SKYLINE INVESTMENTS

Management's Discussion and Analysis

For the three months ended March 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 14, 2020

Introduction

This Management's Discussion and Analysis (this "MD&A") of the operating results and financial condition of Skyline Investments Inc. ("Skyline", "the Company", "we", "us" or "our") constitutes management's ("Management") review of the factors that affected the Company's operating performance for the three months ended March 31, 2020 and its financial position as at March 31, 2020. This MD&A is dated and has been prepared with information available as of March 31, 2020.

This MD&A should be read in conjunction with the Company's consolidated interim financial statements for the three months ended March 31, 2020 and accompanying notes (the "Financial Statements").

The Financial Statements for the three months ended March 31, 2020 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. Amounts discussed below are based on our Financial Statements for the three months ended March 31, 2020 and are presented in thousands of Canadian dollars, unless otherwise stated.

Additional information relating to the Company is 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.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Company's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. In particular, statements regarding the Company's future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the statements with respect to the Company's strategy, objectives and intentions disclosed in the section entitled "Strategy & Outlook" and "Portfolio Overview", including: the Company's intention to complete future acquisitions and the expected benefits from any such acquisitions; and the Company's intention to implement its student-oriented operating strategy and the expected results this might provide for revenue and net operating income growth through improved occupancy, introduction of value-added leasing and operational revenue streams and increased management efficiencies.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include the ability of the Company to complete future acquisitions, obtain necessary equity and debt financing and grow its business; the future operations and performance of the Company's properties including the anticipated extent of the accretion of any acquisitions and generating improved occupancy levels and rental income: the ability of the Company to reinvest to make improvements and maintenance to its properties; overall indebtedness levels, which could be impacted by the level of acquisition activity Skyline is able to achieve and future financing opportunities; general economic and market conditions and factors; local real estate conditions; competition; interest rates; changes in government regulation; reliance on key personnel and risks and uncertainties relating to the outbreak of the novel strain of the coronavirus identified as COVID-19. For more information on these risks and uncertainties readers should refer to the risks disclosed in the section entitled "Risks", as well as the risks disclosed in Skyline's materials filed with Canadian securities regulatory authorities from time to time, including the Annual Information Form of the Company dated March 18, 2020, which are available under the Company's profile on SEDAR at www.sedar.com.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, state, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to, management's expectations with respect to the factors noted above as well as general economic conditions, such as the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

Forward-looking information contained in this MD&A is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the date hereof. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time except as may be required by applicable securities laws.

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I. Overview

Skyline is a Canadian investment company listed on the Tel-Aviv Stock Exchange under the symbol SKLN and is a reporting issuer in Canada. The Company owns hotels and resorts in Canada and the United States ("US"). Currently, the Company has 18 income producing assets, with 3,301 rooms and 89,869 square feet of commercial space (collectively, the "Properties"). The Company also has a strategic development business that develops excess real estate surrounding its resorts to further enhance the cash flow and value of its assets.

The Company's primary operating segments are as follows:

1. US hotels and resorts
2. Canadian hotels and resorts
3. Select development of real estate

The Company focuses its capital and investment initiatives on enhancing cash flow from hotels and resorts, while at the same time selling non-core development assets. The Company's assets are located in southern Ontario, Canada and in 10 US States.

The Company is an offering corporation and a reporting issuer in Ontario (following the filing and receipt of a non-offering long form prospectus in 2014) but, as of March 31, 2020, does not have any of its securities listed or quoted on any marketplace in Canada.

II. Strategy & Outlook

The following section contains forward-looking information and users are cautioned that actual results may vary.

Our Strategy

Skyline's business model is centered on 4 distinct strategies

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

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

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

COVID-19 Update

At the end of 2019, the COVID-19 virus began spreading rapidly, and by the end of March 2020, the virus was declared a global pandemic by the World Health Organization ("WHO"). This had wide-ranging implications, including international and domestic travel restrictions, temporary closure of businesses and a severe slowdown in overall global economic activity. The North American hospitality industry was not immune and witnessed a slowdown in activity in the second half of March 2020. In response to the crisis, the Company implemented immediate countermeasures, including the early closure of Horseshoe Valley Resort ("Horseshoe") and Bear Valley Resort ("Bear Valley"), a temporary closure of Deerhurst Resort ("Deerhurst"), Company-wide staff reductions of approximately 87%, and other cost containment measures. As of the Date of this report, the rest of the Company's hotels located in the U.S. are operating at limited occupancy, with significantly reduced staff levels.

Canadian Hotel Operations

As of the date of this report, Horseshoe and Deerhurst are closed. The Company expects Deerhurst to re-open during June 2020 (as government restrictions are expected to begin to ease) for the summer high season and expects s activity to resume during the summer and the second half of 2020 as demand from Toronto and the surrounding regions is expected, inter alia, since the Deerhurst resort is a "drive to" resort (rather than a "fly to" resort) and is mostly catered towards locally based clients. Furthermore, due to its geography, the resort allows for potential operation with sanitation measures that the Company expects will allow it to commence operation at a relatively early stage when fazing out measures are taking place. The Company expects that the shut down period of Deerhurst will not affect the property results materially since this period is traditionally considered a "shoulder" season (with lower revenue and fixed, higher expense levels). The Company further anticipates that the monthly loss could be lower due to potential assistance from the Government of Canada. In the event that government restrictions are not eased before the summer high season, the financial results of the property could be materially impacted during the current fiscal year.

The Company expects Horseshoe to re-open by July 2020. The Company believes that the shutdown period of Horseshoe will not affect the property results materially since Horseshoe derives the majority of its revenues during the winter months, which have just ended. The Company anticipates that the amount of monthly EBITDA loss may partially offset due to assistance from the Government of Canada. The Company expects that Horseshoe will be open and fully operational during its high season, which begins late in the fourth quarter. Accordingly, the cost cutting measures taking place at the resort currently, and the management assumption that restrictions will begin to ease in the summer of 2020, may counteract any negative financial impact caused by the COVID-19 crisis.

U.S. Hotel Operations

As of the date of this report, Bear Valley is temporarily closed, with no plans to reopen until late in 2020 (the beginning of the high ski season). Like Horseshoe and Deerhurst, Bear Valley is a "drive-to" resort that is not dependant on air travel or international tourists, and is therefore less vulnerable to the effects of the pandemic. The Company believes, based on the assumption that other than certain sanitation measures, activity will resume in late 2020, and thus the current shutdown period will not affect the property results materially as the resort will be closed for all months that usually present negative EBTIDA (as was the case in the 2nd and 3rd Quarter of 2019). Furthermore, the Company believes Bear Valley may qualify for US Government assistance under the Paycheque Protection Program ("PPP"), a portion of which may be forgiven under certain circumstances, which will decrease expenses incurred by the property during its shutdown, resulting in very minimal losses for the period.

As of the date of this report, the Courtyard hotels ("CY13") are open and are operating at reduced capacity. The Company has undertaken efforts to reduce costs including staff reductions, deferral of capital expenditures, and reductions in asset management and franchise fees. The Company expects that the run-rate cost of closing the business will cause a decrease in financial results. The Company is in the process of accessing funding from the US Government under the PPP, which may significantly offset the negative influence on the results, assuming a return to normal operations beginning during the second half of 2020 and continuing into 2021. The Company is continuing to proceed with its Property Improvement Plan ("PIP") schedule as approved by Marriott, and expects that the PIPs will contribute to enhanced earnings at its properties as they are completed, which will further drive EBITDA growth over the medium to long term.

As of the date of this report, the Arcade is open and is operating at reduced capacity. Scheduled weddings were postponed rather than cancelled. The Company is expecting to continue with its PIP schedule as approved by Hyatt, and expects that the PIP will contribute to enhanced earnings at the Arcade, which will further drive EBITDA growth over the medium to long term. The Company is in the process of accessing funding from the US Government under the PPP, a portion of which may be forgiven under certain circumstances, which will decrease expenses incurred by the property.

As of the date of this report, the Renaissance is open and is operating at a reduced capacity. The Company is in the process of accessing funding from the US Government under the PPP, a portion of which may be forgiven under certain circumstances, which will decrease expenses incurred by the property.

Government Assistance

In response to the COVID-19 crisis, the Canadian and US Governments have unveiled multiple stimulus measures for which the Company qualifies or believes it qualifies. In the US, Skyline has qualified for loans under the Paycheque Protection Program ("PPP"). US$6.6 million in funds were confirmed or funded after March 31, 2020. As part of this program, the portion of any of these loans spent in the first 60 days on payroll, utilities, interest and other specified costs may be forgiven by the US Government under certain circumstances. At this time, the Company does not have sufficient information to estimate what portion of the loan proceeds will be forgiven. In addition, the Company believes that it will potentially qualify for the Mainstreet Loans Program ("MLP"), another US Government relief loan program, however at this time guidelines have not been finalized and the Company is therefore not able to estimate the amount of proceeds that will be made available. The MLP is expected to be a low interest, long-term loan that is fully repayable.

In Canada, the Company has applied for the Canada Employment Wage Benefit ("CEWB"), which covers up to 75% of the first CAD $58.7 thousand normally paid to eligible employees, representing a benefit of up to CAD $847 per week, per eligible employee, between March 15, 2020 and at least June 6, 2020. As a result, during Q1 2020, the Company recorded an offset to salaries and benefits in the amount of CAD $227 thousand. In addition, the Company believes that it may potentially qualify for the Business Credit Availability Program ("BCAP"), which may allow the Company to receive up to a CAD $6.25 million loan guaranteed by the Canadian Government. Details of the program are still being finalized, however current indications are that the fully repayable BCAP loans will be for 5 years, with no principal due during the first year of the loan.

Covenants

As part of the Company's analysis and actions as a result of the impact of the COVID-19 crisis, the Company:

a) Proactively reached out to all of its lending institutions regarding covenant relief should it be needed, which was granted in all instances where requested;
b) Continuously monitors covenants to determine if it will be in violation of said covenants in light of temporary revenue declines.

As of the date of this report, the Company does not believe that it will experience any issues related to existing covenants with its lenders. In all instances where the Company was not in compliance with its covenants as at March 31, 2020, it has received a waiver from its lender. These waivers will also be in place for at least the next two quarters.

III. Period Highlights

Financial highlights for the three months ended March 31, 2020, including subsequent events occurring up to the date of publication of this report are as follows:

- For the three months ended March 31, 2020 the Company recorded revenue of $71,659, compared to $56,864 recorded during the three months ended March 31, 2019. The increase is a result of higher development revenue related to the sale of phases 2 and 3 of the Second Nature project (see "Development Highlights" below). This was offset by lower revenue from hotels and resorts, driven by the impact of COVID-19.
- The Company recorded a net loss attributable to shareholders of $5,352 for the three months ended March 31, 2020, compared to net income attributable to shareholders of $205 during the three months ended March 31, 2019. Including the effect of minority interests, the Company had a net loss of $5,866 during the three months ended March 31, 2020 compared to a net loss of $1,461 during the three months ended March 31, 2019.
- The Company recorded total comprehensive income of $7,425 for the three months ended March 31, 2020, compared to total comprehensive loss of $4,944 during the three months ended March 31, 2019, as positive net FX movement more than offset the impact of COVID-19.

