



# TWC ENTERPRISES LIMITED

---

Q 3 2 0 1 7

---



**CLUBLINK**  
ONE MEMBERSHIP  
*more golf*

## FINANCIAL HIGHLIGHTS

The following table summarizes the consolidated financial results of the Company:

(thousands of Canadian dollars - except as indicated)	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>OPERATIONS</b>				
Operating revenue	97,357	94,448	190,902	189,069
Net operating income <sup>(1)</sup>	39,467	37,334	59,709	57,436
Operating margin (%) <sup>(1)</sup>	40.5	39.5	31.3	30.4
Net earnings	19,472	17,869	21,618	18,015
Funds from operations <sup>(1)</sup>	33,914	33,616	46,372	44,051
<b>OPERATING DATA</b>				
<b>ClubLink One Membership More Golf</b>				
Canadian full privilege golf members			15,517	15,415
Championship rounds - Canada <sup>(2)</sup>	574,000	541,000	935,000	938,000
18-hole equivalent championship golf courses - Canada <sup>(2,3)</sup>			42.5	42.5
Championship rounds - U.S. <sup>(2)</sup>	43,000	51,000	261,000	280,000
18-hole equivalent championship golf courses - U.S. <sup>(2,3,4)</sup>			11.0	11.0
<b>White Pass &amp; Yukon Route</b>				
Rail passengers	267,000	250,000	429,000	408,000
Port passengers from cruise ships	525,000	494,000	846,000	816,000
Cruise ship dockings	228	220	370	363
<b>COMMON SHARE DATA (000)</b>				
Shares outstanding			27,346	27,345
Weighted average shares outstanding	27,346	27,345	27,346	27,345
<b>PER COMMON SHARE DATA (\$)</b>				
Basic and diluted earnings	0.71	0.65	0.79	0.66
Eligible cash dividends	0.02	0.02	0.06	0.04
Eligible stock dividends	N/A	N/A	N/A	0.075
<b>FINANCIAL POSITION</b>				
Total assets			680,979	690,478
Gross borrowings			288,597	310,290
Shareholders' equity			251,810	236,743
Gross borrowings to shareholders' equity ratio			1.15	1.31
Net book value per share			9.21	8.66

(1) Net operating income, operating margin, funds from operations and net book value per share are not recognized measures under International Financial Reporting Standards (IFRS). Management believes that, in addition to net earnings, these measures are useful supplemental information to provide investors with an indication of the Company's performance. Investors should be cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing and financing activities, as a measure of liquidity and cash flows. TWC's method of calculating these measures is consistent from year to year, but may be different than those used by other companies (see "Management's Discussion and Analysis of Financial Condition and Results of Operations").

(2) Excluding academy courses

(3) 18-hole equivalent championship golf courses operating during the period ended September 30

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with TWC Enterprises Limited's ("TWC" or the "Company") unaudited consolidated financial statements and accompanying notes for the three month and nine month periods ended September 30, 2017. This MD&A has been prepared as at November 2, 2017 and all amounts are in Canadian dollars unless otherwise indicated.*

*In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards ("IFRS").*

## FORWARD-LOOKING STATEMENTS

This quarterly report contains certain forward-looking information and statements relating but not limited to, operations, anticipated or prospective financial performance, results of operations, business prospects and strategies of TWC. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of TWC to differ materially from those suggested by the forward-looking statements, some of which may be beyond the control of management.

Although TWC believes it has a reasonable basis for making the forecasts or projections included in this MD&A, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, TWC's forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, availability of credit, weather conditions, the economic environment, environmental regulation and competition.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in TWC's filings with Canadian securities regulatory authorities. TWC undertakes no obligation, except as required by law, to update publicly or otherwise any forward-looking information, whether as a result of new information, future events or otherwise, or the above list of factors affecting this information.

## NON-IFRS MEASURES

The Company has prepared the financial information contained in this discussion and analysis in accordance with IFRS. Reference is also made to net operating income, operating margin, cash flow from operations, funds from operations and adjusted funds from operations. The calculations of these measures can be found embedded in the MD&A.

TWC uses non-IFRS measures as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider these non-IFRS measures to be a meaningful supplement to net earnings. We also believe these non-IFRS measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These measures, which included direct operating expenses and net operating income do not have standardized meaning under IFRS. While these non-IFRS measures have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, readers are cautioned that these non-IFRS measures as reported by TWC may not be comparable in all instances to non-IFRS measures as reported by other companies.

The glossary of financial terms is as follows:

**Direct operating expenses** = expenses that are directly attributable to the Company's business units and are used by management in the assessment of their performance. These exclude expenses which are attributable to corporate decisions such as impairment.

**Net operating income** = operating revenue - direct operating expenses

**Operating margin** = net operating income/operating revenue

**Funds from operations** = net earnings +/- items not effecting cash less business combination transaction costs

**Adjusted funds from operations** = funds from operations less operating property, plant and equipment expenditures

**Operating property, plant and equipment expenditures** = capital expenditures to maintain existing operations

**Expansion property, plant and equipment expenditures** = capital expenditures which expand existing operations

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## NON-IFRS MEASURES (continued)

Funds from operations ("FFO") is a key measure of our financial performance and is defined as net income prior to non cash items such as depreciation/amortization. FFO also adjusts for the non-cash earnings impact of membership fees and excludes transaction costs on business combinations which are required to be expensed.

Our definition of funds from operations may differ from the definition used by other organizations, as well as the definition of funds from operations used by the Real Property Association of Canada ("REALPAC"), the main difference being the adjustment for the non cash component of membership fee revenue which is not considered by REALPAC.

Net operating income is an important metric used by management in evaluating the Company's operating performance as it represents the revenue and expense items that can be directly attributable to the specific business unit's ongoing operations. It is not a measure of financial performance under IFRS and should not be considered as an alternative to measures of performance under IFRS. The most directly comparable measure specified under IFRS is net earnings.

## BUSINESS STRATEGY AND CORPORATE OVERVIEW

TWC operates in two distinct business segments: (a) golf club operations and (b) rail and port operations. In addition, the corporate operations segment oversees the two business segments.

TWC's strategic objective is to grow long-term shareholder value by improving net operating income and operating margins of both underlying businesses. Management has been actively looking for golf club acquisition opportunities in Ontario, Quebec and Florida.

In addition, management is pursuing capital investments in both business segments which will grow our revenue and create long-term value for our shareholders.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OVERVIEW OF BUSINESS SEGMENTS

### *Golf Club Operations Segment*

TWC is engaged in golf club operations under the trademark "ClubLink One Membership More Golf" ("ClubLink"). ClubLink is Canada's largest owner and operator of golf clubs with 53½, 18-hole equivalent championship and 3½, 18-hole equivalent academy courses, at 41 locations in two separate geographical Regions: (a) Ontario/Quebec and (b) Florida.

