SKYLINE INTERNATIONAL

Management's Discussion and Analysis

For the year ended December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 28, 2016

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, 2015 compared to the twelve months ended December 31, 2014 and twelve months ended December 31, 2013 (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 December 31, 2015 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, 2014 audited consolidated financial statements. The financial statements for the year ended December 31, 2015 are prepared on the basis of all available information up to March 28, 2016. Amounts discussed below are based on our audited consolidated financial statements for the year ended December 31, 2015 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 most recent audited consolidated financial statements for the year ended December 31, 2015 (the "**Audited Financial Statements**"); and
- our annual information form for the year ended December 31, 2015 (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 is recognized as a leading operator and developer of hotel and resort communities in Canada. Over the past six 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 Company's assets are concentrated in southern Ontario and Cleveland, Ohio, except for a ski resort in the State of California that the Company acquired on December 19, 2014. On October 28, the Company completed the acquisition of the Renaissance Hotel in Cleveland, Ohio, US. For additional information see 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 in 2013 and 2014 was named one of Canada's Best Managed Companies by Canadian Imperial Bank of Commerce and Deloitte LLP. As at December 31, 2015, the Company owns and/or manages 1,400 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. Following the periodic review of the Company's operations and objectives, 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. short and medium term development of its land bank 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 .

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. The Shelf Prospectus was filed with the Israel Securities Authority for the purpose of the issuance of securities. The intention of the Shelf Prospectus is to allow the Company to more quickly access capital when market opportunities permit.

The Shelf Prospectus is valid for two years, and can thereafter be extended for an additional year, during which time the Company may offer and issue, from time to time, common shares, bonds or any other securities.

II. Business Highlights

- During the year ended December 31, 2015, the Company invested $5,559 in renovations and upgrades of its hospitality and investment assets, and paid $24,225 for the acquisition of the Renaissance Hotel in Cleveland, Ohio (see below).
- During 2015, the Company continued its efforts to improve hospitality operations. As a result, the Company improved operational results at all of its properties compared to 2014 and 2013.
- In April 2015, Management initiated sale of some of the Company's properties that are best positioned for disposition and certain properties became classified as held for sale in the Company's financial statements. Management intends to use the proceeds from disposition of these properties, in part, to look for new investment opportunities. Following this decision, in May 2015, Skyline Blue Mountain Development Inc., a subsidiary of the Company, entered into an agreement of purchase and sale with an arm's length third

party to sell two parcels of land at the Blue Mountain Resort for a total consideration of $8,000. The transactions became firm on June 17, 2015. The first transaction was completed in February 2016, and the second transaction is expected to close later in 2016.

- Similarly, on July 8, 2015, the Company successfully completed the sale of its real estate holdings of the Cosmopolitan Hotel located in downtown Toronto to an arm's length third party for a total consideration of $12,950. The Company recognized $3,219 in the statements of income in addition to the revaluation income, of $1,962 (before taxes) that were recorded in the revaluation surplus.
- On June 25, 2015, one of the Company's subsidiaries (the "Subsidiary") entered into a purchase and sale agreement to acquire the Renaissance Hotel in downtown Cleveland, Ohio (the "Hotel"). The acquired hotel building is 873,000 sq. ft. (approximately 81,000 square meters), includes 491 rooms, 65,000 sq. ft. of event and meeting space including 34 meeting rooms, a number of restaurants, and a 304 vehicle parking garage. On October 20, 2015, the Company entered into an agreement with a third party ("Partner") and the Partner became a 50% equity shareholder in the Subsidiary. The acquisition of the Hotel was completed on October 28, 2015 for a total acquisition cost of approximately US $19.1 million. The transaction was funded by the way of shareholder loans provided by the Company (US $6.5 million) and the Partner (US $14.5 million). The Partner paid the Company a fee of US $3.5 million. The property is expected to undergo substantial improvement and renovation over the next three to four years, which is projected to be financed by third party debt and shareholder loans. The Company will asset manage the Hotel. The Company holds 50% of the equity in the Subsidiary and its nominees comprise the majority of the board of directors. The Hotel is operated through a Marriott Renaissance 20 year franchise agreement with the Subsidiary as the franchisee. Ambridge Hospitality LLC will be the hotel manager. In March 2016, the Company secured acquisition and property improvement financing of US$ 12,350 and US$16,800 respectively. The Company recognized a bargain purchase gain of $8,274 in the fourth quarter of 2015.
- On September 28, 2015, the Huntsville town council approved the "Zoning By-Law" with respect to the Company's lands at the Deerhurst Resort. In particular, the approval addresses the Village Centre Lands at the resort, with an area of approximately 15.9 hectares on which a maximum of 640 units, consisting of tourist commercial and resort–residential uses, are permitted in addition to 4,500 square metres of retail commercial uses.
- On October 29, 2015 one of the Company's subsidiaries sold the balance of its interest (9.07%) in the King Edward Hotel in downtown Toronto, Ontario for a net consideration of $5,164, reflecting the property value of $103 million. The first 7.93% of the Company's net interest was sold in August 2013 for net proceeds of $3,154. The Company recognized a profit of $550.