- The Company's shareholders' equity, excluding minority interests was $259,455 or $15.49 per share (38.73 NIS based on the NIS/CAD exchange rate as at March 31, 2020).
- The Company's shares closed on March 31, 2020 at 14.46 NIS per share, implying a discount of 62.6%. As of the date of this report, the Company's shares were trading at 17.20 NIS, implying a discount of 55.6%.
- The Board of Directors of the Company approved a buy-back of its issued and outstanding bonds on February 5, 2020, which expires on February 5, 2021. The total buy-back authorized is 10 million NIS or approximately $2,500 CAD. Subsequent to quarter end, the Company has repurchased 219.7 thousand NIS (approximately $87.9 thousand) worth of bonds under the buy-back at an average price of 79.56 NIS.
- During Q1 2020, the Company achieved final closing of its Second Nature Phase 2 and 3 development projects located near Blue Mountain. Upon final closing, the Company recorded revenue of $28.9 million, received net cash proceeds of $5.4 million, and repaid construction debt in the amount of $2.4 million. During Q1 2020, 28 units at Lakeside achieved final closing, which allowed the Company to receive $10 million in cash. Including units that closed during 2019, total cash proceeds from the project were $53 million as at March 31, 2020, and the Company eliminated construction debt in the amount of $31.2 million in December 2019. As a result, the Company has increased the room count at Deerhurst from 308 rooms to 391 rooms, representing an increase of 27% over March 31, 2019.
- Please refer to Section XVIII, "Additional Information" for details on subsequent events occurring up to the date of this report.

IV. Portfolio Overview

As at March 31, 2020 Skyline owned 18 income producing hotel assets with 3,301 rooms and 89,869 square feet of commercial space.

Asset Name or Flag	Location	Rooms	Commercial Sq. Ft.
Courtyard Marriott	Birmingham Hoover, AL	153	
Courtyard Marriott	Huntsville, AL	149	
Courtyard Marriott	Little Rock, AR	149	
Courtyard Marriott	Tucson, AZ	149	
Courtyard Marriott	Fort Myers, FL	149	
Courtyard Marriott	Arlington Heights, IL	147	
Courtyard Marriott	Deerfield, IL	131	
Courtyard Marriott	Rockford, IL	147	
Courtyard Marriott	Lexington, KY	146	
Courtyard Marriott	Miamisburg, OH	146	
Courtyard Marriott	Holland, OH	149	
Courtyard Marriott	Oklahoma City, OK	149	
Courtyard Marriott	Battlefield (Manassas), VA	149	
Total Select Service Hotels		*1,913*	
Hyatt Hotel	Cleveland, Ohio	293	54,400
Renaissance Hotel	Cleveland, Ohio	491	30,838
Total Full-Service Hotels		*784*	*85,238*
Deerhurst Resort	Huntsville, Ontario	391[1]	
Horseshoe Valley Resort	Oro Medonte, Ontario	162[2]	
Blue Mountain Retail	Blue Mountain, Ontario	N/A	4,631
Bear Valley Ski Resort	Bear Valley, California	51	
Total Resorts		*604*	*4,631*
Total		**3,301**	**89,869**

[1]Included in the total number of rooms are 289 condo owned units.
[2] Included in the total number of rooms are 21 Valley Lodge condo owned units & 40 Slopeside condo owned units.

Key performance indicators

One of the primary key performance indicators in the hospitality industry is revenue per available room or ("RevPAR"). RevPAR is a function of the daily occupancy rate expressed as a percentage of total rooms available ("Occupancy") and the average daily rate or ("ADR").

Skyline tracks these three metrics for all of its hospitality assets. Q1 2020 saw a year over year drop in RevPAR from at all of the Company's properties, driven by a drop in occupancy and ADR primarily due to the impact of the COVID-

19 pandemic in the second half of March, as well as additional rooms added at Deerhurst due to the completion of Lakeside Lodge. The Company expects occupancy and ADR to increase during the second half of 2020 as the US and Canadian economies begin to reopen. Based on data from the financial crisis of 2008, the Company expects to see a recovery in occupancy first, followed by a recovery in ADR.

		Q2-2019	Q2-2018	Q3-2019	Q3-2018	Q4-2019	Q4-2018	Q1-2020	Q1-2019
US select service Hotels and a California Ski Resort in USD	RevPAR	$74.71	$74.01	$71.23	$66.52	$61.41	$57.39	$53.04	$66.11
	ADR	$105.73	$103.48	$104.07	$103.90	$101.56	$101.21	$110.17	$111.03
	Occ.	70.70%	71.50%	68.40%	64.00%	60.50%	56.70%	48.14%	59.54%
		Q2-2019	Q2-2018	Q3-2019	Q3-2018	Q4-2019	Q4-2018	Q1-2020	Q1-2019
US full-service Hotels in USD	RevPAR	$108.96	$108.05	$117.52	$107.36	$87.27	$82.18	$41.83	$68.77
	ADR	$153.70	$155.66	$162.73	$157.16	$145.71	$142.96	$115.77	$129.34
	Occ.	70.90%	69.40%	72.20%	68.30%	59.90%	57.50%	36.13%	53.17%
		Q2-2019	Q2-2018	Q3-2019	Q3-2018	Q4-2019	Q4-2018	Q1-2020	Q1-2019
Canadian Resorts in CAD	RevPAR	$83.50	$87.34	$176.30	$190.47	$74.87	$79.22	$74.20	$91.41
	ADR	$171.07	$161.66	$243.24	$238.75	$174.98	$176.29	$180.39	$185.33
	Occ.	48.80%	54.00%	72.50%	79.80%	42.80%	44.90%	41.13%	49.32%

Development

The Company has a strategic development business that develops excess real estate surrounding its resorts in order to further enhance the cash flow and value of its assets. The development projects are located in and around the Ontario resort properties where additive development projects are expected to achieve two goals: (1) earn development profits that are commensurate with the risk involved and (2) grow or enhance cash flows of the adjacent/nearby asset. The Company has a number of ongoing active development projects and is continually evaluating additional projects and the timing of their launch.

Condominium Projects	Location	Condo Units	Units Sold	Units Occupied	Revenue Recognized in 2020[1]
Slopeside	Horseshoe Valley Resort	44	42	42	$396
Lakeside	Deerhurst Resort	150	147	147	$-

1. Revenue is recognized on unit occupancy and cash is collected on unit closing.

Lot Servicing Projects	Location	Lots[1]	Sale Terms[2]	Completion[3]	Total Revenue	VTB Balance
Second Nature Phase 1	Blue Mountain Resort	37 SF	25% deposit; 75% VTB	Q2 2018	$ 6,412	$533
Second Nature Phase 2	Blue Mountain Resort	54 SF	25% deposit; 75% VTB	Q1 2020	$ 8,910	$6,673
Second Nature Phase 3	Blue Mountain Resort	88 SF	15% deposit; 85% VTB	Q1 2020	$ 19,976	$16,980
Second Nature Phase 4	Blue Mountain Resort	70 TH	No VTB	Q2 2018	$ 3,450	-

1. SF is Single Family Home; TH is Townhomes
2. Deposits received prior to closing; Vendor Take Back mortgage ("VTB") received when homes are transferred to buyers. Terms of the VTB may vary and purchaser provides the land as security to Skyline. The purchaser is not allowed to further encumber the asset beyond the VTB. All VTBs stand in a first collateral position.
3. Revenue is recognized on project completion and title transfer.

Development Highlights

- The Company reported positive net operating income from the Development segment of $3,204 for the three months ended March 31, 2020, which compares to net operating income from the Development segment of $1,189 for the three months ended March 31, 2019.
- During Q1 2020, the Company achieved final closing of its Second Nature Phase 2 and 3 development projects located near Blue Mountain. Upon final closing, the Company recorded revenue of $28.9 million, received net cash proceeds of $5.4 million, and repaid construction debt in the amount of $2.4 million.
- At Second Nature Phase 1, 32 of 37 homes have been built and turned over to homeowners as at March 31, 2020 and the VTBs have been repaid on these lots.
- Provided occupancy to 1 additional unit at Slopeside. 95% of Slopeside units were owned and occupied as of March 31, 2020.
- As of March 31, 2020, 98% of units in Lakeside were owned and occupied. During Q1 2020, 28 units achieved final closing, which allowed the Company to receive $10 million in cash. Including units that closed during 2019, total cash proceeds from the project were $53 million as at March 31, 2020, and the Company eliminated construction debt in the amount of $31.2 million in December 31, 2019.

Fair Value

The Company recognizes the fair value of certain assets on its Balance Sheet. These assets represent 76% of the total assets of Skyline as at March 31, 2020.

	As at March 31, 2020	**As at December 31, 2019**
Balance as at January 1, 2019	$514,702	$577,905
Capital expenditure and acquisitions	746	17,807
Depreciation	(5,707)	(20,529)
Dispositions	(332)	(31,393)
Changes in fair value	(1,213)	(11,434)
Foreign exchange and other	31,318	(17,654)
Total	$539,514	$ 514,702

Fair Value of Hotel Properties

In order to determine the impact, if any, the COVID-19 crisis has had on the valuation of its hotel properties, the Company determined a “significant downside case” financial scenario in the event of a full scale, prolonged shutdown of the global economy; contacted each appraiser of material properties owned by it to determine their macro view on the economy in general as well as their micro view on properties specifically owned by the Company; engaged in discussion with other relevant industry participants to determine their views on asset values and review of hospitality market publications and forecasts; reviewed the market for any transactions on or around March 31, 2020; and incorporated all the above data points in determining a potential change of value as at March 31, 2020.

On a DCF basis, the appraisers in general indicated that the terminal cap rates or discount rates should not be adjusted in their models and that there will be a decrease in RevPAR in 2020. This decrease will be driven primarily by occupancy and to a lesser extent by ADR. Each appraiser indicated further that occupancy recovers first, followed by ADR. The Company’s experience thus far is that most group or event business that cannot occur because of government regulations is shifting the timing of their business, not canceling, and rate is being maintained. The Company’s hotels and resorts are located primarily in “drive-to” markets that are not dependant on international travel. According to appraisers, these locations will be less impacted relative to the hotel industry as a whole.

As mentioned above, the Company does not expect a material increase in operating costs over the mid to long term.

Since the last valuation of each property (performed during the year ended December 31, 2019), the Company has recognized depreciation on its assets, as well as capitalized additions and recognized disposals. In order to be conservative, the Company has not written the value of its assets up to match the most recent valuations performed.