ClubLink's golf clubs are strategically organized in clusters that are located in densely populated metropolitan areas and resort destinations frequented by those who live and work in these areas. By operating in Regions, ClubLink is able to offer golfers in their Region a wide variety of unique membership, daily fee, corporate event and resort opportunities. ClubLink is also able to obtain the benefit of operating synergies to maximize revenue and achieve economies of scale to reduce costs.

Revenue at all golf club properties is enhanced by cross-marketing, as the demographics of target markets for each are substantially similar. Revenue is further improved by TravelLink, corporate golf events, business meetings and social events that utilize golf capacity and related facilities at times that are not in high demand by ClubLink's members.

Member and Hybrid Golf Club revenue is maximized by the sale of flexible personal and corporate memberships that offer reciprocal playing privileges at ClubLink golf clubs and, on payment of an additional fee, inter-regional play within ClubLink through the TravelLink program and ClubCorp Holdings Inc. golf clubs.

Daily fee golf club revenue is maximized through unique and innovative marketing programs in conjunction with dynamic pricing.

The TravelLink program offers two levels that allow ClubLink members inter-regional access. The first level (Basic TravelLink), a free membership benefit, provides ClubLink members inter-regional access with preferred green fee pricing. Level 2 (TravelLink 2nd Home Club) is optional and provides ClubLink members with the ability to elect a second Home Club in another region for an annual fee, and allows members to receive all the benefits of a Home Club Member (access to prime tee times, practice facilities, member events).

In recent years, ClubLink has been focusing on providing enhanced value for its memberships as well as cultivating a family-type atmosphere at its golf clubs.

ClubLink also has annual membership programs, which are unique to each Region. These product offerings include Players Card and Players Club in the Ontario/Quebec Region; as well as the ClubLink Card in the Florida Region. While traditional full privilege golf members have been declining, ClubLink has been focusing on these supplemental categories to replace annual dues revenue.

#### *(a) Ontario/Quebec*

ClubLink's Ontario/Quebec Region is organized into two clusters: the major metropolitan areas of Southern Ontario and Muskoka, Ontario's premier resort area, extending from London to Huntsville to Pickering, with a particularly strong presence in the Greater Toronto Area; and Quebec/Eastern Ontario, extending from the National Capital Region to Montreal, including Mont-Tremblant, Quebec's premier resort area.

In 2017, ClubLink is operating 27 Ontario/Quebec Region Member Golf Clubs in three categories as follows:

Prestige:	Greystone, King Valley, RattleSnake Point
Platinum:	Blue Springs, DiamondBack, Eagle Creek, Emerald Hills, Fontainebleau, Glencairn, Grandview, Heron Point, Islesmere, Kanata, King's Riding, Lake Joseph, Le Maître, Rocky Crest, Wyndance
Gold:	Caledon Woods, Country Club, Eagle Ridge, Glendale, Greenhills, GreyHawk, Hautes Plaines, National Pines, Station Creek

In 2017, ClubLink is operating six Ontario/Quebec Region Hybrid Golf Clubs in three categories as follows:

Hybrid – Prestige:	Glen Abbey
Hybrid – Gold:	Cherry Downs, The Club at Bond Head, Val des Lacs
Hybrid – Silver:	Bethesda Grange, Hidden Lake

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OVERVIEW OF BUSINESS SEGMENTS (continued)

### *Golf Club Operations Segment (continued)*

#### *(a) Ontario/Quebec (continued)*

Hybrid Golf Clubs are available for daily fee (public) play, reciprocal access by other ClubLink Members and provide a home club for Members with reciprocal access to the ClubLink system.

In 2017, ClubLink is operating two Ontario/Quebec Region Daily Fee Golf Clubs as follows:

Daily Fee: Grandview Inn, Rolling Hills

In 2017, ClubLink has approximately 350 Players Card memberships. Players Card annual memberships allow golfers unlimited access to Rolling Hills during spring and fall shoulder seasons in addition to twilight golf during the summer season. A fixed number of rounds certificates are also included with each Players Card.

In 2017, ClubLink has approximately 1,500 Players Club memberships. The Players Club memberships have varying degrees of access to ClubLink's daily fee golf clubs at different price points.

Players Card and Players Club member databases also provide ClubLink an opportunity to cultivate these relationships into a full privilege golf membership.

ClubLink owns sufficient land to develop an additional 18 holes at Cherry Downs Golf Club in Pickering, Grandview Golf Club in Muskoka and Rocky Crest Golf Club in Muskoka.

In 2017, ClubLink will operate The Lake Joseph Club, Rocky Crest Resort and Sherwood Inn.

The Lake Joseph Club and Rocky Crest Resort operate seasonally from May to October while Sherwood Inn is available during the off season for group and weekend bookings.

ClubLink's remaining Muskoka land holdings, excluding golf course development sites, include zoned and serviced land that are capable of supporting a substantial number of resort rooms/villas, conference facilities and residential homes.

On January 25, 2017, ClubLink sold the property that was formerly known as Grandview Resort in Huntsville, Ontario for net proceeds of \$5,074,000. This property has been closed since February 2012.

#### *(b) United States*

ClubLink's Florida Region includes eleven 18-hole equivalent championship golf courses.

In 2017, ClubLink is operating eight Florida Region Golf Clubs in six categories as follows:

Hybrid – Prestige: TPC Eagle Trace

Hybrid – Platinum: Club Renaissance, Heron Bay

Gold: Scepter

Hybrid – Gold: Woodlands

Hybrid – Silver: Sandpiper

Daily Fee: Palm Aire (Cypress/Oaks), Palm Aire (Palms)

In order to increase efficiency, the ClubLink office in Fort Lauderdale, Florida has combined with the Morguard office located in the same building. Effective January 1, 2016, ClubLink is paying Morguard a management fee in exchange for back-office services.

ClubLink has been actively selling ClubLink Card Holder annual memberships in the southeast Florida marketplace. ClubLink Card Holder members have the ability to book preferred tee times at discounted green fees.

Effective July 1, 2016, Falcon Watch Golf Club has been closed and will not re-open due to a lack of demand at this golf club. Nine holes will remain in use as part of the Scepter Golf Club.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OVERVIEW OF BUSINESS SEGMENTS (continued)

### *Rail and Port Operations Segment*

TWC is also engaged in rail and port operations based in Skagway, Alaska which operate under the trade name "White Pass & Yukon Route". This includes a tourist railway stretching approximately 110 kilometres (67.5 miles) from Skagway, Alaska through British Columbia to Carcross, Yukon.

White Pass has continued to invest in programs to build its core operating business. As a standalone entity, White Pass has an experienced on-site management team and has been able to generate growth in the passenger traffic and corresponding US dollar revenue since its acquisition in 1997. Significant initiatives in this business segment have included capitalizing on historical relationships with the cruise lines, supporting investments to create one of the leading port facilities in southeast Alaska, including a floating dock to facilitate the Solstice class cruise ship and an investment to repower our locomotive fleet to reduce both environmental emissions and ongoing operating costs. These initiatives have affirmed White Pass as Alaska's premier shore excursion for the travelling public.