III. Balance Sheet Highlights

- Shareholders' equity as of December 31, 2015 was $169,784 (approximately 44.4% of total assets) compared to the equity of $157,975 (approximately 47.1% of total assets) as at December 31, 2014 and $133,843 (approximately 45.2% of total assets) as at December 31, 2013. The $11,809 equity increase in the year was primarily due to the profit of $8,095 for the year and an increase of $3,350 in foreign exchange translation.
- The consolidated balance sheet assets of the Company as of December 31, 2015 totaled $381,858 compared to $335,364 as of December 31, 2014. The $46,494 increase compared to December 31, 2014 is primarily due to the acquisition of the Renaissance Hotel ($33,401) and the $12,056 construction costs of the 67 unit condominium project at Horseshoe Resort located in Barrie, Ontario. In addition, during the reporting period the Company sold the Cosmopolitan hotel and invested in renovations and upgrades of its hospitality and investment assets (see *business highlights* above). The itemized analysis of the change results from a decrease in cash and cash equivalents of $738 (for more information, see Section XII – *Liquidity and Cash Flow Analysis* below), an increase of $13,394 in property plant and equipment ($3,704 due to direct investment in property plant and equipment, an increase of $9,509 due to foreign exchange differences and a decrease of $5,310 represents the amortization expense during the reporting period, acquisition of the Renaissance Hotel $33,401, disposition of the Cosmopolitan Hotel $9,176 and reclassification of the Holdings of Pantages Hotel into assets held for sale 18,734), an increase of $13,687 in the real estate inventory (mainly due to investments in the Copeland House project at Horseshoe resort) and an increase of $1,818 in restricted bank deposits. During the reporting period, the Company classified some of its hotels and developable land holdings with a combined value of $32,891 as "Property held for sale" (part of current assets) which were previously reported as "Property, Plant and Equipment" and "Investment property" (part of non-current assets), in accordance with IFRS 5. The elimination of the

$4,614 of "Available for sale investment" is due to the sale of the Company's share in King Edward Hotel. For more information, see Section II - *Business Highlights* above and the notes of the consolidated financial statements for December 31, 2015.

- The consolidated balance sheet liabilities of the Company as of December 31, 2015 totaled $212,074 compared to $177,389 as of December 31, 2014. The $34,685 increase compared to December 31, 2014 is primarily due to the acquisition of the Renaissance Hotel ($20,414 Partner loan), the construction financing of the Horseshoe Valley Resort condominium project of $7,383, and an increase in deferred tax liabilities of $5,925.

IV. Income Statement Highlights

- Revenue during the year ended December 31, 2015 totaled $96,663, compared with revenue of $80,325 and $91,582, respectively, for the years ended December 31, 2014 and 2013.
- Gross profit (loss) during the year ended December 31, 2015 was $13,619 (14.1% of revenue) compared with gross profits of $4,832 (6.0% of the revenue) and $1,538 (1.7% of revenue) respectively, for the corresponding 2014 and 2013 periods. The improvement of the gross profit is attributed to the Hospitality segment, as each and every hospitality property achieved better results compared to 2014 and 2013. In addition, in 2015 the Company recorded revenue of $4,598 from a fee paid by its Partner (see Renaissance Hotel acquisition in *Balance Sheet Highlights* above).
- In the year ended December 31, 2015, revenue and (gross profit) from the Canadian Hospitality segment (see Section VI - *Factors Affecting Performance* below) was $59,190 ($10,108) compared to $55,481 ($1,313) and $59,235 (loss $1,012), respectively in the corresponding periods ended December 31, 2014 and 2013.
- In the year ended December 31, 2015, revenue and (gross profit) from the US Hospitality segment (see Section VI - *Factors Affecting Performance* below) was $32,943 ($2,698) compared to $15,921 ($2,774) and $13,973 ($1,933), respectively in the corresponding periods ended December 31, 2014 and 2013.
- In the year ended December 31, 2015, the Company recorded a $276 revenue and gross profit of (loss $1,109) from the Development segment (see Section VI - *Factors Affecting Performance* below) compared to $4,099 (loss $1,310) and $15,928 (loss $747) respectively in the corresponding periods ended December 31, 2014 and 2013. In the year ended December 31, 2015, revenue and (gross profit) from the Investment Property segment (see Section VI - *Factors Affecting Performance* below) were $3,560 ($2,231), compared to $3,350 ($2,094) and $2,401 ($1,396) respectively, in the corresponding periods ended December 31, 2014 and 2013.
- During the year December 31, 2015, the Company recognized a gain from fair value adjustment of $1,045 compared to a gain of $13,891 and $21,567 in the corresponding periods ended December 31, 2014 and 2013, respectively.
- In 2015, the Company recognized a gain on sale of investment and gain on bargain purchase of $3,768 and $8,274 respectively, compared to none in 2014 and a gain on sale of investment of $1,155 in 2013.
- For further information, see Section VIII - *Income Statements and Segmental Analysis*.