Select-service hotels are expected to perform better coming out of the COVID-19 pandemic, similar to the years subsequent to financial crisis of 2008/2009. Coming out of that crisis, consumer behaviour changed, driving businesspeople who would be expected to stay at a full-service hotel to the select-service sector as a result of the need to balance lower overall corporate budgets with the need to still travel.

The Company will continue to monitor any relevant factors that become subsequently apparent, when reassessing the fair value of its properties at the next reporting date.

Real Estate Inventory

As part of its normal reporting process, at March 31, 2020 the Company reviewed its real estate inventory balances for indicators of impairment, including the impact of COVID-19. The Company reviewed each project, and has determined that there is no impairment of its real estate inventory. The majority of the real estate inventory that will be eventually sold consists of residential units which it sells at a positive margin (in excess of cost). Based on a survey of the markets in which it operates, the Company believes that at this point there has not been a material or permanent decline in housing prices that would decrease the net realizable value below cost, as the Company typically earns a positive margin on real estate sales.

As part of the review process, the Company also reviewed the land it holds as investment property. These lands are primarily located at the resorts, where residential inventory is being constructed. There are no internally identified indicators of impairment. The Company will continue to review the market to determine if there are any indicators that the fair value of its investment lands have changed. As at March 31, 2020, the Company did not have any major development projects that were in the construction phase, and therefore does not expect to experience any delays or budget overages due to COVID-19. It also has not received a notice in the change of status of any development projects that are in the planning phase.

The Company will continue to monitor any relevant factors that become subsequently apparent, when reassessing the fair value of its real estate inventory at the next reporting date.

Net Asset Value

The Company is focused on increasing value to shareholders through its hotel business and its development opportunities. The Company, as most real estate companies do, measures value creation through growth in Net Asset Value ("NAV"). The Company's hotel business creates value to shareholders by executing on three pillars of its strategy:

- Using strict acquisition criteria, with the intent of acquiring assets at or below replacement cost;
- Generating operational efficiencies; and
- Taking advantage of value-add opportunities

Each of these items may lead to valuation increases in its assets and, as a result, the Company's NAV. Increases in the fair value of the Company's real estate assets is the primary driver of NAV growth.

The Development opportunities add shareholder value by leveraging underutilized assets to provide development profits and further enhance the long-term cash flows of the resorts. Development opportunities provide additional rooms to the resort with minimal investment to the existing resort itself. The Company calculates its NAV using Fair Values as disclosed on its balance sheet.

The Company's NAV is summarized as follows:

As at March 31, 2020	Balance Sheet Value	Outstanding Secured Liabilities[1]	*LTV*	Net Asset Value
US select service hotels	212,749	128,359	*60%*	84,389
US full-service hotels	132,708	57,318	*43%*	75,390
Resorts	138,615	63,015	*45%*	75,600
Development lands	67,221	23,980	*36%*	43,241
Projects under construction & other	13,727	7,423	*54%*	6,304
Total real estate	**565,019**	**280,095**	***50%***	**284,924**
Cash	37,770			
Other assets	100,252			
Total assets	**703,042**			**703,042**
Total debt	339,198			
Other liabilities	79,552			
Total liabilities	**418,750**		*60%*	**418,750**
Non-controlling interest	24,837			24,837
Total NAV	**259,455**			**259,455**
NAV per share[2] (CAD)	**15.49**			
NAV per share[2] (NIS)	**38.74**			

(1) Includes secured capital leases.
(2) Excluding non-controlling interest.

Debt Strategy

The Company employs modest debt levels and endeavors to create an optimized capital stack for each asset and the portfolio as a whole in order to maximize value and cash flow. The Company will endeavour to operate below 55% of total assets.

V. Results of Operations

The financial performance and results of operations contained in this MD&A cover the three months ended March 31, 2020.

Non-IFRS Performance Measures

All financial information has been prepared in accordance with IFRS. However, Skyline uses certain non-IFRS measures as key performance indicators including net operating income ("NOI"), funds from operations ("FFO"), and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

These are key measures 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 real estate 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

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key performance indicator on an unlevered basis as it represents a measure over which Management of property operations has control. NOI is also a key input in determining the value of the Properties. NOI is used by industry analysts, investors and Management to measure operating performance of Canadian companies. NOI represents revenue from cash generating properties less property operating expenses excluding depreciation as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS.

Given the seasonality of its hospitality operations, NOI for a fiscal year (or trailing four quarters) is considered by Management as a more accurate measure of the Company's performance.

Skyline calculates NOI as operating income before depreciation, valuation adjustments and other income, adjusted for:

i) Segmented results from Development Segment

ii) Segmented results from Other

iii) Selling and Marketing expenses

iv) Administrative and General expenses

Alternatively, the same result is arrived at by adding segmented results (per note 8 in the condensed interim consolidated financial statements) of the Hospitality and Investment properties segments.

FFO

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income determined in accordance with IFRS. Skyline calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in February 2019, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of Skyline.

Management believes that FFO provides an operating performance measure that, when compared period-over- period, reflects the impact on operations of trends in occupancy, room rates, operating costs and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments, business combination transaction costs, and deferred income taxes, if any. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for recurring capital expenditures necessary to sustain the Company's existing earnings stream.

Adjusted EBITDA

The Company's operations include income from producing assets and revenue from the sale of developed real estate. As such, Management believes Adjusted EBITDA (as defined below) is a useful supplemental measure of its operating performance for investors and debt holders.

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, and Amortization. The Company calculates Adjusted EBITDA as follows:

- Income from hotels and resorts;
- Sale of residential real estate;

Less:

- Operating expenses from hotels and resorts;
- Cost of sales of residential real estate;
- Selling and marketing expenses;
- Administration and general expenses

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's condensed interim consolidated statement of income for the three months ended March 31, 2020 as operating income before depreciation, valuation adjustments and other income.

NOI, FFO, and Adjusted EBITDA are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, and Adjusted EBITDA, as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries.

VI. Summary of Selected Financial and Operational Information

Revenue is generated by three business segments: US hotels and resorts, Canadian hotels and resorts, and Development. Hospitality operations include 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. The Canadian hotels and resorts segment represented 19% of total revenues for the three months ended March 31, 2020 (three months ended March 31, 2019 – 21%); the US Hotels and resorts segment represented 30% of total revenue for the three months ended March 31, 2020 (three months ended March 31, 2019 – 50%). Development revenue includes the sale of serviced lots and condominiums and can fluctuate materially from quarter to quarter.

Revenue from the hotels and resorts segments is driven by the volume of guests, competitive pricing, and guest spending patterns. Volume is impacted by a number of factors, including the guest experience, economic conditions, geo-political factors, weather and accessibility of the hotels and resorts. The revenue from the Development segment is not typical or consistent. Project timing and revenue recognition can vary from quarter to quarter as a result of the circumstances surrounding individual projects. Skyline has a number of ongoing projects with various timelines that are expected to provide some regular revenue on an annual basis in an attempt to smooth revenue from this segment.

The selected financial information set out below is based on and derived from the Financial Statements.

Statement of Income	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
Revenue	$71,659	$56,864	$235,243
Expenses and costs	60,948	42,908	187,582
	10,711	13,956	47,661
Selling and marketing & administrative and general expenses	1,620	1,387	6,812
Depreciation	5,707	4,867	20,458
Loss (gain) from fair value adjustments	143	528	15
Other (gains)/losses	50	4,105	4,691
Financial expense	12,754	5,887	21,188
Financial income	(2,389)	(1,143)	(3,267)
Net income (loss) before income taxes	(7,174)	(1,675)	(2,236)
Total comprehensive income (loss)	7,425	(4,944)	(21,221)
Net income (loss) (after tax) per share Basic	$(0.32)	$0.01	$(0.02)
Diluted	$(0.32)	$0.01	$(0.02)
FFO [(1)]	$2,752	$7,108	$18,331
FFO per share (basic)	$0.17	$0.43	$1.11
Weighted avg. shares outstanding (basic)[2]	16,545,227	16,536,780	16,541,038

[1] FFO is a non-IFRS performance measures. Please refer to definition on pages 9.
[2] Outstanding shares exclude 200,000 cancellable shares held in trust for related parties.

Selected items from Statement of Financial Position	As at March 31, 2020	As at December 31, 2019
Cash and cash equivalents	$37,770	$26,874
Investment properties	60,762	59,965
Property, plant and equipment	478,752	454,737
Total assets	**703,042**	**675,846**
Loans and Bonds payable, current	72,104	25,533
Loans and Bonds payable, non-current	266,998	277,281
Total liabilities	**$418,750**	**$399,005**

Same asset analysis:

The same asset analysis incorporates results of operations of assets that the Company has held for at least two full years ending March 31, 2020. For the three months ended March 31, 2020, all of the assets are included in the same asset analysis except for the Blue Mountain Retail asset, which was sold in March 2019.

The combined revenue from same assets in the hotels and resorts (USA and Canada) segments recorded during the three months ended March 31, 2020 was $41,567 compared to $50,091 during the three months ended March 31, 2019, a decrease of $8,524. The decrease in revenue for the three months ended March 31, 2020 was driven by decreased occupancy and ADR in the second half of March at all of the Company's properties due to the COVID-19 pandemic, offset slightly by a favourable USD/CAD exchange rate.

During the three months ended March 31, 2020, same asset NOI was $7,507 compared to $12,306 for the three months ended March 31, 2019, a decrease of $4,799. The decrease was driven by the factors noted above, offset by expense management controls put in place by the Company at the beginning of the pandemic in an effort to preserve the Company's NOI. The Company's expense base did not decline as rapidly as its revenue during Q1 2020 as the Company did not finalize all of its expense reductions during March. As well, the major reduction in operating costs implemented by the Company relates to employees, who were owed severance and other costs upon exit, which were partially incurred in March. As well, state and local governments in the US implemented their restrictions on a state-by-state basis, and therefore certain other operating expenses were still incurred during Q1 in the face of revenue decline.

Skyline does not expect a material increase in operating costs over the mid to long term due to COVID-19, as it expects that its safety protocols will consist of minimal one-time costs coupled with slightly higher general supplies costs that will be offset with reductions in different areas of its cost base as necessary. Furthermore, Skyline is considering implementing a "COVID cleaning fee" at its hotels and resorts in order to offset these costs. Current discussions in the industry would suggest that pre-COVID-19 daily housekeeping of a room will move to only providing housekeeping on a change in occupant of a room. Housekeeping currently is one of the biggest room costs to any hotel. Reducing the number of cleanings would significantly improve margins.