The railway was constructed by White Pass during the Klondike Gold Rush of 1898/1899 and completed in 1900. From 1900 until 1982, it was used for the carriage of general freight, ore concentrates, petroleum products and passengers. Railway operations were suspended in 1982 when a major ore concentrate customer shut down its mine. The South Klondike Highway between Whitehorse and Skagway, subsequently constructed in 1985, transferred the transportation of ore concentrates from rail to road service. The railway reopened in 1988 and has since been operating as a seasonal passenger tourism railway. TWC acquired White Pass in 1997.

White Pass operates three docks in Skagway, which support the tourist railway and provides four berths for cruise ships operating west coast schedules throughout the May to September tourist season. The largest of the three docks (the "Railroad Dock"), with two berths, is owned while the two remaining docks (the Ore and Broadway Docks) are situated on city property and operate under long-term tideland leases. Approximately 35% of the port operations contribution is from the Ore and Broadway Docks (65% - Railroad Dock).

The primary market is the cruise industry, which recognizes Skagway as a marquee port for its Alaskan cruises. White Pass maintains a symbiotic relationship with the cruise lines – carrying almost half of all cruise passengers – making it Alaska's premier shore excursion and a high volume, highly rated and profitable shore excursion for the cruise lines. The relationship is supported with an existing incentive program and extensive cooperative pre-cruise and on-board promotion. White Pass also markets to motor coach tour companies and independent travelers who arrive via ferry and the South Klondike Highway.

### *Corporate Operations Segment*

TWC's objective at the corporate level is to identify opportunities to generate incremental returns and cash flow. Historically, the nature of these investments included debt and equity instruments in both public and private organizations. Currently, management is focused on improving the returns of the existing operating business segments.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## SUMMARY OF EXCHANGE RATES USED FOR TRANSLATION PURPOSES

The following exchange rates translate one US dollar into the Canadian dollar equivalent.

	September 30, 2017	December 31, 2016	September 30, 2016
Balance Sheet	1.2480	1.3427	1.3117
Statement of Earnings – First Quarter	1.3230	N/A	1.3748
Statement of Earnings – Second Quarter	1.3450	N/A	1.2886
Statement of Earnings – Third Quarter	1.2526	N/A	1.3051

## THREE MONTH CONSOLIDATED OPERATING HIGHLIGHTS

The table below sets forth selected financial data relating to the Company's three month periods ended September 30, 2017 and September 30, 2016. This financial data is derived from the Company's unaudited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars - except as indicated)	For the three months ended		% Change
	September 30, 2017	September 30, 2016	
<b>OPERATING REVENUE</b>	\$ 97,357	\$ 94,448	3.1%
<b>DIRECT OPERATING EXPENSES</b>	57,890	57,114	1.4%
<b>NET OPERATING INCOME</b>	39,467	37,334	5.7%
Operating margin (%)	40.5%	39.5%	2.5%
Amortization of membership fees	2,192	2,945	(25.6%)
Depreciation and amortization	(6,378)	(6,572)	(3.0%)
Land lease rent	(1,276)	(1,323)	(3.6%)
Interest, net	(4,309)	(4,407)	(2.2%)
Other expense, net	(336)	(388)	(13.4%)
Income tax provision	(9,888)	(9,720)	1.7%
<b>NET EARNINGS</b>	\$ 19,472	\$ 17,869	9.0%
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (000)</b>	27,346	27,345	-
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	\$ 0.71	\$ 0.65	9.2%
<b>FUNDS FROM OPERATIONS</b>	\$ 33,914	\$ 33,616	0.9%

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## THREE MONTH CONSOLIDATED OPERATING HIGHLIGHTS (continued)

The table below sets forth selected financial data relating to the Company's three month periods ended September 30, 2017 and September 30, 2016. This financial data is derived from the Company's unaudited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars)	For the three months ended		% Change
	September 30, 2017	September 30, 2016	
Operating revenue by segment			
<i>Canadian golf club operations</i>	\$ 60,612	\$ 58,758	3.2%
<i>US golf club operations</i>	3,192	3,849	(17.1%)
<i>Rail and port operations</i>	33,553	31,841	5.4%
Operating revenue	\$ 97,357	\$ 94,448	3.1%
Net operating income by segment			
<i>Canadian golf club operations</i>	\$ 18,055	\$ 17,306	4.3%
<i>US golf club operations</i>	(1,298)	(1,133)	(14.6%)
<i>Rail and port operations</i>	23,486	21,934	7.1%
<i>Corporate operations</i>	(776)	(773)	(0.4%)
Net operating income	\$ 39,467	\$ 37,334	5.7%

Net earnings increased 9.0% to \$19,472,000 for the three month period ended September 30, 2017 from \$17,869,000 in 2016.

Basic and diluted earnings per share was 71 cents per share for the three month period ended September 30, 2017, compared to 65 cents in 2016.

The exchange rate used for translating US denominated earnings has changed to a quarterly average of 1.2526 for the three months ended September 30, 2017 from 1.3051 for the three month period ended September 30, 2016 due to the improving Canadian dollar over the one year period.

Consolidated operating revenue increased 3.1% to \$97,357,000 for the three month period ended September 30, 2017 from \$94,448,000 in 2016, due to higher operating revenue for the Canadian golf club operations from 33,000 more rounds and the rail and port operations from 17,000 more rail passengers.

Consolidated direct operating expenses increased 1.4% to \$57,890,000 for the three month period ended September 30, 2017 from \$57,114,000 in 2016.

Net operating income for the Canadian golf club operations segment increased 4.3% to \$18,055,000 in 2017 from \$17,306,000 in 2016 due to an increase in rounds to 574,000 for the three month period ended September 30, 2017 from 541,000 in 2016.

Net operating loss for US golf club operations segment increased to US \$1,038,000 in 2017 from US \$867,000 in 2016.

Net operating income for the rail and port operations increased 11.0% to US \$18,674,000 from US \$16,827,000 in 2016 due to 17,000 additional rail passengers in the quarter.

Consolidated net operating income increased 5.7% to \$39,467,000 for the three month period ended September 30, 2017 from \$37,334,000 in 2016.

Amortization of membership fees decreased 25.6% to \$2,192,000 from \$2,945,000 in 2016 due to the completion of the amortization periods of revenue for members that joined in 2003 and 2005. This was completed in 2016.