V. Cash Flow Statement Highlights

As part of its business development strategy, the Company acquires and sells real estate properties. Those activities typically result in negative cash flows from investing activities at acquisition and positive cash flow on disposition. In addition, the Company is involved in construction of various residential real estate projects usually funded by third party financing, which result in negative cash flow from operations and positive cash flow from financing activities during the construction periods and the opposite on closing.

- During the year ended December 31, 2015, the Company's cash and cash equivalents reduced by $738 to $14,204 compared to an increase of $9,364 and $1,299, respectively in the corresponding periods ended December 31, 2014 and 2013, primarily due to the construction costs of a condominium building at the Horseshoe Valley Resort, that was substantially completed in first quarter of 2016.
- During the year ended December 31, 2015, the Company produced positive cash from operations of $655 compared to a negative cash flow of $110 and positive cash flow of $2,526, respectively in the corresponding periods ended December 31, 2014 and 2013, primarily due to the construction costs of a condominium building at the Horseshoe Resort that was substantially completed in the first quarter of 2016.

- In the reporting period ended December 31, 2015, the Company used $11,658 for its investing activities compared to $12,106 and $2,535 respectively, in the corresponding periods ended December 31, 2014 and 2013. The negative cash flow from investment activities is mainly due to the acquisition of the Renaissance Hotel ($24,225) net of a disposition of the Cosmopolitan Hotel ($12,950) and Company's holdings (9.07%) in King Edward Hotel ($5,164). The Company also had capital additions to the investment properties as well as to the property plant and equipment, totaled to $5,559.
- During the year ended December 31, 2015, the increase in net cash from financing activities was $10,845 compared to an increase of $23,400 and $1,308 in the corresponding periods ended December 31, 2014 and 2013 respectively. The positive cash flow from financing activities is mainly due to the financing obtained in the amount of $39,190 (in connection with the acquisition of the Renaissance Hotel of $20,414), and short term loans of $8,771 used, in part, to fund the construction costs of a condominium building at the Horseshoe Resort, net of the repayment of shareholder loans in the amount of $11,600 and repayment of long-term loans in the amount of $24,742.
- For further information, see Section XII - *Liquidity and Cash Flow Analysis* below.

VI. Factors Affecting Performance

Real Estate Development for Sale and Lands segment ("Development")

Competitive Conditions

The Company has extensive real estate holdings at its resorts in Muskoka and Oro-Medonte, Ontario, Canada and in Port McNicoll and Blue Mountain, Ontario, Canada. Real estate operations, through Skyline Resort Communities, a wholly-owned subsidiary of the Company, 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 Section 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,Copeland House at the Horseshoe Resort (see Section I - *Overview* above), Swan Island Estates at Port McNicoll, Golf Cottages and Sanctuary at Deerhurst and at Blue Mountain and planning for future real estate development projects, including rezoning and acquisition of applicable permits.

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 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.

Canadian Hotel and Resorts segment ("Canadian Hospitality")

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 2015 and 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 its 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 its hotels through capital improvements. Projects completed over the last year include extensive upgrades to the majority of guestrooms and meeting and conference spaces at the Horseshoe Resort and guestroom renovations at Deerhurst Resort.

A*ccessibility from major metropolitan areas*

Ontario, Canada 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 the Horseshoe Valley Resort in comparison to the summer months at the 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 (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 Valley Resort in Ontario, Canada operations are strong particularly during the winter, while the Deerhurst Resort operations are strongest during the third quarter of our fiscal year.