NOI		
	For the three months ended March 31	
	2020	**2019**
Operating income before depreciation, valuation adjustments and other income	$9,091	$12,569
Segmented results from Development Segment	(3,204)	(1,189)
Selling and Marketing expenses	31	17
Administrative and General Expenses	1,589	1,370
NOI from income producing assets	**7,507**	**12,767**
Revenue from hotels and resorts	41,567	50,825
Operating expenses of hotels and resorts	(34,060)	(38,058)
NOI from income producing assets	**7,507**	**12,767**
Change in % compared to corresponding period	(41.2%)	

Adjusted EBITDA from Operations Adjusted EBITDA from Operations combines performance of income from hotels and resorts and development activities:		
	For the three months ended March 31	
	2020	**2019**
ADJUSTED EBITDA from operations	$9,091	$12,569
Change in % compared to corresponding period	(27.7%)	

Funds from Operations (FFO)		
	For the three months ended March 31	
	2020	**2019**
Net income net of minority interests	($5,352)	$205
Loss (gain) from fair value adjustments	107	328
Depreciation	5,154	4,488
Deferred tax	(2,335)	(965)
Revaluation component included in cost of sale, that was previously recognized in gain (loss) on fair value adjustments of investment property prior to its transfer to inventory (1)	4,860	692
Tax on gain of disposal of a property	318	996
Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination	-	1,364
FFO	**2,752**	**7,108**

The presentation and calculation of FFO was updated to reflect the definition above.

(1) The Company has not recognized any revaluation component in the current quarter with respect to the VTB payments for Port McNicoll.

Sales and marketing expenses

Sales and marketing expenses for the three months ended March 31, 2020 were $31, compared to $17 for the three months ended March 31, 2019. The increase is a result of marketing activity related to the Company's future development projects.

Administrative and general expenses

Administrative and general expenses for the three months ended March 31, 2020 were $1,589, compared to $1,370 for the three months ended March 31, 2019. The variance relates to higher personnel costs, offset by lower professional fees.

Fair Value Adjustment

See "Section IV – *Portfolio Review*", above.

Depreciation

Depreciation for the three months ended March 31, 2020, was $5,707 compared to $4,867 for the three months ended March 31, 2019. The increase of $840 is mainly attributable to increases in fair value coupled with additions made to hotel assets throughout 2019, which will result in higher depreciation on a go-forward basis.

Financial expenses, net

Financial expenses, net, for the three months ended March 31, 2020 were $10,365 compared to $4,744 for the three months ended March 31, 2019, an increase of $5,621, and are composed of the following:

	For the three months ended March 31	
	2020	**2019**
Interest on long-term loans and leases	$2,278	$3,535
Interest on bonds	1,615	1,705
Interest on short-term loans	138	279
Total interest expense	**4,031**	**5,519**
Foreign exchange loss (gain) on bonds payable	8,147	(512)
Fair value loss (gain) on financial derivative	(1,647)	(871)
Total revaluation due to foreign exchange	**6,500**	**(1,383)**
Bank charges	116	290
Amortization of deferred financing costs	460	590
Other financial income	(742)	(272)
Net other financial expense (income)	**(166)**	**608**
Financial expenses, net	**10,365**	**4,744**

Interest expense of $4,031 for the three months ended March 31, 2020 decreased by $1,488 compared to interest expense of $5,519 for the three months ended March 31, 2019. The decrease was driven by repayment of construction debt during the second half of 2019, coupled with continued declining interest rates. Please refer to the "*Liquidity and Financial Position*" for a discussion on the debt of the Company.

Income Taxes

For the three months ended March 31, 2020, the Company recorded $1,308 of income tax recovery, while in the corresponding period in 2019, an income tax recovery of $214 was recorded.

Net Income/(Loss) for the period

Net loss for the three months ended March 31, 2020 was $5,866 compared to net loss of $1,461 for the three months ended March 31, 2019. See *VIII "Income Statements and Segmental Highlights"* below.

VII. Balance Sheet Highlights

- The Company's shareholders' equity, excluding minority interests was $259,455 or $15.49 per share (38.73 NIS based on the NIS/CAD exchange rate as at March 31, 2020).
- The Company's shares closed on March 31, 2020 at 15.02 NIS per share, implying a discount of 61.2%.
- The consolidated assets of the Company as at March 31, 2020 totaled $703,042 compared to $675,846 as at December 31, 2019. The $27,196 increase is mainly due to favourable movement in the USD/CAD exchange rate during the first quarter.
- The consolidated liabilities of the Company as at March 31, 2020 totaled $418,750, compared to $399,005 as at December 31, 2019. The increase of $19,745 is mainly due to the impact of a movement in the USD/CAD exchange rate, which impacted the Company's USD denominated debt. This was offset by a decrease in construction debt due to the completion of construction projects.

- As at March 31, 2020 there is approximately $3,000 available on the Company's line of credit facilities.
- Trade receivables, other receivables and prepayments decreased from $24,510 as at December 31, 2019 to $13,323 as at March 31, 2020. The $11,187 decrease was driven by the closing of 28 units in Lakeside Lodge during the quarter.
- Real estate inventory and other inventory was $29,953 as at March 31, 2020 compared to $54,017 as at December 31, 2019. The decrease of $24,064 is a result of the sale of phases 2 and 3 of Second Nature.
- Loans to purchasers (current and non-current) were $60,258 as at March 31, 2020, compared to $36,642 as at December 31, 2019. The increase of $23,616 is a result of a VTB provided on the sale of phases 2 and 3 of Second Nature.
- Investment properties were $60,762 as at March 31, 2020 compared to $59,965 as at December 31, 2019. The decrease is due to favourable movement in the USD/CAD exchange rate during Q1 2020.
- Restricted bank deposits (current and non-current) were $11,930 as at March 31, 2020 compared to $11,789 as at December 31, 2019.
- Property Plant and Equipment was $478,752 as at March 31, 2020 compared to $454,737 as at December 31, 2019. The increase of $24,015 is the result of a number of movements, including investments made in the assets, a decrease in the value of the Canadian dollar relative to the US dollar, recognition of depreciation and movement in the fair value of certain assets of the Company.
- Bonds payable were $108,783 as at March 31, 2020 compared to $103,744 as at December 31, 2019. The increase of $5,039 is a result of unfavourable movement in the CAD/NIS exchange rate, offset by principal repayment.
- Loans and leases payable were $230,319 as at March 31, 2020 compared to $199,070 as at December 31, 2019. The increase of $31,249 is primarily related to the unfavourable movement in the USD/CAD exchange rate coupled with an $18,000 draw on the Company's line of credit.
- Trade payables, other payables and deferred revenue were $36,465 as at March 31, 2020, compared to $49,166 as at December 31, 2019. The decrease of $12,701 was mainly a result of timing of expenses.
- Purchasers' deposits were $407 as at March 31, 2020 compared to $3,263 as at December 31, 2019. The decrease of $2,856 was the result the closing of 28 units in Lakeside Lodge.
- Current tax payable was $862 as at March 31, 2020 compared to $1,484 as at December 31, 2019. The decrease is mainly due to tax payments made during Q1 2020.
- Deferred tax liability was $41,214 as at March 31, 2020 compared to $42,814 as at December 31, 2019.

VIII. Income Statement and Segmented Highlights

- For the three months ended March 31, 2020, the Company's consolidated revenue was $71,659, compared to $56,864 for the three months ended March 31, 2019. The year over year increase was a result of the sale of phases 2 and 3 of Second Nature, offset by lower contribution from the Company's hotel assets as a result of the COVID-19 pandemic.
- **US Hospitality segment:** For the three months ended March 31, 2020, the US Hospitality segment recorded a decrease in revenue of $7,563 compared to the three months ended March 31, 2019. The year over year decrease was driven primarily the impact of COVID-19, offset by a favourable USD/CAD exchange rate. Expenses decreased by $2,658 for the three months ended March 31, 2020 due to expense management countermeasures put in place to combat the effects of COVID-19. As a result, NOI decreased by approximately $4,905.
- **Canadian Hospitality segment:** During the three months ended March 31, 2020, the Canadian Hospitality segment recorded a decrease in revenue of $1,689. The decrease was primarily driven by the impact of COVID-19. Expenses decreased by $1,293 for the three months ended March 31, 2020, driven by expense management countermeasures put in place to combat the effects of COVID-19, leading to decreased NOI of approximately $396.
- **Development segment:** During the three months ended March 31, 2020, the completed the sale of phases 2 and 3 of Second Nature, and recognized development revenue of $30,092, compared to $6,045 during the three months ended March 31, 2019. Refer to "Development Highlights".
- For a detailed NOI, ADJUSTED EBITDA and FFO analysis see *Non-IFRS Financial Measures* above.

IX. Cash Flow Statement Highlights

As part of its business strategy, the Company seeks to acquire real estate properties adjacent to its hotels and resorts. Those activities may 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 that are typically funded by third parties, which results in negative cash flow from operations and positive cash flow from financing activities during the construction periods and the opposite impact on closing of a project.

- During the three months ended March 31, 2020, the Company’s cash and cash equivalents increased by $10,896, compared to an increase of $5,655 during the three months ended March 31, 2019. The increase during the three months ended March 31, 2020 is the result of a number of factors but is primarily the result of the Company accessing available credit facilities during the quarter.
- During the three months ended March 31, 2020, the Company recorded a cash inflow from operations of $119. The inflow was primarily a result of movements in in working capital, driven by the delivery of Lakeside units and timing of expenses. This compares to a cash outflow from operations of $5,923 during the three months ended March 31, 2019.
- During the three months ended March 31, 2020, the Company recorded a cash outflow from investing activities of $1,360, driven mainly by income tax payment related to the sale of Blue Mountain Retail and other property capital expenditures. This compares to a cash inflow from investing activities of $21,650 for the three months ended March 31, 2019, which was driven by the sale of Blue Mountain Retail, offset by property capital expenditures.
- During the three months ended March 31, 2020, the Company recorded a cash inflow from financing activities of $11,297, compared to a cash outflow from financing activities of $8,197 for the three months ended March 31, 2019. The positive cash flow from financing activities for the three months ended March 31, 2020 was driven by the Company accessing its available credit facilities.
- For further information, see the cash flow report in the interim condensed consolidated financial statements for the three months ended March 31, 2020 and Section X – “*Liquidity and Financial Position”* below.

X. Liquidity and Financial Position

The following section contains forward-looking information and users are cautioned that actual results may vary.

Liquidity and Capital Resources

Skyline intends to fund capital for acquisitions through (i) cash on hand, (ii) issuance of Common Shares or other securities and (iii) debt financing including floating and fixed rate debt. Cash flow from operating properties represents the sources of cash to fund capital expenditures, debt service and general & administrative expenses.

The Company also has a small development business. Development projects typically have an operating cycle longer than one year and the Company funds most of its investment in real estate development projects through credit from financial institutions.