Interest, net decreased 2.2% to \$4,309,000 for the three month period ended September 30, 2017 from \$4,407,000 in 2016 due primarily to a 7.0% decline in borrowings year over year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## NINE MONTH CONSOLIDATED OPERATING HIGHLIGHTS

The table below sets forth selected financial data relating to the Company's nine month periods ended September 30, 2017 and September 30, 2016. This financial data is derived from the Company's unaudited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars - except as indicated)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
<b>OPERATING REVENUE</b>	<b>\$ 190,902</b>	\$ 189,069	1.0%
<b>DIRECT OPERATING EXPENSES</b>	<b>131,193</b>	131,633	(0.3%)
<b>NET OPERATING INCOME</b>	<b>59,709</b>	57,436	4.0%
Operating margin (%)	<b>31.3%</b>	30.4%	3.0%
Amortization of membership fees	<b>6,119</b>	8,495	(28.0%)
Depreciation and amortization	<b>(19,422)</b>	(19,648)	(1.2%)
Land lease rent	<b>(3,878)</b>	(3,977)	(2.5%)
Interest, net	<b>(12,624)</b>	(13,590)	(7.1%)
Gain on sale of property, plant and equipment	<b>2,104</b>	-	N/A
Other expense, net	<b>(1,067)</b>	(375)	184.5%
Income tax provision	<b>(9,323)</b>	(10,326)	(9.7%)
<b>NET EARNINGS</b>	<b>\$ 21,618</b>	\$ 18,015	20.0%
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (000)</b>	<b>27,346</b>	27,345	-
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.79</b>	\$ 0.66	19.7%
<b>FUNDS FROM OPERATIONS</b>	<b>\$ 46,372</b>	\$ 44,051	5.3%

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The results of operations by business segment should be read in conjunction with the segmented information contained in note 13 of the consolidated financial statements for the period ended September 30, 2017.

(thousands of Canadian dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Operating revenue by segment			
<i>Canadian golf club operations</i>	\$ 117,540	\$ 117,648	(0.1%)
<i>US golf club operations</i>	17,932	19,238	(6.8%)
<i>Rail and port operations</i>	55,430	52,183	6.2%
Operating revenue	\$ 190,902	\$ 189,069	1.0%
Net operating income by segment			
<i>Canadian golf club operations</i>	\$ 28,189	\$ 27,816	1.3%
<i>US golf club operations</i>	1,081	1,383	(21.8%)
<i>Rail and port operations</i>	32,704	30,444	7.4%
<i>Corporate operations</i>	(2,265)	(2,207)	(2.6%)
Net operating income	\$ 59,709	\$ 57,436	4.0%

Capital expenditures are summarized as follows:

(thousands of Canadian dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Operating capital			
<i>Canadian golf club operations</i>	\$ 4,442	\$ 4,208	5.6%
<i>US golf club operations</i>	389	1,136	(65.8%)
<i>Rail and port operations</i>	4,220	2,118	99.2%
	9,051	7,462	21.3%
Expansion capital			
<i>Canadian golf club operations</i>	1,406	4,382	67.9%
<i>US golf club operations</i>	-	-	-
<i>Rail and port operations</i>	2,146	2,980	(28.0%)
	3,552	7,362	(51.8%)
Total capital expenditures	\$ 12,603	\$ 14,824	(15.0%)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### Review of Canadian Golf Club Operations for the Period Ended September 30, 2017

#### Summary of Canadian Golf Club Operations

(statistics)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
18-hole equivalent championship courses	42.5	42.5	-
Championship golf rounds	935,000	938,000	(0.3%)
Full privilege golf members	15,517	15,415	0.7%

(thousands of Canadian dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Operating revenue	\$117,540	\$ 117,648	(0.1%)
Direct operating expenses	89,351	89,832	(0.5%)
Net operating income	28,189	27,816	1.3%
Amortization of membership fees	5,898	8,304	(29.0%)
Depreciation and amortization	(10,687)	(10,922)	(2.2%)
Land lease rent	(3,641)	(3,785)	(3.8%)
Real estate gain	2,104	-	N/A
Other income (expense)	84	(436)	N/A
Segment earnings before interest and income taxes	\$ 21,947	\$ 20,977	4.6%
Operating margin	24.0%	23.6%	1.7%

#### Canadian Golf Club Operating Revenue

Canadian golf club operating revenue is recorded as follows:

(thousands of Canadian dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Annual dues	\$ 38,227	\$ 38,758	(1.4%)
Corporate events, guest fees, cart rentals and services	30,695	30,793	(0.3%)
Food and beverage	35,927	35,972	(0.1%)
Merchandise, rooms and other	12,691	12,125	4.7%
Total	\$117,540	\$ 117,648	(0.1%)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### Review of Canadian Golf Club Operations for the Period Ended September 30, 2017 (continued)

#### Canadian Golf Club Direct Operating Expenses

Canadian golf club direct operating expenses are recorded as follows:

(thousands of Canadian dollars)	For the nine months ended September 30, 2017	September 30, 2016	% Change
Cost of sales	\$ 18,189	\$ 17,950	1.3%
Labour and employee benefits	46,364	46,515	(0.3%)
Utilities	5,155	5,654	(8.8%)
Selling, general and administrative	2,954	2,960	(0.2%)
Property taxes	2,178	2,317	(6.0%)
Insurance	1,126	1,173	(4.0%)
Repairs and maintenance	2,709	2,659	1.9%
Fertilizers and pest control products	1,501	1,358	10.5%
Fuel and oil	861	772	11.5%
Other operating expenses	8,314	8,474	(1.9%)
<b>Total direct operating expenses</b>	<b>\$ 89,351</b>	<b>\$ 89,832</b>	<b>(0.5%)</b>

On September 19, 2017, the cart storage facility at Bond Head sustained a total loss, including all golf carts in this facility. An insurance claim has been opened for this incident.

On October 13, 2017, the Company sustained a significant fire event which impacted the clubhouse at Le Maître Golf Course. The Company has opened an insurance claim for the event and is currently assessing the damage and the impact.

#### Canadian Membership Fees

Full privilege golf members increased slightly to 15,517 on September 30, 2017 from 15,415 on September 30, 2016.

