

Skyline Enters into \$300 Million Transaction Involving the Majority Sale of Its Canadian Resort and Development Assets to Freed Corp.

Transformational transaction creates premier Canadian resort portfolio with enhanced real estate development opportunity

Toronto, Ontario – September 20, 2021. Skyline Investments Inc. (TASE: SKLN, “**Skyline**” or the “**Company**”) is pleased to announce that it has entered into two definitive agreements of purchase and sale (the “**Transaction**”) with Freed Corp. (“**Freed**”) for the sale of a 100% interest in its Canadian resort assets and surrounding development lands at Deerhurst Resort (“**Deerhurst**”) and Horseshoe Valley Resort (“**Horseshoe**”) as well as all of its remaining development lands at Blue Mountain Resort (“**Blue Mountain**”) (collectively the “**Assets**”) for an aggregate purchase price of \$210 million. The purchase price represents approximately a \$30 million premium to Skyline’s IFRS book value as at June 30, 2021. Freed, through a newly formed subsidiary, Resort Communities LP (“**Resort LP**”), will combine the Assets with Muskoka Bay Resort (“**Muskoka Bay**”), an asset currently owned by Freed and its partners, at an agreed value of \$90 million, thereby creating a portfolio of premier drive-to Ontario resort destinations (collectively, the “**Portfolio**”). The Transaction is expected to close on or about October 31, 2021 (“**Closing**”). Upon closing, Skyline will receive a cash payment of approximately \$109 million, and after debt repayment including the Company’s Series A bonds, payment of taxes and minority interest payouts, is expected to have between approximately \$30-\$35 million. A further \$80 million in payments (including approximately \$12 million in interest) is expected to follow over a two-to-four-year period, and approximately \$33 million will be received in the form of a 29% equity stake in Resort LP. Net income before tax relating to the Transaction on Closing is expected to be between \$35-\$45 CAD million. After tax, net income is expected to be between \$25 - \$35 CAD million, and the net impact on the Company’s equity after fair value adjustments through other comprehensive income is expected to be between \$15-\$25 CAD million. These estimates are based on the Company’s current estimates, and are subject to final value allocations on Closing and other tax planning outcomes.

Skyline’s CEO, Blake Lyon, commented, “This is a milestone for Skyline that provides significant new liquidity to capitalize on our stated strategy to redeploy our investment and operational focus from resorts and development lands into hotels. This Transaction represents one of the largest resort sales in Canada in the last 15 years, according to Beechwood Real Estate Advisors who advised Skyline on the Transaction, and we are excited to be a 29% partner in Resort LP along with Freed, who will now own an expanded portfolio of premier, drive-to resorts in Ontario, Canada. This Transaction allows us to realize the full net asset value of our Canadian resorts, while still participating in the value creation that Freed’s proven development team can produce. Skyline’s investment partner in Blue Mountain, Serruya Private Equity, also expressed their satisfaction and support for this transaction.”

Freed’s Founder and CEO, Peter Freed, commented “The acquisition of these iconic resort properties will allow us to execute our strategy of modernizing the traditional resort community market to the highest and best use through design-driven development and benefits of world-

class amenities with all season access. In addition, the acquisition of these resorts further stimulates the growth in the hotel and resort sectors for Freed.”

Details of the Transaction:

On Closing, Skyline will receive \$109.299 million in cash and provide a vendor-take back mortgage loan (“**VTB**”) in the amount of \$59.984 million, bearing annual interest at 5%. Interest will accrue and be paid quarterly, with the exception of interest related to Deerhurst, which will accrue quarterly and be paid in early 2024 on the 28th month after Closing in conjunction with the first scheduled principal repayment, and will be paid monthly thereafter. Assuming the Closing of Transaction is completed on October 31, 2021, the principal portion of the VTB will be repaid over four years based on the following schedule;

\$10.0 million due on February 29, 2024;
\$25.0 million on April 30, 2025; and
\$24.984 million on October 31, 2025.