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

Competitive Conditions

Competition in the US 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 following the upgrading the quality of accommodations and amenities available at the hotels through capital improvements. Projects completed over the last year include 114 guestroom renovations at the Hyatt Regency Arcade in Cleveland, Ohio, U.S; an investment in Bear Valley resort. In October 2015 the Company (together with the 50% partner) acquired Renaissance Hotel in Cleveland, Ohio.

During the next three years the Company intends to complete the renovation and improvement of all the rooms at Hyatt Regency and substation parts of the Renaissance Hotel.

Accessibility from major metropolitan areas

Cleveland, Ohio Properties

Northeast Ohio lies along the southern shores of Lake Erie. The major cities of this area are Cleveland and Akron.These two cities are roughly 39 miles apart highly interconnected. The region is also part of the Great Lakes Megalopolis, which contains an estimated 59.1 million people. The area between Cleveland and Pittsburgh has been referred to as the "Steel City Corridor".

The Cleveland combined statistical area (CSA) is the largest in Ohio with nearly 2.8 million residents. The region is served by two international airports. It is home to seven fortune 500 firms and several of the area's largest employers are in the healthcare industry. The Cleveland Clinic is the area's largest employer and is a high-ranking hospital according to U.S. News & World Report. University Hospitals, another well recognized facility, is the second largest employer in the MSA. The two companies share a large complex in the University Circle area of downtown Cleveland.

The Company's hotels maintain excellent vehicular and pedestrian access that is considered superior to some of its nearby competitors within walking distance to the primary attractions like the Horseshoe casino, NBA, NFA, NHL baseball, basketball, and hockey arenas, Rock and Roll Hall of Fame, municipal and justice center, playhouse district, and a new conventions center and medical mart.

Seasonality

Bear Valley Resort operations are highly seasonal in nature, with a typical winter season beginning in early December and running through the end of April and very limited operations during the rest of the year.

The urban hotels in Cleveland are all-season operations, stronger during June- October and slower during December – February.

<u>Real Estate for Investment segment ("Investment Properties")</u>

For accessibility analysis, see the discussion included in the Canadian Hospitality Segment above

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 four broad business units: Canadian Hospitality, US 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. Canadian Hospitality represented 61%, 69% and 65% of the Company's total revenue in 2015, 2014 and 2013, respectively; the US Hospitality segment has grown and represented 34%, 20%, and 15% of the Company's total revenue in 2015, 2014 and 2013, 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 and the Hyatt Regency Hotel in Cleveland.

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

Please refer to consolidated statements of income and the segmented information note (see note 35) in the attached consolidated financial statements as for the year ended December 31, 2015.

Revenue:

Revenue in the year ended December 31, 2015 totaled $96,663 compared to $80,325 and $91,582 in the corresponding periods ended December 31, 2014 and 2013 respectively. The increase of $16,338, or 20%, compared to 2014 is primarily attributable to the increase in the US Hospitality segment which increased by $17,022.

Canadian Hospitality Segment:

Management's primary focus during the last two years has been on improving the efficiency of the Canadian Hospitality operations, which resulted in substantial cost savings as reported below.

This segment consists of 2 resorts and one hotel, with 582 rooms, a 20-run ski hill, four golf courses, significant conference and food and beverage operations, and other auxiliary activities, as well as an asset management of all the hospitality assets of the Company. These properties are operated by Skyline Hotels and Resorts Inc.

The Canadian Hospitality Segment recorded an increase of $3,709 (6.7%) in revenue during the year ended December 31, 2015 compared to the corresponding period in 2014. The Company received $4,598 ($3,500 US) in commission and consulting fees paid by a Partner as related to Renaissance and $774 associated with better performance of the hotels on the same asset basis, mostly in Deerhurst, net of $1,663 attributable to the sale of Cosmopolitan Hotel.

During the reporting period, the Canadian Hospitality Segment recorded $49,082 expenses and costs compared to $54,168 and $60,247 recorded in the corresponding periods ending December 31, 2014 and 2013. The decrease is almost entirely due to the implementation of cost saving initiatives, including the reduction of labor costs and consolidation of operations, at each of the Company's properties. (see "Same assets analysis" below).

US Hospitality Segment:

On October 28, 2015, Skyline Cleveland Renaissance LLCcompleted an acquisition of the Renaissance Hotel in Cleveland, Ohio (for more information see *business highlights* above).

This segment consists of 2 hotels and one resort, with 836 rooms, a ski hill and significant conference and food and beverage operations. 784 rooms and almost all the of the conference and food and beverage operations are managed by third party property management companies. Skyline is an asset manager of the 2 hotels in Cleveland, Ohio and an operator of the Bear Valley ski resort in California.

