

*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", formerly ClubLink Enterprises Limited) audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. This MD&A has been prepared as at March 28, 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 annual 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

### 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.

### 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).

## OVERVIEW OF BUSINESS SEGMENTS (continued)

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

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 will operate 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 will operate 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

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 will operate two Ontario/Quebec Region Daily Fee Golf Clubs as follows:

Daily Fee:	Grandview Inn, Rolling Hills
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Going in to 2017, ClubLink will have approximately 500 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.

Going in to 2017, ClubLink will have approximately 2,500 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. Harwood, a 400 acre land holding in the Greater Montreal area, has been listed for sale.

## OVERVIEW OF BUSINESS SEGMENTS (continued)

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

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

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 proceeds of \$5,600,000. 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.

### *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.

### OVERVIEW OF BUSINESS SEGMENTS (continued)

#### *Rail and Port Operations Segment (continued)*

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, with two berths, is owned while the two remaining docks are situated on state and city property and operate under long-term tideland leases.

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.

**SELECTED FINANCIAL INFORMATION**

The table below sets forth selected financial data relating to the Company's fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014. This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars, except per share amounts)	2016	2015	2014	% Change 2016/2015	% Change 2015/2014
OPERATING REVENUE	\$ 217,835	\$ 216,147	\$ 200,104	0.8%	8.0%
DIRECT OPERATING EXPENSES	158,972	158,474	151,166	0.3%	4.8%
NET OPERATING INCOME	58,863	57,673	48,938	2.1%	17.8%
Operating margin (%)	27.0%	26.7%	24.5%	1.1%	9.0%
Amortization of membership fees	11,210	11,162	12,946	0.4%	(13.8%)
Depreciation and amortization	(26,414)	(26,387)	(24,898)	0.1%	6.0%
Land lease rent	(5,303)	(5,489)	(5,455)	(3.4%)	0.6%
Interest, net	(18,151)	(19,362)	(20,257)	(6.3%)	(4.4%)
Other expenses	(795)	(1,688)	(4,255)	(52.9%)	(60.3%)
Impairment expense	-	(5,381)	(804)	N/A	N/A
Unrealized foreign exchange loss	-	(3,188)	(1,438)	N/A	N/A
Income taxes	(2,852)	(3,081)	(1,312)	(7.4%)	134.8%
NET EARNINGS	\$ 16,558	\$ 4,259	\$ 3,465	288.8%	22.9%
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.61	\$ 0.16	\$ 0.13	281.3%	23.1%
FUNDS FROM OPERATIONS	\$ 39,820	\$ 34,514	\$ 25,878	15.4%	33.4%
TOTAL ASSETS	\$ 679,116	\$ 712,065	\$ 673,335	(4.6%)	5.8%
GROSS BORROWINGS	\$ 318,531	\$ 350,134	\$ 358,216	(9.0%)	(2.3%)
SHAREHOLDERS' EQUITY	\$ 237,759	\$ 225,190	\$ 200,556	5.6%	12.3%

**Summary of Canadian/US Exchange Rates Used for Translation Purposes**

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

	2016	2015	2014
Balance Sheet, at December 31	1.3427	1.3840	1.1601
Statement of Earnings, average for the year	1.3256	1.2788	1.1048

### 2016 CONSOLIDATED OPERATING HIGHLIGHTS

Consolidated net earnings increased to \$16,558,000 in 2016 from \$4,259,000 in 2015. Consolidated net earnings in 2015 were subject to an impairment charge of property, plant and equipment and intangibles in the amount of \$5,381,000, and a foreign exchange translation loss recorded on the USD mortgage facility in the amount of \$3,188,000. In 2016, this translation gain or loss is now being reflected in accumulated other comprehensive income. Consolidated net earnings were \$3,465,000 in 2014 which was subject to \$6,497,000 in non cash or one-time expenses.

Basic and diluted earnings per share increased to 61 cents per share in 2016, compared to 16 cents per share in 2015 and 13 cents per share in 2014.

The exchange rate used for translating US denominated earnings has changed 3.7% to a yearly average of 1.3256 in 2016 from 1.2788 in 2015 due to the declining Canadian dollar and has changed from 1.1048 in 2014.

Net operating income for the Canadian golf club operations segment increased 1.3% to \$31,763,000 in 2016 from \$31,361,000 in 2015, primarily due to higher guest and green fee revenue associated with an increase of 2.2% in championship golf rounds. This compares to \$27,258,000 in 2014.

