS PROFIT (LOSS)	**(1,729)**	**2,290**	**(960)**	**1,937**
Gain (Loss) from fair value adjustments	4,461	11	17,228	(133)
Selling and marketing expenses	956	108	101	294
Administrative and general expenses	1,840	1,312	1,737	1,164
PROFIT (LOSS) FROM OPERATIONS	**(64)**	**881**	**14,430**	**346**
Financial expense	1,911	1,991	1,610	1,666
Financial income	(222)	(36)	(286)	(22)
Other (income) expense	99	(4)	--	--
Loss (Gain) on sale of investment	--	(1,155)	--	--
PROFIT (LOSS) BEFORE INCOME TAXES	**(1,852)**	**85**	**13,106**	**(1,298)**
Income tax (expense) recovery	813	475	(3,693)	303
PROFIT (LOSS) FOR THE PERIOD	**(1,039)**	**560**	**9,413**	**(995)**

(in thousands of Canadian Dollars)	Q4-2012	Q3-2012	Q2-2012	Q1-2012
REVENUE	**17,811**	**25,422**	**15,623**	**30,927**
EXPENSES AND COSTS	**20,118**	**20,872**	**16,642**	**25,756**
GROSS PROFIT (LOSS)	**(2,307)**	**4,550**	**(1,019)**	**5,171**
Gain (Loss) from fair value adjustments	1,920	(51)	(296)	(65)
Selling and marketing expenses	(87)	440	250	844
Administrative and general expenses	1,645	1,051	1,293	2,077
PROFIT (LOSS) FROM OPERATIONS	**(1,945)**	**3,008**	**(2,858)**	**2,185**
Financial expense	1,962	1,573	1,579	1,619
Financial income	(12)	(21)	(38)	(53)
Other (income) expense	29	30	--	--
Gain on bargain purchase	--	--	--	(16,967)
Loss (Gain) on sale of investment	184	(21)	--	--
PROFIT (LOSS) BEFORE INCOME TAXES	**(4,108)**	**1,447**	**(4,399)**	**17,586**
Income tax (expense) recovery	977	(607)	1,075	(6,320)
PROFIT (LOSS) FOR THE PERIOD	**(3,131)**	**840**	**(3,324)**	**11,266**

The Company’s results of operation are driven by its segmented activity. The Hospitality segment is seasonal in nature, with the first and third quarters typically the strongest, and the second quarter the weakest. Compared to the Investment properties segment that has almost no seasonal effects, performance of which is mostly driven by leasing activities. The results of operation of the Development segment are driven by construction progress, timing of statutory approvals, and the pace of sales.

Quarter	2013 I	2013 II	2013 III	2013 IV	2014 I	2014 II	2014 III	2014 IV
Hospitality Revenue	18,762	15,658	22,598	16,190	17,205	14,735	22,046	17,416

X. Additional Financial Information

The Company’s assets as of December 31, 2014 totaled $335,364 compared to $296,382 in December 2013.

The total non-current consolidated financial liabilities were $133,040 as of December 31, 2014 compared to $124,798 in December 31, 2013.

XI. Outlook

The Company's strategy is to continue focusing on investments in hospitality and real estate, mostly in regions benefiting from economic stability. The Canadian economy provides a favorable business environment for the Company. The Company continues to look for investment opportunities in markets similar to its current portfolio (Canada and US).

XII. Liquidity and Cash Flow Analysis

The following table summarizes the statement of cash flows of the Company:

CASH FLOW	Year ended December 31, 2014 **(Audited)**	Year ended December 31, 2013 **(Audited)**	Year ended December 31, 2012 **(Audited)**
Profit (Loss) for the Period	4,196	7,939	5,651
Net cash provided (used) by operations	(110)	2,526	(4,119)
Net cash used in investing activities	(12,106)	(2,535)	(10,231)
Net cash used in financing activities	23,400	1,308	2,296
(1) Foreign Exchange translation of foreign operations	(1,820)	-	-
Increase in cash and cash equivalents	9,364	1,299	(12,054)
Cash and cash equivalents, beginning of the period	5,578	4,279	16,333
Cash and cash equivalents, end of the period	14,942	5,578	4,279

Cash Flows from Operations

During the year ended December 31, 2014, the Company’s negative cash flow from operations was $110 compared to a positive cash flow from operations of $2,526 in the year ended December 31, 2013, primarily due to a reduction in real estate inventory balances in previous period associated with construction costs of King Edward project incurred in prior years of $7,494.