The US Hospitality Segment recorded an increase of $17,022 (107%) in revenue in the year ended December 31, 2015 compared to the corresponding period in 2014, with approximately half of the increase attributable to the better performance of the hotels on the same asset basis and the other half attributable to the $7,316 in revenue from the Bear Valley Resort, results of which have been consolidated since December 19, 2014, and $5,640 in revenue from the Renaissance Hotel, which have been consolidated since October 28, 2015.

During the reporting period, a $4,066 increase in revenue was recorded for the Hyatt Regency Arcade Hotel, Cleveland, USA compared to the corresponding period last year. This increase is attributed to two major components: 1) an improvement in sales, which contributed $1,781 (Management attributes the improvement in revenue to the renovation conducted at the Hyatt hotel during the first quarter of 2014), and 2) the foreign exchange difference, which contributed an additional $2,285.

During the reporting period, the US Hospitality Segment recorded an increase of $17,098 to $30,245 in expenses and costs compared to $13,147 and $12,040 recorded in the corresponding periods of 2014 and 2013. $8,628 of the increase is attributable to the consolidation of the Bear Valley Resort, and $5,314 resulted from the new consolidation of the Renaissance Hotel, the balance of $3,156 is evenly attributable to the increase in Hyatt operating costs and foreign exchange difference (see "Same assets analysis" below).

Development Segment Revenue:

In the current reporting period, the Company recognized $276 revenue from the development segment compared to revenue of $4,099 recognized during the corresponding period last year resulting from the sale of a lot and four units at Deerhurst Resort in the amount of $3,048, revenue of $860 from sale of 9 lots at Blue Mountain Resort and revenue of $185 from the sale of a condo (Company's proportional portion from the total sale revenue) at King Edward Hotel.

In July 2014, the Company launched a new development project known as Lakeside Lodge at the Deerhurst Resort. The project consists of 162 condos, of which 100 units have a waterfront view. When fully sold, it is expected to record estimated revenues of $50,000-52,000. As of December 31, 2015, the Company has sold 64 condos in the project (firm sales after cooling-off period of 10 days by law in Ontario). The Company secured a $30 million financing for the project. The Company has completed the demolishing works on site and will commence construction once it establishes a sufficient presale base.

During late 2012, the Company launched the first phase of the Horseshoe Village condos (Copeland House 1). As of December 31, 2015, the Company has sold 54 out of 67 units. The total revenue from the project is expected to exceed $19,000. 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. The cost to December 31, 2015 is $15,306.

During the year ended December 31, 2015,the Company recognized a fair value positive adjustment of $554 (compared to $11,431 in the same reporting period in 2014) mainly due to the agreements of purchase and sale the Company signed with third parties to sell lands for future development. The signed agreements of purchase and sale support the value in the financial statements and provide an indication to an increase in value. Those agreements and the market conditions at the Blue Mountain Resort added value to the property. The fair value adjustment income of $11,431 for the year ended December 31, 2014 was attributable to a gain from fair value adjustment of approximately $5,410 in respect of the proposed project to develop mixed-use residential and commercial development in the Huntsville Township, a gain from fair value of adjustment of approximately $5,605 in respect of the Blue Mountain Lands.

In September 2015, the Company received a Zoning By-Law approval for the Deerhurst Village centre; however, as per the indication Management received from the independent appraiser, there is no significant value increase expected as a result.

The Net Operating Income ("NOI") (excluding amortization) for the Canadian Hospitality segment:

During the year ended December 31, 2015, the Company reported an NOI of $13,517 (22.8% of the segment's revenue) compared to $5,475 for the corresponding period of 2014 (9.9% of the segment's revenue), a 247% improvement, of which $3,444 is attributable to the on-going operations and $4,598 is due to commissions and fees.

The Net Operating Income ("NOI") (excluding amortization) for the US Hospitality segment:

During the year ended December 31, 2015, the Company recorded an NOI of $4,443 which represents 13.5% of this segment's revenue compared to $3,716 for the corresponding period of 2014, which represents 23.3% of the hospitality revenue, a 20% improvement.

Investment Property Segment:

This segment consists primarily of the Company's holdings in the retail at the Blue mountain village and some commercial rentals in its urban hotels.

The revenue and gross profit from Investment Property segment operations for the year ended December 31, 2015 was $3,560 ($2,231 or 63%) compared to $3,350 ($2,094 or 62%) , and $2,401 ($1,396 or 58%) for the years ended December 31, 2014 and 2013 correspondingly.