The Company’s current liabilities include $72,104 of current maturities of long-term loans, bonds and short-term construction debt. The Company recorded a net cash inflow from operations of $119 for the three months ended March 31, 2020. Although the Company may periodically experience a net cash outflow from operations, when such an outflow occurs, it is not expected to adversely affect the Company's business operations, as it is the Company’s past experience that lending financial institutions refinance any outstanding loans. In addition, the number of potential lenders is sufficiently large that securing an alternate lender would be reasonably expected. See above under “Cash and loans”. There is, however no guarantee that the Company will be able to secure any required refinancing or any additional financing. Readers are reminded that past experience is not a reliable indicator of future results See the “Cautionary Note Regarding Forward Looking Statements” section and the “Risk Factors” section in this MD&A.

Cash and available lines of credit

As at March 31, 2020, the balance of cash and cash equivalents of the Company totaled $37,770 compared to $26,874 as at December 31, 2019. In addition, as at March 31, 2020 the Company has approximately $3,000 of available and undrawn funds on its line of credit, as well as approximately $15,760 of restricted bank deposits and long-term deposits, which can be accessed under certain circumstances.

Working capital:

As at March 31, 2020, the Company had negative net working capital of $14,290. Net working capital is negative due to the maturity of a hotel mortgage in Q1 2021 totalling approximately $30,151, which the company expects will be refinanced prior to maturity. Excluding the effect of this current maturity, the Company had positive net working capital of $15,861 (in addition to $3,000 of undrawn lines of credit), compared to $39,354 as at December 31, 2019. Management believes that it has a sufficient working capital.

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

	Three months ended March 31, 2020	**Three months ended March 31, 2019**
Net income (loss) for the period	($5,866)	($1,461)
Net cash provided (used) by operations	119	(5,923)
Net cash provided (used) in investing activities	(1,360)	21,650
Net cash provided (used) in financing activities	11,297	(8,197)
Foreign Exchange translation of foreign operations	841	(1,875)
Increase (Decrease) in cash and cash equivalents	10,896	5,655
Cash and cash equivalents, beginning of the period	26,874	27,983
Cash and cash equivalents, end of the period	37,770	33,638

The following table summarizes the Company's financial expenses and cash interest paid:

	Three months ended March 31, 2020	**Three months ended March 31, 2019**
Financial expenses as recorded in the statements of income (loss)	$12,754	$5,887
Interest paid per statements of cashflow	$5,355	$6,440

Under Israeli law the Company is obligated to disclose an unconsolidated stand-alone financial statement of the public entity. These statements are unconsolidated and as a result have none of the operating activity or cash flow that takes place in the wholly owned subsidiaries. The parent public entity has minimal revenue but does have head office expenses and interest from the unsecured debt (which is funded from operating activity in its subsidiaries). The following is a translation of this disclosure under Israeli law and if not for the dual reporting requirements would not be included in this MD&A.

In the Company's solo cash flow statement for the three months ended March 31, 2020, the Company presents negative cash flow from operations totalling approximately $4,013 for the three months ended March 31, 2020, and $6,430 of negative cash flow from operations for the three months ended March 31, 2019. The Company anticipates that in the future it could present a negative cash flow from operations in its solo reports as the majority of the Company's activity in Canada and the United States is carried out through its subsidiaries.

In light of this, the Company's Board of Directors examined whether the continuing negative cash flow from the current activity in the solo report as aforementioned could indicate a problem with the Company's liquidity. In the opinion of the Company's Board of Directors, nothing in the aforementioned negative cash flow indicates a problem with the Company's liquidity, paying heed to the fact, inter alia¸ that: (a) the majority of the Company's activity in Canada and the United States is carried out by means of the Company's subsidiaries; (b) the cash balances held by the Company; and (c) the financing sources available to the Company and the Company's anticipated liabilities.

Debt

The Company's long-term debt (loans, mortgages and bonds) principal repayments as at March 31, 2020 are as follows:

As at March 31, 2020	Principal Amount (loans and bonds)	% of Total Principal (excluding unamortized financing costs)
By March 31, 2021	$72,547	21%
By March 31, 2022	34,078	10%
By March 31, 2023	182,941	53%
By March 31, 2024 and thereafter	54,302	16%
Unamortized financing transaction costs[1]	(5,108)	
Total[2]	**$338,688**	

(1) As at March 31, 2020, deferred financing costs related to bonds payable were $2,097.

(2) The current portion of $65,342 of loans and leases payable in the financial statements includes construction loans that are to be repaid within the 3-4-year operating cycle.

Loans and mortgages have fixed rates that range from 3.35% to 9.13%. The variable rate loans and mortgages range from 2.99% to 7.99%. Maturity dates range from June 2020 to December 2025.

The Company has two series of bonds that trade on the Tel-Aviv Stock Exchange. The two series are referred to as "Series A Bonds" (secured) and "Series B Bonds" (unsecured). The Company has been given a rating of Baa1.il from Midroog the Israeli subsidiary of Moody's.

	Currency	Original Principal	Principal Outstanding at March 31, 2020 in '000 NIS	Nominal annual interest rate	Timing of Interest Payments	Maturity Date	Amortization
Series A	NIS	148,240[1]	126,440	5.20%	Jan/Jul	Jan 15, 2023	20 Years
Series B	NIS[2]	164,464	148,429	5.65%	Jan/Jul	Jul 15, 2024	15 Years

[1] Including the extension of 20,000 NIS

[2] Linked to USD

Series A Bonds

On July 27, 2016, the Company closed its first prospectus offering of Series A Bonds in Israel. The Company issued 128,240 bond units at an interest rate of 5.20% (fixed) and raised 123,300 NIS, net of fees (approximately $41,500 CAD). The Series A Bonds commenced trading on the Tel Aviv Stock Exchange on July 19, 2016. The proceeds were used to refinance a maturing loan of approximately $32,000 and a line of credit of approximately $11,000. For additional information, see note 13 in the annual consolidated financial statements.

On August 29, 2017, the Company closed an additional offering of Series A Bonds, by private placement in Israel to institutional investors. The Company issued 20,000 bond units at an interest rate of 5.20% (fixed) and raised 20,750 NIS (raised with a premium approximately $7,000 CAD), reflecting an effective interest rate of approximately 5%.

The Series A Bonds are redeemable (principal) in payments that shall be made on January 15 and July 15 of each year with the last payment being on January 15, 2023. Each payment shall redeem approximately 2.5% of the par value of the principal, except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 72.5% of the par value of the principal.

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

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

The main financial covenants, as set out in the Series A Deed of Trust, include the requirement of the Company to maintain a maximum outstanding balance of the Series A Bonds to a property value ratio ("LTV") of not more than 72.5% and a minimum shareholder' equity of $100,000 CAD. The Company complies with all covenants required in the Series A Deed of Trust (as defined below).

The balance of this section included in "Series A Bonds" is a requirement of the Israeli Security Authority as part of the MD&A disclosure rules.

Hereinafter are details regarding the financial criteria with which the Company has undertaken to comply, pursuant to the deed of trust dated July 12, 2016, for the Company's Series A Bonds (the "Series A Deed of Trust").

Financial criterion	Result of calculation as at March 31, 2020
Ratio of the loan to security shall not exceed 0.725 inasmuch as the attached assets include a yielding asset[1]	0.5889[5]
The Company's adjusted equity capital shall be no less than 100 million Canadian dollars[2]	259.5 million Canadian dollars
The ratio between the Company's adjusted equity capital and the Company's total balance sheet shall be no less than 25%[3]	36.9%

(1) The ratio of the loan security calculated above includes the value of the financial derivative (currency hedge). If the value of the financial derivative is removed from the calculation the ratio would be 0.6741.

Certain restrictions pertaining to dividends

The Company shall be permitted to "distribute", as the term is defined in the Israeli Companies Law (including by way of independent purchase of the Company's shares) (in this section: "distribution"), subject to compliance with the Companies Law requirements for distributions, provided that:

a. Total equity capital after any distribution shall be no less than 120 million Canadian dollars.
b. The dividend shall not exceed 50% of the "current net profit" in any calendar year starting from January 1, 2016.
c. The Company has complied with all other applicable financial criteria under the Israeli Companies Law.

[1] The ratio of loan to security is calculated as the ratio of (A-B-D)/C; in this matter -
A = the balance of the par value of the Series A Bonds that shall be outstanding at the time of the examination, plus interest accrued up to that date in accordance with the terms of the Series A Bonds;
B = the cumulative amount of the collateral value of monetary deposits and/or bank guarantees and/or government securities, inasmuch as they shall be pledged at the time of the examination;
C = value of the collateral of the Income Producing Properties, inasmuch as they shall be pledged at the time of the examination;
D = the balance of the par value of the Series A Bonds that will be held by the Company's wholly-owned subsidiaries at the time of examination, plus interest accrued up to that date in accordance with the terms of the Series A Bonds.
Notwithstanding the aforementioned, in the event all the Pledged Assets are a monetary deposit and/or bank guarantees and/or government security (i.e. without income producing properties), the Loan to Collateral Ratio shall not exceed 1. It is hereby clarified that the balance of the Bond value (series A) was calculated after reducing the value of a financial derivative instrument designed to hedge the exposure to the Israeli Shekel. The value of said financial instrument as at March 31, 2020 was 16.2 million NIS. It is clarified that the company is not in breach of the value-to-loan covenant both with or without taking into account the said derivative financial instrument

[2] "**Adjusted Equity**" shall mean - the equity under the IFRS rules, less minority interests, plus capital notes and any shareholders' loans that shall be provided, all in accordance with the consolidated financial statements of the Company.

[3] "**Total Balance**" shall mean - the total consolidated balance, according to the IFRS rules and in accordance with the consolidated financial statements of the Company; "**Adjusted Equity**" means - the equity under IFRS rules, plus minority interests, Capital Note and all shareholders' loan to be provided, all in accordance with the consolidated financial statements of the Company.

“Current net profit” means profit for a period according to the accepted rules of accounting pursuant to the Company’s latest quarterly or annual consolidated financial reports, as the case may be, less income and plus costs and expenses that are not cash flow based, which were recognized as profit for the period.
Without derogating from the generality of the aforementioned: income which is not cash flow based could include, for example, an increase in the fair value of real estate for investment and profit from purchase at an incidental price. Expenses and costs which are not cash flow based could include, for example, decrease in the fair value of real estate for investment, depreciation and reductions and expenses due to share based payment.[4]

Notwithstanding the above, the Company shall be permitted to distribute a dividend during a realization of assets (including by way of adding a partner), of up to 50% of the cash flow profit derived from realization of the asset. This is due, in part, to the cash flow profit, which is not included in the current net profit.

“**Cash flow profit**” means net consideration from sale of the asset, whether this sale is recognized as current net profit or its expenses are recognized as other inclusive profit, less the following components: original cost of purchase, capital investments (CAPEX) executed during the period in which the Company held the asset, transaction costs and taxes. Cash flow profit shall also include any other sum, which as a result of realization, pursuant to accepted accounting rules, is to be transferred from a capital fund to accumulated losses.

Note that, if the sale of the asset was carried out in instalments, the dividend can be made in instalments, pursuant to the table of payments for the sale.