Cash Flows Used in Investment Activities

During the reporting period, the Company reported a negative cash flow from investing activities of $12,106 primarily due to investments in its property, plant and equipment of $8,279 (including $3,750 invested in the Hyatt Regency Arcade renovation), an amount of $2,344 was invested in the Horseshoe resort renovation, $820 which were invested in the Deerhurst resort, an investment of $739 in the Time share operation and $626 in PP&E of other consolidated companies. During the reporting period the Company invested $2,672 in the acquisition of the Bear Valley Resort in California, USA. The cash used in investment activities during 2013 amounted to $2,535. In April 2013 the Company completed the acquisition of Blue Mountain commercial and development assets for a total consideration of $21,036, during 2013 it invested in property, plant and equipment $5,316 and received $21,500 from loans given to purchasers and proceeds of $3,173 from the partial sale of King Edward.

Cash Flows from Financing Activities

As for year ended in December 31, 2014, the Company had positive cash flow from financing activities of $23,400 primarily due to the net proceeds of $19,132 of the initial public offering in March 2014. During that period, the Company received $5,234 of loans payable (net) and repaid $531 to related parties compared to a positive cash flow from financing activities of $1,308 in the same period last year primarily due to proceeds on loan payable in the amount of $31,984, part of which was taken in order to finance the Blue Mountain asset acquisition, $9,000 raised as part of private placement of the Company's Common Shares, a repayment of $17,123 to financial institutions and a repayment of $21,828 to related parties.

XIII. Financial Instruments and Off Balance Sheet Arrangements

As at December 31, 2014, the Company has not entered into any derivative or other off balance sheet arrangements.

For transactions with related parties see note 18 to the Audited Financial Statements.

Company's Distributions

There is no dividend distribution policy to shareholders.

XIV. Critical Accounting Policies and Estimates

The presentation of the consolidated financial statements involves estimates and assumptions that may affect the data presented. Changes in the estimates may affect the reported amounts.

The Company believes these estimates to be critical:

1. Investment property and property, plant and equipment assets

The estimates include investment property and buildings within fixed assets at fair value, determined by external independent appraisers. Valuations involve the use of discount rates and assumptions about occupancy rates, room rates and other critical metrics which involve uncertainty.

During the reporting period, no significant change in the value of investment property and property, plant and equipment exists, except for the Deerhurst Resort Village and Mountain lands valuation (see also Segmental Analysis – Investment Property Segment, paragraph VIII above).

2. Contingencies and lawsuits

When estimating the lawsuits filed against the Company and its subsidiaries, the Company relied on the opinion of its legal advisors. The opinions of legal counsel are based on best professional judgment, taking into account the stage of the proceedings and legal experience gained in various matters. The outcome of the claims adjudged by the courts, could differ from these estimates.

During the reporting period there has been no change in the provisions in respect of claims. For more information see Note 21 to the Annual Financial Statements.

XV. Exposure to market risks and ways of managing them

The Company has appointed Mr. Vadim Shub who is a Certified Public Accountant in Israel, the U.S. and Canada, and has served as CFO of Skyline Canada since 2007, to assess the Company's exposure to risks.