Changes in golf members and future membership fee instalments are as follows:

(thousands of Canadian dollars)	Nine months ended September 30, 2017		Year ended December 31, 2016		Nine months ended September 30, 2016	
	Golf Members	Future Membership Fee Instalments	Golf Members	Future Membership Fee Instalments	Golf Members	Future Membership Fee Instalments
Balance, beginning of period	15,077	\$ 26,205	15,015	\$ 26,818	15,015	\$ 26,818
Sales to new members	1,235	5,495	1,154	6,919	1,101	6,725
Reinstated members	179	299	215	523	170	401
Transfer and upgrade fees from existing members	-	547	-	561	-	470
Resignations and terminations	(974)	(2,533)	(1,307)	(3,975)	(871)	(2,743)
Instalments received in cash	-	(3,578)	-	(4,641)	-	(4,164)
<b>Balance, end of period (Full Privilege)</b>	<b>15,517</b>	<b>\$ 26,435</b>	<b>15,077</b>	<b>\$ 26,205</b>	<b>15,415</b>	<b>\$ 27,507</b>

Management is expecting 2017 revenue from the amortization of membership fees to be approximately \$8.0 million compared to \$11.2 million in 2016. This decline is primarily the result of the members that joined in 2003 and 2005 completing their amortization period in 2016. Commencing in 2017, these two groups of members will continue to generate revenue on a cash received basis.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### *Review of US Golf Club Operations for the Period Ended September 30, 2017*

#### *Summary of US Golf Club Operations*

(statistics)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
18-hole equivalent championship golf courses	11.0	11.0	-
Championship golf rounds	261,000	280,000	(6.8%)
Full privilege golf members	1,090	1,308	(16.7%)

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Operating revenue	\$ 13,629	\$ 14,405	(5.4%)
Direct operating expenses	12,865	13,433	(4.2%)
Net operating income	764	972	(21.4%)
Amortization of membership fees	169	144	17.4%
Depreciation and amortization	(1,365)	(1,411)	(3.3%)
Other income	10	6	66.7%
Segment loss before interest and income taxes (US dollars)	(422)	(289)	46.0%
Exchange	(56)	-	N/A
Segment loss before interest and income taxes (Cdn dollars)	\$ (478)	\$ (289)	65.4%
Operating margin (%)	5.6%	6.7%	(16.4%)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### Review of US Golf Club Operations for the Period Ended September 30, 2017 (continued)

#### US Golf Club Operating Revenue

US golf club operating revenue is recorded as follows:

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Annual dues	\$ 3,958	\$ 4,403	(10.1%)
Corporate events, guest fees, cart rentals and services	7,032	7,284	(3.5%)
Food and beverage	1,943	2,113	(8.0%)
Merchandise and other	696	605	15.0%
Subtotal (US dollars)	13,629	14,405	(5.4%)
Exchange	4,303	4,833	(11.0%)
Total (Cdn dollars)	\$ 17,932	\$ 19,238	(6.8%)

#### US Golf Club Direct Operating Expenses

US golf club direct operating expenses are recorded as follows:

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Cost of sales	\$ 1,172	\$ 1,203	(2.6%)
Labour and employee benefits	6,223	6,464	(3.7%)
Utilities	1,007	1,046	(3.7%)
Property taxes	902	945	(4.6%)
Selling, general and administrative	95	78	21.8%
Insurance	343	371	(7.5%)
Repairs and maintenance	551	514	7.2%
Fertilizers and pest control products	434	509	(14.7%)
Fuel and oil	159	141	12.8%
Management fee	345	537	(35.8%)
Other operating expenses	1,634	1,625	0.6%
Subtotal (US dollars)	12,865	13,433	(4.2%)
Exchange	3,986	4,422	(9.9%)
Total direct operating expenses (Cdn dollars)	\$ 16,851	\$ 17,855	(5.6%)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### Review of Rail and Port Operations for the Period Ended September 30, 2017

#### Summary of Rail and Port Operations

(statistics)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Rail passengers	429,000	408,000	5.1%
Port passengers	846,000	816,000	3.7%
Cruise ship dockings	370	363	1.9%

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Operating revenue	\$ 43,014	\$ 40,169	7.1%
Direct operating expenses	17,490	16,597	5.4%
Net operating income (US dollars)	25,524	23,572	8.3%
Depreciation and amortization	(5,322)	(5,184)	2.7%
Land lease rent	(183)	(144)	27.1%
Other income (expense)	(519)	83	N/A
Segment earnings before interest and income taxes (US dollars)	19,500	18,327	6.4%
Exchange	5,328	5,174	3.0%
Segment earnings before interest and income taxes (Cdn dollars)	\$ 24,828	\$ 23,501	5.6%
Operating margin (%)	59.3%	58.7%	1.0%

#### Rail and Port Operating Revenue

Rail and port operating revenue is recorded as follows:

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Railroad	\$ 32,306	\$ 29,992	7.7%
Port	8,424	7,986	5.5%
Merchandise	2,092	1,970	6.2%
Other	192	221	(13.1%)
Subtotal (US dollars)	43,014	40,169	7.1%
Exchange	12,416	12,014	3.3%
Total (Cdn dollars)	\$ 55,430	\$ 52,183	6.2%

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### *Rail and Port Direct Operating Expenses*

Rail and port direct operating expenses are recorded as follows:

(thousands of dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Cost of sales	\$ 819	\$ 822	(0.4%)
Labour and employee benefits	9,146	8,411	8.7%
Utilities	329	280	17.5%
Selling, general and administrative	1,157	1,222	(5.3%)
Property taxes	562	567	(0.9%)
Insurance	1,169	1,233	(5.2%)
Repairs and maintenance	449	528	(15.0%)
Fuel and oil	916	795	15.2%
Other operating expenses	2,943	2,739	7.4%
Subtotal (US dollars)	17,490	16,597	5.4%
Exchange	5,236	5,142	1.8%
Total direct operating expenses (Cdn dollars)	\$ 22,726	\$ 21,739	4.5%

On July 6, 2017, an engine fire damaged a locomotive. An insurance claim has been opened and management is currently assessing the damage to the locomotive.

On September 5, 2017, a rockslide damaged the protective netting overhead of the Railroad Dock. For safety reasons, the dock was closed for the remainder of the season and an insurance claim has been opened.

Business interruption proceeds in the amount of US\$677,000 have been reflected in operating revenue for the above two incidents.

### *Review of Corporate Operations for the Period Ended September 30, 2017*

Corporate operations direct operating expenses are recorded as follows:

(thousands of Canadian dollars)	For the nine months ended		% Change
	September 30, 2017	September 30, 2016	
Labour and employee benefits	\$ 1,427	\$ 1,368	4.3%
Insurance	108	122	(11.5%)
Selling, general and administrative expenses	730	717	1.8%
	\$ 2,265	\$ 2,207	2.6%

## FINANCIAL CONDITION

### *Assets*

Total assets increased marginally to \$680,979,000 at September 30, 2017 from \$679,116,000 at December 31, 2016. This compares to \$690,478,000 at September 30, 2016.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## FINANCIAL CONDITION (continued)

### *Liabilities*

Total liabilities decreased 2.8% to \$429,169,000 at September 30, 2017 from \$441,357,000 at December 31, 2016 due to a change in the exchange rate. This compares to \$453,735,000 at September 30, 2016.

### *Shareholders' Equity*

Consolidated shareholders' equity at September 30, 2017 totaled \$251,810,000 or \$9.21 per share, compared to \$237,759,000 or \$8.69 per share at December 31, 2016 and \$236,743,000 or \$8.66 per share at September 30, 2016. The number of common shares remained at 27,345,540 shares as at September 30, 2017 compared to December 31, 2016 and increased from 27,344,963 at September 30, 2016.