In the event the Company does not distribute a dividend for a particular calendar year, the right to distribute accrues, and the dividend can be distributed in future years, subject to compliance with applicable law.

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

Year	Total Amount of Dividends Paid (per Common Share)
2019	-
2018	-
2017	5,000 NIS

The following table sets forth the calculation of the Company’s current net profit balance as defined above:

In Thousands Canadian dollars	**Three months ended March 31, 2020**
Net profit (loss)	($5,866)
Plus: costs and expenses which are not cash flow based	
Depreciation and deductions	5,707
Expenses for share based payment	26
(Increase)/Decrease in fair value of real estate for investment	143
Revaluation component included in cost of sale, that was previously recognized in gain (loss) on fair value adjustments of investment property prior its transfer to inventory	-
Total additions	**5,875**
Less: income that is not cash flow based:	
Increase of value of real estate inventory to the net value of realization	-
Total deducted	**-**
Current net profit	**9**
Current net profit from previous years for which a dividend was not distributed	55,548
Total current net profit balance	**$55,558**

[4] The Company undertakes to provide further information regarding its non-cash flow income in its annual reports.

Additional details pursuant to disclosure required pursuant to the provisions of the deed of trust for Series A Bonds:

1. Financial restrictions and liabilities in regard to the pledging companies: as of the date of this report Skyline Deerhurst Resort Inc. (hereinafter: "Skyline Deerhurst") is a company fully owned by the Company (100%).
2. Restriction on provision of loans: As of the date of this report, the Company has not provided a loan/s in favour of Mishorim Real Estate Investments Ltd., the controlling shareholder of the Company.
3. Liquidity: the balance of the cash and cash equivalents as of March 31, 2020, pursuant to the Company's consolidated financial reports is a total of approximately $37,770 and the interest and principal payment for the Series A Bonds due on July 15, 2020, totals approximately 7,438 thousand NIS.
4. Lien on the Deerhurst chattels: all the liens created under the Deerhurst chattels guarantee, as of the date of this report, constituted a total debt of approximately $2,383 Canadian dollars[5]. As of the date of this report Skyline Deerhurst is complying with all the terms of its secured debts by all the liens so created, and the value of all the pledged chattels is insignificant as compared to the overall value of the pledged asset.
5. As of the date of this report, no changes have been made to the terms of the management agreement in regard to Deerhurst (hereinafter: "The Management Agreement") that deviate from that detailed in Appendix D of the Series A Deed of Trust. As of the date of this report, the Company (by means of the subsidiary, as defined in Appendix D of the Series A Deed of Trust), is entitled to management fees and commission by virtue of the Management Agreement at the following rates:

    a. 3.5% of the revenues and from the incentives commission which is at a rate of 25% of the Adjusted Profit; in the event of high profitability (pursuant to the terms of the agreement) the Company shall be entitled to 25% of the excess of the EBITDA, subject to the liquidity of the resort and its activity ability.
    b. In the event of sale of the resort, the Company shall be entitled to a commission at a rate of 2% to 5% from the consideration of the sale, and in the event that the rate of the internal return of the investment (IRR) on the date of sale shall exceed 10%, the Company shall be entitled to additional consideration, that shall constitute between 20% and 35% of the excess.

    As of the date of this report the Company is compliant with all the terms and undertakings pursuant to the Series A Deed of Trust , including its compliance with the financial criteria as stated in this section above, and no conditions establishing a case for placing the Series A Bonds for immediate realization of the securities given to guarantee the payment to the Series A Bond holders have been established.

[5] The Company had undertaken that all liens that shall be created on the on the Deerhurst chattels shall not guarantee at any time a debt of more than the accrued amount of 3 million Canadian dollars.

Hereinafter are details of the Deerhurst and Horseshoe assets

The Deerhurst Asset

(Data pursuant to 100% share of the Company in the asset 100%)	Three months ended March 31, 2020	Year ended December 31, 2019
Value of the asset (in '000 Canadian dollars)[1].	$77,050	$77,050
NOI for the period (in '000 Canadian dollars)	($445)	$6,106
Value on the books at the end of the period, in '000 Canadian dollars	$75,837	$76,673
Average occupancy rate during the period (%)	39%	57%
RevPAR (Canadian dollars)	$65.17	$117.78
Total revenues in '000 Canadian dollars[2]	$4,192	$32,396
Average rent per rented room per day for the purpose of annual evaluation (Canadian dollars)	$167.17	$217.11

(1) Evaluations were carried out on December 31 2018 and September 30, 2019.
(2) The NOI (EBITDA) is defined as profit from regular activities after payment of rent to the apartment owners whose units are rented out by the Company to its guests, while neutralizing depreciation and before expenses for management fees paid to affiliated companies that manage the assets. Management fees paid to the external management companies fluctuate between 2% and 3% of the sales turnover.

The Horseshoe Asset

(Data pursuant to 100% share of the Company in the asset)	For the three months ended, March 31, 2020	For the year ended, December 31, 2019
Value of the asset (in '000 Canadian dollars). Evaluation were carried out on December 31, 2019.	$41,500	$41,500
NOI for the period (in '000 Canadian dollars)	$3,121	$2,844
Value on the books at the end of the period, in '000 Canadian dollars	$40,840	$41,500
Average occupancy rate during the period (%)	45%	48%
RevPAR (Canadian dollars)	$89.17	$86.32
Total revenues in '000 Canadian dollars[1]	$8,224	$20,080
Average rent per rented room per day for the purpose of annual evaluation (Canadian dollars)	$196.41	$177.99

(1) The NOI (EBITDA) is defined as profit from regular activities after payment of rent to the apartment owners whose units are rented out by the Company to its guests, while neutralizing depreciation and before expenses for management fees paid to affiliated companies that manage the assets. Management fees paid to the external management companies fluctuate between 2%-3% of the sales turnover.

Series B Bonds

Under a shelf prospectus dated February 23, 2015, and a supplementary Shelf Offering Report issued by the Company in Israel on September 24, 2017, the Company issued 164,464 units comprising of NIS 1,000 par value Series B Bond at a fixed interest rate of 5.65% and raised 164,464 NIS (approximately $57,786 CAD) (the "Series B Bond Offering"). The Series B Bonds' interest and principal are linked to the NIS/US dollar exchange rate. The Series B Bonds commenced trading on the Tel Aviv Stock Exchange on September 28, 2017.

The Series B Bonds are redeemable (principal) in payments that shall be made semi-annually on January 15 and July 15 from 2019 to 2024 (inclusive). Each payment shall redeem 3.25% of the par value of the principal of the Series B

Bonds except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 64.25% of the par value of the principal of the Series B Bonds.

The interest on the Series B Bonds shall be paid in semi-annual payments on January 15 and on July 15 of each of the years 2018 to 2024, with the first payment of interest to be made on January 15, 2018, and the last payment of interest to be made on July 15, 2024.

The financial liabilities, as set out in Section 6.2 of the Series B Deed of Trust, dated September 24, 2017, include the requirement that the Company maintain a consolidated nominal equity (excluding minority interests) of not less than $130,000 CAD and a ratio between the Company's consolidated equity (including minority interests) and the total assets of not less than 26%. The financial covenants, as set out in Section 5.4 of the Series B Deed of Trust (regarding Interest Rate Adjustment), include the requirement of the Company to maintain a consolidated nominal equity (excluding minority interests) of not less than $180 million CAD and a ratio between the Company's consolidated equity (including minority interests) and the total assets of not less than 28.5%. Therefore, the Company complies with all covenants and liabilities prescribed by the Series B Deed of Trust.

The net proceeds of the Series B Bond Offering were used for the acquisition of 13 Marriott Courtyard hotels.

The balance of this section included in the "Series B Bonds" section is a requirement of the Israeli Security Authority as part of the MD&A disclosure rules.

Hereinafter are details regarding the financial criteria, pursuant to Section 5.4 of the deed of trust (adjustment of the rate of interest as a result of non-compliance with the financial criteria), as of September 24, 2017 for the Company's Series B Bonds (hereinafter: "Series B Deed of Trust").

Financial criterion	**Result of calculation as at March 31, 2020**
The Company's consolidated equity capital (not including minority rights) shall be no less than 180,000 thousand Canadian dollars (this sum shall not be linked to any linkage index whatsoever)	$259.5 million CAD
The ratio of the Company's consolidated capital (including minority rights) to the total balance sheet shall be no less than 28.5%.	40.4%
The operating EBITDA of the Company (as defined in Section 1.5.31 of the Trust Deed) in the last four quarters. Such an examination shall be performed for the first time in accordance with the annual financial statements for 2018.	$45.7 million CAD

Hereinafter are details regarding the financial stipulations with which the Company has undertaken to comply, pursuant to Section 6.2 (Financial undertakings) of the Series B Deed of Trust.

Financial criterion	**Result of calculation as at March 31, 2020**
The Company's consolidated equity capital (not including minority rights) shall be no less than 130,000 thousand Canadian dollars (this sum shall not be linked to any linkage index whatsoever)	$259.5 million CAD
The ratio of the Company's consolidated capital (including minority rights) to the total balance sheet shall be no less than 26%.	40.4%

The Company clarifies that, as part of the collateral provided to a Canadian bank (in connection with a credit facility of up to 20 million CAD, obtained by the Company in March 2017, (of which, as of March 31, 2020 the Company used approximately $18 million), a floating charge was registered over all of the Company's assets (excluding the Company's Skyline Deerhurst shares). The floating charge was registered prior to the issuance of the Series B Bonds; it is limited to the amount of the debt, as from time to time in effect, and should the Company wish to increase its credit facility and floating charge, the consent of the Holders of Series B Bonds and/or the Trustee shall be required. In addition to the aforesaid, the Company did not record a current lien on its assets.

Hereinafter are details of the financial stipulations with which the Company has undertaken to comply, pursuant to Section 8.1.27 (causes for immediate defrayal) of the Series B Deed of Trust:
Pursuant to Section 8.1.27 of the Series B Deed of Trust, the Company confirms that there has been no change to its principal activity, furthermore, the scope of the Company's entrepreneurial residential and real estate project.

Certain restrictions pertaining to dividends

The Company shall be permitted to carry out distributions as this term is defined in the Companies Law (including by way of independent purchase of the Company's shares) (in this section: "Distribution"), subject to compliance with the provisions of the Companies Law for the purpose of Distribution and on condition that the following accumulated conditions are met:

a. The Company's total consolidated equity capital (not including minority rights), pursuant to the Company's consolidated financial reports, after Distribution as aforementioned, shall be no less than a total of 200 million Canadian dollars and, the ratio of the Company's consolidated capital (including minority rights) to the total balance sheet pursuant to the annual or quarterly financial reports that were published prior to the date of passing the resolution as to the Distribution, after execution of the Distribution, shall be no less than 28.5%;

b. The scope of the Distribution that the Company shall be permitted to make to its shareholders shall not exceed 50% of "the current net profit" for every calendar year, starting from January 1, 2016;

c. The Company is complying and shall comply after the Distribution with the financial criteria pursuant to Section 6.2a of the Series B Deed of Trust; and

d. The Company has transferred to the trustee approval by the senior officer in the field of finance in the Company pursuant to Section 6.2(i)(d) of the Series B Deed of Trust.