Skyline will also provide a two-year bridge loan (the “**Bridge Loan**”) to Freed in the amount of \$8 million, which will have a guarantee from both Freed and Freed’s Resort LP holding entity (the 71% owner of Resort LP), which will accrue interest at 12% until it is repaid. Both the VTB and the Bridge Loan are prepayable by Freed at any time prior to maturity without penalty.

As part of the Transaction, Freed will roll its interest in Muskoka Bay into Resort LP at a \$90 million valuation. Muskoka Bay is an 869-acre four-season luxury resort community located in Gravenhurst, Ontario, which is strategically located between Horseshoe and Deerhurst approximately 2 hours north of Toronto, Ontario by car. Muskoka Bay has 65 hotel rooms and villas owned or managed by Freed and one of Canada’s 10 ten best golf courses, as ranked by ScoreGolf.

Other material components of the Transaction include:

- Freed has provided a \$7.0 million non-refundable deposit to Skyline (such amount is included in the \$210 million purchase price and \$109 million gross cash to be paid on Closing);
- Resort LP will have an option until December 31, 2022 to purchase Skyline’s 29% interest in Resort LP along with a 12% annualized return on this amount in cash (the “**Purchase Option**”);
- If Freed does not exercise the Purchase Option, Skyline will have a put option and Freed will have a call option at the end of years’ four and five (from Closing) to sell/buy up to 50% of Skyline’s equity holding in Resort LP based on the fair market value at that time; and
- Skyline will have minority rights in Resort LP, including the right to approve certain major decisions such as acquisitions and the issuance of equity or debt.

The Transaction remains subject to customary closing conditions and no assurances can be made that the Transaction will be completed.

The Company will be holding an investor call to discuss the Transaction. All investors are invited to join on September 30, 2021 at 9:30 a.m. (Israel time) via Zoom: <https://us02web.zoom.us/j/81330787116>.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 18 income-producing assets with 3,266 hotel rooms and 85,238 square feet of commercial space, and development lands with rights for approximately 2,315 residential units located in three main areas north of Toronto, Canada.

The Company is traded on the Tel Aviv Stock Exchange (ticker: SKLN) and is a reporting issuer in Canada.

About Freed

Freed Developments was founded by Peter Freed over 25 years ago. Since its inception, it has grown to become one of the largest private developers operating in the City of Toronto. Freed has completed over 30 projects and has expanded to include key vertical operating divisions in construction management, real estate and Freed Hospitality, a lifestyle-experience hotel, resort, restaurant and nightlife portfolio.

About Serruya Private Equity

Serruya Private Equity is a global private equity firm focused on transforming companies by collaborating with management to develop and implement strategies which leverage SPE's existing operational and financial resources. SPE invests capital in a broad range of asset classes with an emphasis on retail and consumer packaged goods. SPE's principals have a wealth of experience developing brands including Weight Watchers, Tropicana, Godiva Ice Cream, Cold Stone Creamery, Round Table Pizza, Great American Cookies, Marble Slab Creamery, Hot Dog on a Stick, Taco Time, Blimpie Subs, and Pretzelmaker. SPE's platform currently includes global brands Yogen Früz, Pinkberry, and Swensens with over 1,300 stores across 40 countries. For more information, please visit www.serruyaprivateequity.com.

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Forward Looking Information

Certain information in this news release may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking statements and information generally can be identified by the use of forward-looking terminology such as “objective”, “may”, “will”, “expect”, “plans”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “continue”, or similar expressions suggesting future outcomes or events. Forward-looking information includes, but is not limited to, statements of Skyline regarding the Transaction, including the anticipated expectations on Closing, the future payments to be received as consideration under the Transaction and the Purchase Option and alternative put/call right. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by Skyline at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information. Material assumptions that were applied in providing forward-looking information include, but are not limited to completion of the Transaction, the execution of Skyline’s business and growth strategies, including the success of its strategic investments and initiatives; and no significant and continuing adverse changes in general economic conditions or conditions in the financial markets.

Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements including, without limitation, the risks that the Transaction is completed and on the terms described. Except as required by law, Skyline does not intend to update these forward-looking statements.