The following is a summary of the common share activity:

(number of shares)	For the nine months ended	
	September 30, 2017	September 30, 2016
Balance, beginning of period	27,345,540	27,135,545
Shares issued pursuant to stock dividend	-	209,048
Other	-	370
Balance, end of period	27,345,540	27,344,963

The Company has recorded a negative adjustment to its accumulated other comprehensive earnings account of \$5,926,000 due to the translation of one US dollar into 1.2480 Canadian dollars at September 30, 2017 compared to 1.3427 at December 31, 2016. This change has a corresponding impact on the assets and liabilities having a base currency of US dollars.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## LIQUIDITY AND CAPITAL RESOURCES

TWC's objective is to ensure that capital resources are readily available to meet obligations as they become due, to complete its approved capital expenditure program and to take advantage of attractive acquisitions as they arise. TWC's capital availability and demonstrated ability to execute transactions give it a competitive advantage in corporate development opportunities.

A summarized statement of cash flows is as follows:

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2017	September 30, 2016
Cash provided by operating activities	\$ 42,085	\$ 39,410
Operating property, plant and equipment expenditures	(9,051)	(7,462)
Expansion property, plant and equipment expenditures	(3,552)	(7,362)
Proceeds on real estate sale	5,074	-
Revolving borrowings	(9,489)	(18,225)
Non-revolving borrowings – amortization payments	(13,818)	(14,993)
Finance lease obligations, net	(1,406)	(1,835)
Mortgages and loans receivable	5	13,753
Cash dividends	(1,641)	(1,094)
Other long term assets	(7,210)	(454)
Other	(1,161)	(1,854)
Net change in cash during the period	(164)	(116)
Cash, beginning of period	2,382	2,251
Cash, end of period	\$ 2,218	\$ 2,135

Funds and adjusted funds from operations are calculated as follows:

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2017	September 30, 2016
Net earnings	\$ 21,618	\$ 18,015
Depreciation of property, plant and equipment	18,588	18,880
Amortization of intangible assets	834	768
Deferred income tax provision	7,624	10,409
Amortization of membership fees	(6,119)	(8,495)
Collection of membership fee instalments	3,827	4,474
Funds from operations	46,372	44,051
Operating capital expenditures	(9,051)	(7,462)
Adjusted funds from operations	\$ 37,321	\$ 36,589

Please see page 3 for a description and definition of the funds from operations calculations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company currently has a working capital deficiency, which is as follows:

(thousands of Canadian dollars)	September 30, 2017	September 30, 2016
Current assets	\$ 31,159	\$ 26,921
Current liabilities	91,177	73,957
Working capital deficiency	\$ (60,018)	\$ (47,036)

The Company has typically always had a working capital deficiency at each year-end and quarter-end date due to the nature of its operations and financing arrangements. The Company expects this situation to continue. Reasons for the working capital deficiency include:

- i) The minimum principal debt amortization repayments get funded monthly from the future operations which has not yet been reflected in the working capital balances;
- ii) The Company is typically a net borrower- any excess cash gets applied against its lines of credit;
- iii) Revenue is collected in advance for the Canadian and US golf operations in the form of event deposits and annual dues collected in advance which gets reflected as a current liability;
- iv) Neither of the Company's two major lines of credit are current obligations and are part of \$71,733,000 in available lines of credit at September 30, 2017 compared to \$69,508,000 at September 30, 2016.

Notwithstanding the deficiency, management believes the Company is in a stable liquidity position due to the reasons noted above.

The analysis of TWC's liquidity is as follows:

(thousands of Canadian dollars)	Availability as at September 30, 2017		Availability as at December 31, 2016		Availability as at September 30, 2016	
	Maximum	Available	Maximum	Available	Maximum	Available
Cash	\$ 2,218	\$ 2,218	\$ 2,382	\$ 2,382	\$ 2,135	\$ 2,135
Revolving line of credit (US Golf)	12,480	-	13,427	13,427	13,117	-
Revolving line of credit (corporate)	70,000	3,050	70,000	9,821	70,000	1,387
Revolving line of credit (rail)	32,729	18,388	37,569	37,087	37,469	15,986
Related party revolving line of credit	50,000	48,077	50,000	2,916	50,000	50,000
	\$ 167,427	\$ 71,733	\$ 173,378	\$ 65,633	\$ 172,721	\$ 69,508

Funds will be used during 2017 for operating capital expenditures, expansion capital expenditures and to pay debt obligations as they become due.

Based on TWC's financial position at September 30, 2017, and projected future earnings, management expects to be able to fund its working capital requirements, and meet its other obligations including debt repayments.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## LIQUIDITY AND CAPITAL RESOURCES (continued)

The following is an analysis of the Company's net borrowings and their characteristics on September 30, 2017 compared to December 31, 2016:

(thousands of Canadian dollars)	<b>Interest Rate September 30, 2017</b>	Interest Rate December 31, 2016	<b>Total Indebtedness September 30, 2017</b>	Total Indebtedness December 31, 2016	<b>Average Term to Maturity (Yrs) September 30, 2017</b>	Average Term to Maturity (Yrs) December 31, 2016
Revolving (US golf)	2.99%	N/A	\$ 10,000	\$ -	1.75	1.50
Revolving (rail)	2.98%	2.49%	11,491	359	1.17	1.92
Revolving (related party)	N/A	2.14%	-	9,000	N/A	N/A
Non-revolving	8.00%	8.00%	12,629	13,081	12.00	12.75
Term loan	4.23%	3.64%	20,743	22,138	2.92	3.67
Exchange	-	-	13,606	15,277	-	-
<b>Subtotal US borrowings</b>	<b>4.61%</b>	4.61%	<b>68,469</b>	59,855		
Revolving (corporate)	3.01%	2.65%	65,932	58,561	1.75	1.50
Revolving (related party)	2.84%	2.09%	1,923	35,000	N/A	N/A
Non-revolving	7.10%	7.11%	150,091	161,490	7.64	8.39
Finance lease obligations	3.80%	3.75%	2,182	3,625	1.65	1.78
<b>Subtotal CDN borrowings</b>	<b>5.46%</b>	5.38%	<b>220,128</b>	258,676		
<b>Gross borrowings</b>	<b>5.28%</b>	5.24%	<b>288,597</b>	318,531		
Cash			(2,218)	(2,382)		
<b>Net borrowings</b>			<b>\$ 286,379</b>	\$ 316,149		

TWC's consolidated borrowings include revolving lines of credit, non-revolving mortgages, term loan and finance lease obligations. The following table illustrates future maturities and amortization payments of consolidated borrowings for the next five years and thereafter as at September 30, 2017:

(thousands of Canadian dollars)	Revolving Maturities	Mortgage and Term Loan Payments	Finance Lease Obligations	<b>Total Borrowings</b>
Balance of 2017	\$ 1,923	\$ 4,711	\$ 343	<b>\$ 6,977</b>
2018	26,821	19,605	973	<b>47,399</b>
2019	65,932	20,880	528	<b>87,340</b>
2020	-	40,597	223	<b>40,820</b>
2021	-	21,407	115	<b>21,522</b>
2022 and thereafter	-	84,539	-	<b>84,539</b>
	\$ 94,676	\$ 191,739	\$ 2,182	<b>\$ 288,597</b>

TWC expects to meet its 2017/18 mortgage and term loan debt obligations by way of funds from operations, and using unutilized lines of credit if necessary.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## LIQUIDITY AND CAPITAL RESOURCES (continued)

### *Operating Activities*

Cash provided by operating activities has increased to \$42,085,000 in 2017 from \$39,410,000 in 2016 due to timing differences in working capital year over year.