In this matter "current net profit" means profit for the period pursuant to the accepted rules of accounting pursuant to the Company's latest quarterly or annual consolidated financial reports, accordingly, less revenues and plus costs and expenses which are not cash flow based, which were recognized in the profit for the period. Without derogating from the generality of the aforementioned: revenues that are not cash flow based could include, for example, an increase in the fair value of real estate for investment and profit from purchase at an incidental price. Expenses and costs which are not cash flow based could include, for example: decreases in the fair value of real estate for investment, depreciation and deductions and expenses due to share-based payment. Notwithstanding the aforementioned, the Company shall be permitted to distribute a dividend during the realization of assets (including by way of adding a partner), at a scope of up to 50% of the cash flow profit derived from realization of the asset, and this due to the share of the cash flow profit, which was not included in the current net profit, as defined above.

In this matter "cash flow profit" means net consideration derived to the Company from sale of the asset, whether this sale was recognized as current net profit or whether its results were recognized as the other inclusive profit, less the following components: cost of the original purchase, capital investments (CAPEX) executed in the period in which the Company held the asset, transaction costs and taxes. Furthermore, the cash flow profit shall include any other sum which as a result of realization, pursuant to the accepted rules of accounting, shall be transferred from the capital fund to the accumulated losses. It shall be emphasized that if the sale of the asset was carried out in instalments, it shall be possible to distribute the dividend in instalments, subject to the aforementioned, relatively, pursuant to the payment table of the sale. It shall be stated that in the event that the Company did not distribute a dividend for a certain calendar year, the right to distribute shall accrue for it, and it shall be entitled to distribute it in the coming years, subject to the provisions of the law. See above, calculation of the current net profit as of March 31, 2020. As of the date of this report the Company is compliant with all the terms and undertakings pursuant to the Series B Deed of Trust, including compliance with financial stipulations as stated in this section above, and no conditions have been established for cause for placing the bonds (Series B) for immediate defrayal.

In January 2017 the Company purchased a derivative to hedge its NIS currency exposure to Bonds (series A). See note 15 in the consolidated financial statements for the year ended December 31, 2019.

The Company's compliance with financial covenants

As of the date of publication of this report, the Company and its subsidiaries are compliant with the financial criteria which it has undertaken to comply with vis-à-vis the banking corporations and the bond holders.
Hereinafter are details regarding the financial criteria which the Company and its subsidiaries have undertaken to comply with in regard to the significant loan agreements to which they are a party:

With regard to the loan for some $89.5 million USD taken by the Company's subsidiary on November 14, 2017, to finance purchase of hotels in the Courtyard by Marriott chain, and which is described in Note 15 (d) of the consolidated reports for the year ended December 31, 2019:

a. The Company's net asset value (apart from the assets purchased) is some $138.6 million USD – the value is required to be no less than $100 million USD.
b. The scope of the cash and cash equivalent totals in approximately $26.6 million USD – the Company's liquidity is required to be no less than $10 million USD.

Impact of COVID-19 on Liquidity and Financial Position

The Company, as part of its response to the crisis, has examined, among other things (in addition to the specific items noted above): the Company's financial position, its results of operations, liquidity, financial strength and flexibility, sources of financing, and its ability to meet lending and other obligations. The Company believes that, as of the date of this report, that it has sufficient liquidity to meet its financial obligations for the foreseeable future, as it has sufficient unrestricted and restricted cash balances, cash flows and other liquid assets.

Furthermore, the Company has employs conservative leverage, has sufficient financing capabilities, and expects to receive government assistance which will cover a portion of its expenses in the near to mid-term. However, given the uncertainty around timing of a resolution of the crisis, future effects of the crisis cannot be fully estimated. Should the crisis worsen and/or continue indefinitely, there could be an adverse impact on the operations and financial results of the Company.

As part of its "significant downside case" planning scenario, the Company estimates that under a full-scale shutdown, it would incur cash outflows of approximately $3 million per month, in addition to the approximately $6 million Debentures payment due in July. Therefore, the Company estimates that it has sufficient cash resources to cover a "worst-case" scenario, and further expects that government assistance would offset a part of the operational cash outflow. The Company will keep Bear Valley closed until the next ski season, which will have a neutral cash flow impact on the Company relative to normal operations. The Company expects that both Deerhurst and Horseshoe will reopen during June, and will benefit from government assistance to offset a portion of expenses. The Company's US hotels remain open and are covering their variable costs, and are beginning to benefit from US government assistance.

XI. Equity

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of Common Shares. A detailed description of the rights, privileges, restrictions and conditions attached to the Common Shares is included in our Annual Information Form. As of March 31, 2020, the Company had 16,745,227 Common Shares issued and outstanding. The Company did not issue any Common Shares during the current year.

The Company's capital resources include amounts raised from the sale of its Common Shares. The Company's Common Shares are listed for trading on the Tel Aviv Stock Exchange.

	As at March 31, 2020
Total outstanding at the beginning of the period	16,745,227
Issued, as a result of stock option exercise	-
Total outstanding at the end of the period	16,745,227

Other Issued Securities

The Company has also issued Stock Options as outlined in the table below.

	Number of Employee Stock Options As at March 31, 2020	Exercise Price
Total stock options outstanding at the beginning of the period	180,000	28.88 NIS
Less: Employee stock options cancelled during the period	-	N/A
Less: Employee stock options exercised	-	
Total stock options outstanding at the end of the period	180,000	28.88 NIS

XII. Factors Affecting Performance

The Company's performance is affected by a number of industry and economic factors as well as exposure to certain environmental factors, including those further discussed below. These factors represent opportunities but also challenges and risks that the Company must successfully address in order to continue to grow the business and improve its results of operations.

Canadian Hotels and Resorts segment

The hospitality segment in Canada includes the Horseshoe Resort and Deerhurst Resort.

Competitive Conditions

Deerhurst Resort competes mainly within the Ontario marketplace, with approximately 80% of its guests travelling within the province itself. Guest visits at the resort are divided equally between Leisure Travel (family and couples) and Group Travel (corporate, association, government, and social). Competitors for leisure guest visits include locally owned independent resorts in rural locations known for their natural beauty as well as larger hotel and resort experiences in Ontario's key tourism destinations. Competitors for group travel include all branded hotel chains with conference facilities or branded hotels in major cities within proximity to convention centres. Key differentiators for Deerhurst Resort include its reputation as one of the oldest resorts in the province of Ontario, its lakefront setting in the world-renowned Muskoka region, and its outdoor recreation and adventure offerings. Horseshoe Resort competes directly with other ski, golf and adventure parks in Simcoe Country behind the industry leading Blue Mountain ski area.

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

- *Continued enhancements to its online reservation and booking platform:* The Company has a central reservations system, located at one of its properties, and is constantly improving its online planning and booking platform, offering guests a useful way to make reservations at its hotels. The Company is also in the process of implementing an online booking platform for resort activities, which is expected to streamline guests' trip planning experience.

- *Skyline Hospitality modernization:* The Company is actively upgrading the quality of accommodations and amenities available at its hotels through capital improvements, and adding new amenities. Projects completed over the last year include the installation of a new chair lift at Horseshoe Resort, improvement of snow making facilities by adding a new artificial water reservoir that is also used as a new attraction, as a lake in summer, and the modernization of facilities at Horseshoe and Deerhurst resorts.

Accessibility from major metropolitan areas

The Company's hotels and resorts are mostly located within the Greater Golden Horseshoe and within driving distance of the Greater Toronto Area (GTA), the most populous metropolitan area in Canada. 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 Valley) 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

The Hospitality segment in Canada is impacted by seasonality. Resort operations are highly seasonal in nature, with a typical winter/ski season beginning in early December and running through the end of March, and typical summer seasons beginning late in June and ending in early September. In an effort to partially counterbalance the concentration of revenue in the winter months at the Horseshoe Valley Resort in comparison to the summer months at 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 and Deerhurst Resorts have complementary high seasons, with the Horseshoe Resort having its high season in the winter season and the Deerhurst Resort having its high season during the summer and early fall.

USA Hotels and Resorts segment

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, and price among other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels as well as facilities owned or managed by national and international chains, including such brands as Marriott, Hilton, IHG, and Hyatt. The Company's properties also compete for convention and conference business across the national market. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at the hotels through capital improvements.

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

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

On November 14, 2017, the Company acquired 13 Marriott Courtyard hotels in the US for a total consideration of $135 million US (before transaction costs). The 13 hotels acquired include, in aggregate, 1,913 rooms. The hotels are spread over 9 US states and are geographically diverse with strong locations in key Midwest, Southeast and Southwest markets.

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 and are highly interconnected. The region is also part of the Great Lakes Megalopolis, which contains an estimated 59.1 million people.

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 numerous 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 US News & World Report. University Hospitals, another well recognized facility, is the second largest employer in the CSA. In 2015, approximately 17.6 million people visited Cleveland.

The Company's hotels in the CSA 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 Jack Cleveland Casino, professional sports arenas, the Rock and Roll Hall of Fame, playhouse district, and a new conventions center and medical mart.

Seasonality

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

Real Estate, Development segment ("Development")

Management of the Company manages the Investment Properties, regardless of their accounting classification, as one operating segment.

Competitive Conditions

The Company has extensive real estate holdings at its resorts in Muskoka and Oro-Medonte, Ontario, Canada 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 condominium units and lots that are available for sale, which primarily relate to Lakeside Lodge at Deerhurst Resort, (see Section I - Overview above) and Slopeside Lodge at Horseshoe, Golf Cottages and Sanctuary Lots at Deerhurst and at Blue Mountain and planning for future real estate development projects, including rezoning and acquisition of applicable permits. In the winter of 2017, the Company launched a new 44 condo project – called Slopeside Lodge, at the Horseshoe Resort, which is more than 95% sold and 41 units have been delivered to purchasers by March 31, 2020.

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.

The scope of development by the Company is insubstantial compared to the total market. Thus, the Company is unable to significantly impact competition in the market. In locations where there is a direct competitor with the Company, results will typically be more favourable to the party who offers condominium units with a higher level of finishing, at a lower price and with lower maintenance fees. However, the Company believes that it currently has a competitive advantage in the Blue Mountain, Horseshoe and Deerhurst areas as these areas do not have competing projects of similar size, and due to the Company's proximity to hospitality amenities and outdoor activities.

Seasonality

Since the Deerhurst Resort attracts mostly clientele interested in summer activities, such properties are typically marketed during summer and spring seasons, compared to the properties located at the Horseshoe Resort and Blue Mountain, which 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.