The increase in both revenue and expenses is mostly due to an increase in the Blue Mountain Resort occupancy rate from 83% to 100%. During the year ended December 31, 2015,the Company recognized a fair value positive adjustment of $491 (compared to $2,460 in the same reporting period in 2014) attributable to the increased occupancy.

Same[1] assets analysis:

The same asset analysis incorporates results of operation of the assets that the Company held for at least two full years ending December 31, 2015 including its Ontario Resorts, Pantages Hotel, Blue Mountain Retail, and Hyatt Regency Arcade:

The revenue from same assets in the Hospitality and Investment segment recorded during the reporting period was $73,760 compared to $69,986 in the corresponding period last year – an increase of $3,774 (5.4%). The expenses and costs during the reporting period were $61,752 compared to $62,256 recorded in the corresponding period last year – a decrease of 504 (approximately 1%).

The Gross operating profit for the current period was $12,008 (16.3% of the revenue) compared to $7,730 in the corresponding period last year (11% of the revenue) – an increase of $4,278 (36%).

The NOI (gross operating profit excluding depreciation costs for the current period was $16,173 (21.9% of the revenue) compared to $12, 281 in the corresponding period last year (17.5% of the revenue) – an increase of $3,892 (32%).

Other (Vacation Ownership):

In late October 2013, the Company launched a "Vacation Ownership" operation so as to optimize the usage of the Company's hotels and resorts. 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 and reduced staffing levels of the Vacation Ownership operation.

<u>Gross Profit/(Loss)</u>

Gross profit for the year ended December 31, 2015 was $13,619, which represents an increase of $8,787 (181%) compared to a gross profit of $4,832 in the corresponding period last year and $1,538 during 2013.

In the year ended December 31, 2015, the gross profit rate was 14.1% compared to a gross profit rate of 6.0% in the corresponding period ended December 31, 2014. The difference in profitability between 2015 and 2014is attributable to the following two reasons:

(1) During 2013-2014, the Company invested significant efforts to minimize the costs, mainly in the US and Canadian Hospitality segments. Those efforts contributed to improved gross profit results starting in the second quarter of 2014.

In 2015, the Company increased its gross profit from the Canadian Hospitality segment by $8,795, of which $4,197 is attributable to the ongoing Canadian operations and asset management and $4,598 in commissions and fees.

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[1] For the purposes of the analysis, the Bear Valley Resort results, that were consolidated from December 19, 2014, the Renaissance Hotel results that were consolidated from October 28, 2015 and the associated fees, were excluded from the current reporting period and an adjustment in 2014 and 2015 was made to reflect the Cosmopolitan Hotel's holding period before its disposition in July 2015 and exclusion of the hospitality head office.

(2) The 114 room renovation of the Hyatt Regency at the Arcade, Cleveland was completed in the first quarter of 2014. Revenues from this property for the year ended December 31, 2015 contributed $2,860 to the overall gross profit of the Company.

Sales and marketing expenses

Sales and marketing expenses in the period ended December 31, 2015 were $1,863, compared to $3,212 and $1,459 recorded during the period ended December 31, 2014 and 2013 correspondingly.

The decrease in sales and marketing expenses, compared to the same period in 2014, is primarily due to extensive marketing and sales during 2014 attributed to the vacation ownership program following its launch in October 2013.

Administrative and general expenses

Administrative and general expenses during the period ended December 31, 2015 totaled $4,399, compared to $3,390 and $6,053 during the corresponding periods ended December 31, 2014 and 2013 respectively.

The increase of $1,009 in 2015 compared to 2014 is mainly attributable to the $1,439 reduction of prior year compensation and fees payable to the Company's president and VP of Business Development that followed the Company's shareholders' meeting held on December 23, 2014, at which the Company's new executive compensation policy was approved. For more information see Company's profile on SEDAR www.sedar.com.

Fair Value Adjustment

See "Section IV - *Income Statement Highlights*", above.

Financing expenses, net

Financing expenses, net for the year ended December 31, 2015 were $7,049, compared to $6,375 and $6,612 recorded during the corresponding periods ended December 31, 2014 and 2013 respectively. The increase in financial expenses, net in 2015 compared to the same period last year is mainly due to an increase in loans balances from financial institutions ($127,234 in December 2015 compared to $99,497 in December 2014). During the reporting period. there was a decrease of $11,236 in loans payable to related parties.