1. Exchange rates: During the reporting period of 2014, the Canadian Dollar weakened by 9.07% compared to the U.S. Dollar and in the parallel period of 2013 the US Dollar appreciated against the Canadian Dollar by 6.9%. For more information regarding the influence of the foreign exchange rate on Company's equity read note 34 in the annual consolidated financial statements. From the reporting date, December 31, 2014 to the day the consolidated financial statements were signed, the U.S Dollar appreciated against the Canadian Dollar by 7.5%

   The Company's management holds regular discussions on the exposure to various market risks, including changes in exchange rates. The Company's policy is to maintain a correlation between the currency in which the assets are acquired and the currency of the loans the Company takes to finance those assets, in order to maintain equity in that currency. The change in U.S. Dollar exchange has a limited impact on the Company given that its US holdings are relatively few with the following balance sheet proportions: assets 14%, liabilities 17% and equity 10%. The Company does not purchase financial instruments that hedge the equity currency rate risk.

2. Market Risks: The Company is subject to a number of risks and uncertainty, primarily risks associated with: the development of future assets, competition, real estate markets, general and regional economic conditions, the availability and cost of financing, and changes in interest rates due to uncertainty in the world markets including Israel, United States and Canada. The Company does not hold or issue derivative financial instruments for trading purposes.

Risk Factors

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

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

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

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

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

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

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

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

Climate change may adversely impact our results of operations.

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

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

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

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

We face significant competition.

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

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

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

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

Our business is capital intensive.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We depend on a seasonal workforce.

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

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

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

We are subject to risks associated with our workforce.

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

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

Our acquisitions or future acquisitions might not be successful.

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

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

We are subject to risks related to currency fluctuations.

We present our financial statements in Canadian dollars. While we have sourced debt in United States dollars for the Hyatt Regency Cleveland hotel in Cleveland Ohio, a significant fluctuation in the Canada/U.S. exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency variations can also contribute to variations in sales at our hotels and resorts from: United States residents visiting Canada and Canadian residents travelling to the United States.

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

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

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

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

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

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

As of December 31, 2014, we believe we will have net operating loss carry-forwards of approximately $**50** million for Canadian federal income tax purposes. To the extent available, we intend to use these net operating loss carry-forwards to offset future taxable income associated with our operations. There can be no assurance that we will generate sufficient taxable income in the carry-forward period to utilize any remaining loss carry-forwards before they expire.

Our stock price is highly volatile.

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

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

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

We cannot provide assurance that we will pay dividends.

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

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

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

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

Fluctuations in interest rates could negatively affect our business.

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

Our business is sensitive to rising travel costs.

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

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

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

The cost of contractors may impact our future projects.

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

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

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

Cautionary Note Regarding Forward Looking Statements

This MD&A may contain forward looking statements or information, within the meaning of applicable Canadian securities laws, which reflect our current view of future events and financial performance. Forward looking statements can often be identified by the use of forward looking terminology such as "may", "will", "would", "could", "should", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of such terms or variations of them or similar terminology. All forward looking statements that we make are based on the opinions and estimates of our management as of the date such statements are made and represent management's best judgment based on facts and assumptions that we consider reasonable. The forward looking statements and information contained in this MD&A include statements with respect to the sufficiency of liquidity and capital resources to maintain our operations, expected growth of our business, payment of interest on borrowings under the new credit facility, the split between current and deferred income taxes in future periods and other information or statements about future events or conditions which may prove to be incorrect.

The forward looking statements and information contained in this MD&A are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to unfavorable weather conditions, the seasonality of our operations, availability of capital, competition from other ski and four season resorts, changes in laws, regulations and policies and failure to comply with any legal requirements, the impact of any occurring natural disasters, insufficient insurance against material claims or losses, risks relating to Company's access to and use of debt financing, and negative economic, business and market conditions. A more detailed description of these risks is available in our most recently filed management's discussion and analysis, which is available on our website and at www.sedar.com under our SEDAR profile. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements or information prove incorrect, actual results may vary materially from those described herein. Although we believe that the expectations reflected in such forward looking statements and information are reasonable, undue reliance should not be placed on forward looking statements or information because we give no assurance that such expectations will prove to be correct.

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

Gil Blutrich	**Michael Sneyd**	**Vadim Shub**
Chairman	CEO	CFO

Date: March 27, 2015