XIII. Financial Instruments and Off-Balance Sheet Arrangements

In January 2017, the Company entered into a derivative arrangement to hedge its exposure to NIS due to the Series A Bonds raise in July 2016. There are no other financial instruments or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company. For further information on the financial instrument the Company acquired in January 2017 see Bonds above.

Company Distributions

The Company does not currently have a dividend distribution policy.

XIV. Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires Management to make judgments and estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. The Company's significant accounting policies are described in note 2 to the annual consolidated financial statements.

Judgment

Judgment is required in determining whether the acquisition of properties represent an acquisition of discrete real estate assets or constitute a business combination in terms of IFRS 3, Business Combinations ("IFRS 3"). There are some key measurement differences (e.g., goodwill recognition for business combinations vs. no such recognition for asset acquisitions), as well as a difference in the treatment of acquisition related costs (expensed for a business combination vs. capitalized for asset acquisitions) that occur as a result of the determination. The Company accounts for acquisitions as a Business Combination in accordance with IFRS 3.

Estimates

Investment property and property, plant and equipment assets, including property held for sale

Investment properties are measured at fair value in the consolidated balance sheet at each reporting date. Fair values are determined by independent external valuations or detailed internal valuations, generally using the overall capitalization rate ("OCR") method. Under this method, capitalization rates are applied to a stabilized NOI for each property, adjusted for market-based assumptions such as rent increases, long-term vacancy rates, repair and maintenance costs and other forecasted cash flows. Capitalization rates are based on recently closed transactions for similar properties, where available, or investment survey data, taking into account the location, size and quality of the property. The most significant assumption is the capitalization rate as it magnifies the effect of a change in stabilized NOI. An increase in the capitalization rate will result in a decrease to the fair value of an investment property and vice versa. Management monitors and assesses changes in the student housing market, which may affect the valuation parameters applied to the property.

During the reporting period, no significant change in the value of investment property exists, except for the Blue Mountain real estate valuation (see also Section VII – *Development Segment*).

Real estate Inventory

The estimates included in measuring real estate inventory include estimations of the costs to complete a project and the net realizable value of a project, among other critical metrics which involve uncertainty.

During the three months ended March 31, 2020, there were no significant write offs of inventory to net realizable value.

Contingencies and lawsuits

When estimating the lawsuits filed against the Company and its subsidiaries, the Company relies 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.

In 2016, the Company was served claims totalling $2.1 million in relation to certain construction projects and issued a counterclaim in the amount of $4 million. The Company has received judgement relating to one of the construction projects, and as such has provided a total of $2.6m in the financial statements as at March 31, 2020 for both claims.

In December 2019, the Company was served a claim from the Company's former President and Chairman (currently serving as a Director) for employment related issues. In addition, the Company has been served with several smaller claims. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery.

XV. Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company’s internal control over financial reporting and other financial disclosure and our disclosure controls and procedures. The Company could be adversely impacted if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, the Company cannot assure the reader that the disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our share price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s financial statements.

Internal control over other financial disclosure is a process designed to ensure that other financial information included in this MD&A, fairly represents in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented in this MD&A.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management by others, particularly during the period in which the interim filings are being prepared and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company's disclosure controls and procedures includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's Management, as appropriate to allow timely decisions regarding required disclosure.

Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

For the three months ended March 31, 2020, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management has concluded that there are no material weaknesses in the Company's internal controls over financial reporting as of March 31, 2020.

XVI. Exposure to Market Risks and Ways of Managing Them

1. **Exchange rates**: The Company's performance is impacted by foreign currency fluctuations, notably of the Canadian dollar relative to the United States dollar. The Company faces large exposure to the Canadian/US dollar exchange rate since the Company has significant operations and assets in the United States and reports its results in Canadian dollars (see below). As of March 31, 2020 (compared to December 31, 2019), the US dollar appreciated by approximately 9.2%. For more information regarding the influence of the foreign exchange rate on Company's equity, see notes 2 (e) and 27 (d) in the annual consolidated financial statements for the year ended December 31, 2019. 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.

   In September 2017, the Company issued Series B Bonds denominated in USD, which provides a natural hedge to the Company's anticipated equity investment in the acquisition of 13 Marriott Courtyard hotels in the United States. In January 2017 the Company purchased a cross-currency financial instrument to hedge the exposure to Israeli Shekels following its 2016 raise of Series A Bonds denominated in Israeli Shekels. For more information see note 15 to the consolidated financial statements for the year ended December 31, 2019.

   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. For the three months ended March 31, 2020, the Company's US operations contributed approximately 39% of the consolidated revenues and approximately 34% of consolidated net operating income. The Company does not purchase financial instruments that hedge the USD/CAD currency rate risk. Exchange rate risk is minimized by borrowing in US dollars for properties in the United States.

2. **Market Risks**: The Company is subject to a number of risks and uncertainties, 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, the United States and Canada. The Company does not hold or issue derivative financial instruments for trading purposes.

XVII. Risk Factors

Our hospitality operations, real estate development projects, vacation club, and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. In addition to the other information presented in this MD&A, the following risks should be given special consideration as part of any investment decision in the Company's securities.

Investors should carefully consider all of the information disclosed in this MD&A prior to investing in the securities of the Company. There are certain risks inherent in an investment in the securities of Skyline and in the activities of Skyline, including our hospitality operations, real estate development projects, vacation club, and those set out below and in Skyline's materials filed with Israeli and Canadian securities regulatory authorities from time to time, which are available under the Company's profile on MAGNA at www.magna.isa.gov.il and SEDAR at www.sedar.com. Current and prospective holders of securities of Skyline should carefully consider such risk factors.

If any of the following or other risks occurs, Skyline's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of Skyline could decline and investors could lose all or part of their investment in such securities, and the future ability of Skyline to make distributions to shareholders could be adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

The COVID-19 pandemic has had and may continue to have an adverse effect on our financial condition and results of operations

In March 2020, the WHO declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including Canada and the United States, have imposed unprecedented restrictions on travel, group gatherings and non-essential activities, including orders and guidance issued by federal, state, provincial and local governmental authorities such as "social distancing" guidance and orders.

The outbreak of COVID-19 has, and may continue to have a negative impact on the Canadian and U.S. economies, the hospitality industry, the willingness of the general public to travel, the demand for travel, transient and group business, guest traffic and guest reservations, the level of consumer confidence in the safety of travel, the Company's business, results of operations and financial condition, may also cause staff and supply shortages, and has resulted in corporate travel restrictions, increased government regulation, including legislated travel restrictions, mandated social distancing, stay-at-home orders and directives, required quarantines, self isolation and other public health orders and directives, and may result in forced closures of the Company's properties and closures due to deteriorating occupancy levels as a result of the foregoing.

The length of the COVID-19 pandemic and severity of such outbreak across the globe is currently unknown, may worsen, and may continue to cause general economic uncertainty in key global markets and a worsening of global economic conditions and may cause low levels of economic growth, including in the Canadian and U.S. government stimulus and support packages and programs, if any, announced or created in respect of the Canadian and U.S. hotel industries may not be available to the Company or its subsidiaries, in whole or in part, and investors should not assume such financial support will be available to the Company or its subsidiaries.

The pace of recovery following the COVID-19 pandemic cannot be accurately predicted and may be slow. As a result, we cannot predict how soon Skyline will be able to re-open its closed properties when the COVID-19 pandemic subsides, as our ability to re-open and/or resume normal operations will depend largely on the actions of a number of governmental authorities over which Skyline has no control. It is possible that modified social distancing requirements or recommendations will alter the way in which Skyline does business after it re-opens its closed properties and/or resumes normal operations, possibly for an extended period of time.

The COVID-19 pandemic has also resulted in significant financial market volatility and uncertainty, including on the market price of our Common Shares. A continuation or worsening of the levels of market disruption and volatility seen during Q1 and Q2 of 2020 could have a further adverse effect on the market price of our 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 year, 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 and dependent on the availability of cash flows and credit facilities.

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

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

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

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

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

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

Our operations are subject to a variety of federal, provincial, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. 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 un-asserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert Management's attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

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

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

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

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

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

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

The success of our business is heavily dependent on the leadership of key management personnel, including our senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed.

We are subject to risks associated with our workforce.

We are subject to various federal, state and provincial laws governing matters such as minimum wage requirements, overtime compensation and other working conditions, citizenship requirements, discrimination and family and medical leave. Our operations in Canada are also subject to laws that may require us to make severance or other payments to employees upon their termination. In addition, we are continuing to assess the impact of US 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 assets. 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. To create a natural hedge, we have sourced debt in United States dollars for the Hyatt Regency Cleveland hotel, the Renaissance Hotel in Cleveland Ohio, and the Marriot Hotels. However, a significant fluctuation in the Canada/US exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency variations can also contribute to variations in sales at our hotels and resorts from: United States residents visiting Canada and Canadian residents travelling to the United States.

We borrowed approximately $110 million dollars through the capital market in Israel, denominated in Israeli Shekels, with a linkage on cap $62 million dollars of our new Series B Bonds to US dollars. A significant fluctuation in the Canada/Israel exchange rate will impact our net income after tax, and cash flow. In January 2017 the Company acquired a financial instrument to cover that exposure. For further information see Bonds (III.b) above.

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 tax loss carry-forwards.

As at March 31, 2020, we believe we will have non-capital loss carry-forwards of approximately $75 million for Canadian and US federal, provincial and state income tax purposes. To the extent available, we intend to use these net operating loss carry-forwards to offset future taxable income associated with our operations. There can be no assurance that we will generate sufficient taxable income in the carry-forward period to utilize any remaining loss carry-forwards before they expire.

Our stock price can be volatile.

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

An active trading market for our Common Shares may not be sustained.

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

We cannot provide assurance that we will pay dividends.

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

Because we are a holding company, our ability to pay cash dividends on our Common Shares will depend on the receipt of dividends or other distributions from our subsidiaries. Until such time that we pay a 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.

The Company is subject to maintaining certain financial conditions.

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

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

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

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

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

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

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

XVIII. Additional Information

Due to the failure of the original purchaser of the Port McNicoll asset ("PM Asset") to pay the monthly installments of the vendor take back loan and the unilateral measures taken by the Company to sell the PM Asset by virtue of a lien given to the Company as part of the original transaction, on March 10, 2020, an agreement was signed with a third party, not affiliated with the Company for the sale of the PM Asset for $43 million. Upon signing of the agreement, the buyer made a $100 thousand deposit. The Company will provide the buyer with a new $25 million vendor take back loan that will be repaid via equal monthly principal payments of approximately $350 thousand with interest at a 2% annualized rate. These payments will continue to December 2023 at which time the remainder of the loan will be payable.

For further information about the Company, please visit the Company's website at www.skylineinvestments.com or the website of the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com or Israeli Securities regulators www.magna.isa.gov.il.

May 14, 2020