### *Investing Activities*

Cash used in investing activities were \$14,839,000 in 2017 compared to \$15,278,000 in 2016 as a result of an additional \$2,273,000 spent on property, plant and equipment from timing of spending, offset by the proceeds on real estate sale in the amount of \$5,074,000.

### *Financing Activities*

Financing activities repayments were \$26,525,000 in 2017 compared to \$22,517,000 in 2016 due to the additional cash generated from operations and the proceeds on real estate sale which were used to pay down borrowings.

## RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Company is Paros Enterprises Limited ("Paros") and its parents – S.N.A. Management Limited. These companies are privately-owned companies whose shareholder is the Chairman, President and Chief Executive Officer of the Company – K. (Rai) Sahi.

K. (Rai) Sahi, the Chairman, President and Chief Executive Officer of the Company is also the controlling shareholder of Morguard Corporation ("Morguard").

The Company has provided an unsecured revolving demand credit facility to Morguard in the amount of \$30,000,000 with no fixed maturity date. This facility bears interest at TWC's short-term borrowing rate plus 10 basis points. Morguard has provided an unsecured revolving demand credit facility to TWC in the amount of \$50,000,000 with no fixed maturity date. This facility bears interest at Morguard's short-term borrowing rate plus 10 basis points. As at December 31, 2016, the total loan payable outstanding on this facility was \$47,084,000. Interest incurred for the year ended December 31, 2016 amounted to \$123,000. As at September 30, 2017, the total loan payable outstanding on this facility was \$1,923,000, and interest incurred amounted to \$375,000 (September 30, 2016 - \$18,000).

The Company has provided an unsecured revolving demand credit facility to Paros in the amount of \$5,000,000, with no fixed maturity date. This facility bears interest at prime plus 1%. During 2017 and 2016, there were no advances or repayments under this facility.

Paros has provided an unsecured revolving demand credit facility to TWC in the amount of \$5,000,000 with no fixed maturity date. This facility bears interest at prime plus 1%. During 2017 and 2016, there were no advances or repayments under this facility.

The purpose of these credit facilities is to allow each of the above entities to manage its financing activities in the most effective manner.

The Company receives managerial and consulting services from Morguard. The Company paid a management fee of \$180,000 for the period ended September 30, 2017 (September 30, 2016 - \$180,000), under a contractual agreement, which is included in operating expenses. Morguard provides back-office services to ClubLink US Corporation. The Company paid a management fee of \$345,000 (CDN\$451,000) for the period ended September 30, 2017 (September 30, 2016 - US\$537,000; CDN\$713,000) under a contractual agreement, which is included in operating expenses.

A total of US\$39,000 of rental revenue was earned by TWC for the period ended September 30, 2017 (September 30, 2016 - US\$39,000) from Morguard relating to a shared office facility in Florida.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RELATED PARTY TRANSACTIONS (continued)

The Company has an officer loan outstanding in the amount of \$1,258,000 (December 31, 2016 – \$1,258,000; September 30, 2016 – \$1,258,000). The officer loan bears interest at a market rate determined by the Compensation Committee of the Board of Directors of the Company which is 2.85% per annum (2016 – 2.70%), has maturities from September 30, 2018 to January 29, 2019 and was incurred to purchase common shares of a subsidiary that have subsequently been exchanged for common shares of the Company. The Company has indicated its intention to enforce the payment terms of these loans in the event of a decline in market value of the shares. The common shares financed by these loans, which are being held by the Company as collateral, had a market value of \$2,066,000 at September 30, 2017 (December 31, 2016 – \$1,791,000; September 30, 2016 – \$1,742,000).

All related party transactions were made in the ordinary course of business and on substantially the same terms including interest rates and security as for comparable transactions with parties of a similar standing.

## SUMMARY OF FINANCIAL RESULTS BY QUARTER

The table below sets forth selected financial data for the most recent nine quarters ending September 30, 2017. The financial data is derived from the Company's unaudited interim financial statements, which are prepared in accordance with IFRS as follows:

(thousands of Canadian dollars, except per share amounts)	2017			2016				2015	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Total assets	\$680,979	\$702,854	\$ 685,578	\$ 679,116	\$ 690,478	\$ 699,487	\$ 687,861	\$ 712,065	\$ 719,933
Operating revenue	97,357	69,436	24,109	28,766	94,448	69,999	24,622	31,052	96,352
Net operating income	39,467	19,484	758	1,427	37,334	18,973	1,129	1,695	38,076
Operating margin (%)	40.5	28.1	3.1	5.0	39.5	27.1	4.6	5.5	39.5
Net earnings (loss)	19,472	5,754	(3,608)	(1,457)	17,869	5,866	(5,720)	(10,772)	17,749
Basic earnings (loss) per share	0.71	0.21	(0.13)	(0.05)	0.65	0.21	(0.21)	(0.39)	0.66
Eligible stock dividends per share	-	-	-	-	-	-	0.075	0.075	0.075
Eligible cash dividends per share	0.02	0.02	0.02	0.02	0.02	0.02	-	-	-

## SEASONALITY

The quarterly earnings performance of the Company reflects the highly seasonal nature of both business segments. The majority of revenue and earnings from the Canadian golf operations and the rail and port operations segments occur during the second and third quarters of the year. Accordingly, the quarterly reported net earnings of the Company will fluctuate with those of the underlying business segments.

## DISCLOSURE CONTROLS AND PROCEDURES

TWC's Chairman, President and Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Our disclosure controls are designed to provide reasonable assurance that information required to be disclosed by TWC is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

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 TWC's assets; (ii) provide reasonable assurance that transactions are recorded appropriately to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

There were no changes in internal control over financial reporting that occurred during the Company's most recent quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## OUTLOOK

### *Canadian Golf Club Operations*

Management is expecting 2017 revenue from the amortization of membership fees to be approximately \$8.0 million compared to \$11.2 million in 2016. This decline is primarily the result of the members that joined in 2003 and 2005 completing their amortization period in 2016. Commencing in 2017, these two groups of members will continue to generate revenue on a cash received basis.