Income Taxes

The Company's tax expenses in the year ended December 31, 2015 were $4,740, compared to its tax expenses of $1,550 and $2,102 in the corresponding periods in 2014 and 2013.

Profit for the period

The profit for the year ended December 31, 2015 was $8,095, compared to a profit of $4,196 and $7,939 in the corresponding years ended December 31, 2014 and 2013, respectively.

IX. Summary of Quarterly Results

Twelve quarter comparison:

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.

Quarter-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)	Q4-2015	Q3-2015	Q2-2015	Q1 - 2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013
REVENUE	**29,060**	**25,053**	**18,032**	**24,518**	**18,642**	**24,246**	**18,930**	**18,507**	**18,164**	**26,571**	**20,659**	**26,188**
EXPENSES AND COSTS	**22,588**	**20,950**	**17,672**	**21,834**	**17,003**	**20,364**	**20,236**	**17,890**	**19,893**	**24,284**	**21,619**	**24,251**
GROSS PROFIT (LOSS)	**6,472**	**4,103**	**360**	**2,684**	**1,639**	**3,882**	**(1,306)**	**617**	**(1,729)**	**2,290**	**(960)**	**1,937**
Gain (Loss) from fair value adjustments	(942)	(165)	2,211	(59)	2.162	6,642	(3)	5.090	4,461	11	17,228	(133)
Selling and marketing expenses	542	384	411	526	809	785	412	1,206	956	108	101	294
Administrative and general expenses	1,759	783	795	1,062	(8)	1,558	815	1,025	1,840	1,312	1,737	1,164
PROFIT (LOSS) FROM OPERATIONS	**3,229**	**2,771**	**1,365**	**1,037**	**3,000**	**8,181**	**(2,536)**	**3,476**	**(64)**	**881**	**14,430**	**346**
Financial expense	1,728	1,713	1,871	1,770	1,716	1,463	1,545	1,831	1,911	1,991	1,610	1,666
Financial income	(3)	(13)	--	(17)	(113)	(29)	(35)	(3)	(222)	(36)	(286)	(22)
Other expense	560	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of investment	(549)	(3,219)	--	--	**--**	--	--	--	99	(4)	--	--
Gain from bargain purchase	(8,274)	--	--	--	**--**	--	--	--	--	(1,155)	--	--
PROFIT (LOSS) BEFORE INCOME TAXES	**9,767**	**4,290**	**(506)**	**(716)**	**1,397**	**6,747**	**(4,046)**	**1,648**	**(1,852)**	**85**	**13,106**	**(1,298)**
Income tax expense (recovery)	3.601	1,195	(150)	94	310	1,926	(1,004)	318	(813)	(475)	3,693	(303)
PROFIT (LOSS) FOR THE PERIOD	**6,166**	**3,095**	**(356)**	**(810)**	**1,087**	**4,821**	**(3,042)**	**1,330**	**(1,039)**	**560**	**9,413**	**(995)**
Basic and diluted earnings per share	**0.21**	**0.18**	**(0.06)**	**(0.05)**	**0.05**	**0.15**	**0.19**	**0.09**	**(0.06)**	**0.04**	**0.29**	**(0.07)**

X. Additional Financial Information

The Company's assets as at December 31, 2015 totaled $381,858 compared to $335,364 in December 31, 2014.

The total non-current consolidated financial liabilities were $108,920 as at December 31, 2015 compared to $133,040 in December 31, 2014.

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 and US economy provides a favorable business environment for the Company. For more information please see Section II - *Business Highlights* above.

XII. Liquidity and Cash Flow Analysis

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

	Year ended December 31, 2015 **(Audited)**	Year ended December 31, 2014 **(Audited)**	Year ended December 31, 2013 **(Audited)**
Profit (Loss) for the period	8,095	4,196	7,939
Net cash provided (used) by operations	655	(110)	2,526
Net cash provided (used) in investing activities	(11,658)	(12,106)	(2,535)
Net cash provided (used) in financing activities	10,845	23,400	1,308
Foreign Exchange translation of foreign operations	(580)	(1,820)	-
Increase (Decrease) in cash and cash equivalents	(738)	9,364	1,299
Cash and cash equivalents, beginning of the period	14,942	5,578	4,279
Cash and cash equivalents, end of the period	14,204	14,942	5,578

Cash Flows from Operations

As part of its business development strategy, the Company acquires and sells real estate properties. Those activities typically result in negative cash flows from investing activities at acquisition and positive cash flow on disposition. In addition, the Company is involved in construction of various residential real estate projects usually funded by third party financing, which result in negative cash flow from operations and positive cash flow from financing activities during the construction periods and the opposite on closing.