In general, membership fee collections have been declining over the last five years due to the downward pressure from our competitors pricing on membership fees and an oversupply of golf courses in the markets that the company operates. The average membership price for 2017 is \$4,449 as compared to \$5,996 for fiscal 2016 and \$9,202 in 2015. This trend is expected to continue in the short-term. Inflationary increases for annual dues are still the norm.

In May 2017, the Ontario government introduced a number of changes to the Employment and Labour Laws of the province including a 32% increase in minimum wage between now and January 1, 2019. This is expected to have a significant impact on the Company's Ontario golf operations starting in 2018. Currently, the company is assessing this impact.

### *Highland Gate Development*

TWC has been pursuing the development of its Highland Gate Golf Club in Aurora, Ontario as part of a 50/50 joint venture with Geranium Homes.

TWC is pleased to report that a settlement was reached on December 1, 2016 as part of a consent conference conducted with the Ontario Municipal Board (OMB). This settlement involves the Town of Aurora, the local ratepayers and the joint venture.

The settlements result in a revised development plan that contains fewer single family detached homes than originally proposed (159 instead of 184), a reduction in the height of the proposed multi-unit residential building from ten to seven storeys with 114 units, the addition of a 10-metre landscaped buffer between existing rear yards and adjacent new streets, an increase in the extent of off-street trails from 4.4 to 7.6 kilometres resulting in a total pedestrian network consisting of 10.2 kilometres, and building a major new 21-acre park in the first phase of the development.

The sales office opened on July 24, 2017 and servicing of the 45 lots in Phase 1a commenced on October 23, 2017.

### *Glen Abbey Development*

ClubLink Corporation ULC and ClubLink Holdings Limited, wholly owned subsidiaries of TWC have announced a long-term plan to transform Glen Abbey Golf Club and dedicate more than half of the privately-owned site (approximately 124 acres) to the public as permanent, publicly accessible green space by filing a development application on November 10, 2016 with the Town of Oakville. The mixed-use development on the remainder of the site will deliver approximately 107,000 sf office and 69,000 sf retail space, along with a housing development consisting of 3,222 units compatible with the current character of the Oakville community and consistent with the provincial directive to focus growth within Oakville's built boundary.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OUTLOOK (continued)

The proposed redevelopment of the golf course from the Sixteen Mile Creek valley will also enable this portion of the Lands to be re-naturalized and dedicated to public use, as a condition of approval of the redevelopment proposal. This would provide an opportunity for all members of the community to enjoy these lands and allow the Town to establish an important publicly-accessible connection within the valley on both the North and South sides.

The total of permanent publicly-accessible green space available under ClubLink's proposed redevelopment is 124 acres or 54 per cent of the overall site. The proposal's tree canopy plan achieves 42 per cent, which is above the Town of Oakville's 40 per cent target.

In addition, ClubLink will pay an estimated \$126 million in development charges, far exceeding the amount required for servicing the Glen Abbey site and providing surplus funds to assist the Region of Halton and the Town of Oakville to advance under-funded public infrastructure projects to the benefit of the general public.

The proposed Glen Abbey redevelopment, according to a report by PWC that was commissioned by the Town of Oakville, will deliver up to 6,775 person-years of employment, up to \$428 million in employment income, and up to \$1.2 billion in construction costs.

In its current form, the only people who are able to enjoy the use of the site's valley lands are ClubLink members and others who pay to play golf at Glen Abbey, along with those who participate in the Canadian Open for the one week in those years when the tournament is hosted there. ClubLink's proposal will ensure permanent, public accessibility to the site.

On March 28, 2017, an OMB hearing was held on the completeness of ClubLink's applications filed on November 10, 2016. On June 7, 2017, the OMB confirmed the applications are complete as of June 7, 2017. On July 7, 2017, both ClubLink and the Town of Oakville filed requests to review this decision. On September 26, 2017, Oakville held a Statutory Public Meeting on the Glen Abbey applications and Council refused the Official Plan and zoning by-law amendments. Oakville Council deferred its decision on the Draft Plan of Subdivision to November 6, 2017. On October 3, 2017, the OMB issued its decision on ClubLink's request to review the June 7, 2017 decision and concluded that the applications were complete on November 10, 2016. On October 10, 2017, ClubLink appealed all 3 applications to the OMB. On October 18, 2017, the Town of Oakville filed a motion with Divisional Court seeking leave to appeal the OMB decision issued October 3, 2017, this motion will be heard on December 14, 2017.

On August 21, 2017, Oakville Council endorsed a Notice of Intention to Designate the Glen Abbey property. On September 25, 2017, ClubLink decided not to appeal the designation and asked Oakville to schedule a Ontario Heritage Act section 34 pre-consultation meeting to demolish and remove 13 buildings and the golf course. Oakville refused this meeting and has commenced an action in Superior Court to deny our ability to make an application under section 34. The Town has received one objection to the Notice of Intention to Designate and the file has been referred to the Conservation Review Board.

During an eight day OMB hearing which ended February 15, 2017, ClubLink appealed the interim control by-laws which were passed by the Town of Oakville restricting Glen Abbey to its existing uses. On May 10, 2017, the OMB upheld the interim control by-law until January 31, 2018.

The development approval process at Glen Abbey may take several years and consequently its business as usual for the next several years.

### *Rail and Port Operations*

Based on data provided by Cruise Line Agencies of Alaska, we are expecting approximately 950,000 cruise ship passengers in 2018, an increase of 104,000 passengers compared to 2017.

TWC Enterprises Limited ("TWC") announced its intention to undertake a strategic review of its investment in White Pass & Yukon Route. The Board of Directors has appointed Brookfield Financial Securities LP as a financial advisor to assist in the process.

TWC does not intend to disclose further developments or updates with respect to this process unless and until its board of directors approves a specific transaction or otherwise concludes the review of strategic opportunities. There can be no assurance that TWC will enter into any transaction at this time or in the future.

### *Corporate Operations*

The Company believes it is well positioned to capitalize on its unique assets and their competitive strengths. The Company anticipates that the current economic environment will offer opportunities to add quality assets. With the strength of the existing brands, experienced management, and a focus on cost control, stable returns are expected. Both business segments are diligently controlling discretionary spending. Currency fluctuations may continue to impact reported results.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## ADDITIONAL INFORMATION

Additional information concerning the Company, as well as the Company's Annual Information Form is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the investor relations section of the Company's website ([www.twcenterprises.ca](http://www.twcenterprises.ca)).

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements (the "financial statements") and management's discussion and analysis of operations contained in this quarterly report are the responsibility of the Company's management. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The financial statements have been prepared in conformity with International Financial Reporting Standards and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this quarterly report is consistent with the information contained in the financial statements.

The financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, who are not officers of the Company, reports to the Board of Directors.



K. (Rai) Sahi  
Chairman, President and Chief Executive Officer



Andrew Tamlin  
Chief Financial Officer

November 2, 2017