During the year ended December 31, 2015, the Company's positive cash flow from operations was $655 compared to a negative cash flow from operations of $110 and positive cash flow from operations in the corresponding periods ended December 31, 2014 and 2013 respectively, primarily due to an investment of $10,384 in real estate inventory of Copeland House project at the Horseshoe Resort. In the corresponding period ended December 31, 2014, there was an inflow from selling real estate inventory in an amount of $2,662.

Cash Flows Used in Investment Activities

During the year ended December 31 2015, the Company reported a negative cash inflow from investing activities of $11,658. This was primarily due to the payment of funds used for the acquisition of the Renaissance Hotel in Cleveland Ohio ($24,225) , investment in additions to the existing hospitality and investment real estate assets of $5,559 net of $12,962 proceeds of sale of the Cosmopolitan Hotel in downtown Toronto and $5,164 proceeds of sale of Skyline's investment in King Edward Hotel. During the corresponding periods of 2014 and 2013, the Company reported a negative cash flow from investing activities of $12,106 and $2,535 mainly due to investments in its property, plant and equipment of $8,279 and acquisition of Bear Valley Ski resort for $2,672 in 2014 and due to investments in its property, plant and equipment of $5,316 and acquisition of Blue Mountain property for 21,410 net of collection of vendors take back loan of $21,500 in 2013. .

Cash Flows from Financing Activities

During the year ended December 31, 2015, the Company had a positive cash flow from financing activities of $10,845 primarily due to new loans that were taken by the Company in the net amount of $23,219 ($20,414 of which is related to the acquisition of the Renaissance) and $7,383 construction loans and a repayment of loans to related parties in the amount of $11,600. In 2014, the Company had a positive cash flow from financing activities of $23,400 mainly due to the proceeds of $18,982 (net of costs) of the initial public offering in March 2014. During that period, the Company borrowed $5,234 of loans payable (net) and repaid $531 to related parties. In 2013, the Company had a positive cash flow from financing activities of $1,308.

XIII. Financial Instruments and Off-Balance Sheet Arrangements

As at December 31, 2015, the Company has not entered into any derivative or other off-balance sheet arrangements.

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, including property held for sale

The estimates include investment property and buildings within property plant and equipment 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 Blue Mountain lands valuation (see also Section VII –Development *Segment*).

2. Real estate Inventory

The estimates include real estate inventory that is at various stages of completion. They include the estimations of the costs to complete and net realizable value of the projects and other critical metrics which involve uncertainty.

During the reporting period, there have been no significant write offs of inventory to net realizable value.

3. 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 twelve months ended December 31, 2015, there has been no change in the provisions in respect of claims.

XV. Exposure to market risks and ways of managing them

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

1. Exchange rates: As of December 31, 2015 (compared to December 31, 2014), the Canadian dollar weakened by approximately 20% compared to the corresponding period last year, where the Canadian Dollar weakened by approximately 9.07% compared to the U.S. For more information regarding the influence of the foreign exchange rate on Company's equity, see note 34d in the annual consolidated financial statements for the year ended December 31, 2015. From December 31, 2015 to March 28, 2016, the US dollar decreased against the Canadian dollar by approximately 3.9%. In Management's view, a weaker Canadian Dollar helps domestic hotels and resorts by encouraging travel to and within Canada and discouraging Canadians to travel to the United States. Exchange rate risk is minimized by borrowing in U.S. dollars for properties in the United States. From January 1, 2015 to December 31, 2015, the Canadian dollar weakened by approximately 19.3%.

   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 significant impact on the Company following the acquisition of the Bear Valley resort and Renaissance Hotel during 2015 as its U.S. holdings are relatively few with the following balance sheet proportions: assets 25%, liabilities 33% and equity 15% based on the December 31, 2015 balance sheet . The Company's US operations contributed 34% of revenue and 20% of gross profit in 2015.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 and Renaissance Hotel in Cleveland Ohio, a significant fluctuation in the Canada/U.S. exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency variations can also contribute to variations in sales at our hotels and resorts from: United States residents visiting Canada and Canadian residents travelling to the United States.

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

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

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

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

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

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

As of December 31, 2015, we believe we will have net operating loss carry-forwards of approximately $**52** million for Canadian 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 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 our credit facilities, 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 Annual Information Form for the year ended December 31, 2015, 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*”	“*Blake Lyon*”	“*Vadim Shub*”
Gil Blutrich	**Blake Lyon**	**Vadim Shub**
Chairman	CEO	CFO

March 28, 2016