Net operating income for the US golf club operations segment decreased to US\$1,330,000 in 2016 from US\$1,477,000 in 2015 primarily due to a decrease of 5.6% in championship golf rounds. The foreign exchange rate served as a deterrent to Canadian golfers visiting Florida in the 2016 winter season, and was further impacted by the poor weather in that market. This compares to US \$813,000 in 2014.

Net operating income for the rail and port operations increased 2.4% to US\$21,829,000 from US\$21,318,000 in 2015 due to an increase of approximately 6,000 rail passengers. This compares to \$21,295,000 in 2014.

Interest, net decreased 6.3% to \$18,151,000 in 2016 from \$19,362,000 in 2015 primarily due to a lower debt level in 2016 and compares to \$20,257,000 in 2014.

The overall effective tax rate for 2016 was 14.7% as compared to 42.0% in 2015 and 27.5% in 2014 due to a change in mix of earnings.

Where there are indicators of impairment, the Company is required to perform impairment testing of a cash generating unit (CGU) combining all cash flows from each property within a CGU. As at December 31, 2015, the Company performed impairment testing on the assets within the Montreal CGU and concluded an impairment adjustment was warranted. The Company also concluded that the assets of a separate property were impaired. Reasons for impairment included declining operating performance and a decline in members at these properties. A total impairment in the amount of \$5,381,000 was recorded in 2015 to both property, plant and equipment and intangible assets.

Effective January 1, 2016, TWC has declared its 8.00% USD mortgage facility as a hedge against its net investment in White Pass. Accordingly, the foreign exchange translation gain or loss on this mortgage is now reflected in accumulated other comprehensive income effective January 1, 2016.

## 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 17 of the audited consolidated financial statements for the year ended December 31, 2016.

The following is a summary of the results of operations for the past three fiscal years.

(thousands of Canadian dollars)	2016	2015	2014
Operating revenue by segment			
<i>Canadian golf club operations</i>	\$ 140,085	\$ 139,620	\$ 134,178
<i>US golf club operations</i>	25,271	26,124	22,819
<i>Rail and port operations</i>	52,479	50,403	43,107
Operating revenue	\$ 217,835	\$ 216,147	\$ 200,104
Net operating income by segment			
<i>Canadian golf club operations</i>	\$ 31,763	\$ 31,361	\$ 27,258
<i>US golf club operations</i>	1,864	1,841	941
<i>Rail and port operations</i>	28,122	27,281	23,001
<i>Corporate operations</i>	(2,886)	(2,810)	(2,262)
Net operating income	\$ 58,863	\$ 57,673	\$ 48,938

Capital expenditures for the past three fiscal years are summarized as follows:

(thousands of Canadian dollars)	2016	2015	2014
Operating capital			
<i>Canadian golf club operations</i>	\$ 5,566	\$ 4,756	\$ 5,658
<i>US golf club operations</i>	1,433	1,082	648
<i>Rail and port operations</i>	2,933	3,927	2,475
	9,932	9,765	8,781
Expansion capital			
<i>Canadian golf club operations</i>	5,582	911	246
<i>US golf club operations</i>	-	80	1,121
<i>Rail and port operations</i>	4,186	1,326	1,857
	9,768	2,317	3,224
Total capital expenditures	\$ 19,700	\$ 12,082	\$ 12,005

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
***Review of Canadian Golf Club Operations for the Year Ended December 31, 2016***
***Summary of Canadian Golf Club Operations***

(statistics)	2016	2015	% Change
18-hole equivalent championship golf courses	42.5	42.5	-
Championship golf rounds	1,063,000	1,040,000	2.2%
Full privilege golf members	15,077	15,015	0.4%
Total golf members	21,573	22,618	(4.6%)

(thousands of Canadian dollars)	2016	2015	% Change
Operating revenue	\$ 140,085	\$ 139,620	0.3%
Direct operating expenses	(108,322)	(108,259)	0.1%
Net operating income	31,763	31,361	1.3%
Amortization of membership fees	10,936	10,906	0.3%
Depreciation and amortization	(14,485)	(15,032)	(3.6%)
Land lease rent	(5,049)	(5,251)	(3.8%)
Other expenses	(682)	-	N/A
Segment earnings before interest and income taxes	\$ 22,483	\$ 21,984	2.3%
Operating margin %	22.7%	22.5%	0.9%

***Canadian Golf Club Operating Revenue***

Canadian golf club operating revenue is recorded as follows:

(thousands of Canadian dollars)	2016	2015	% Change
Annual dues	\$ 51,459	\$ 52,209	(1.4%)
Corporate events, guest fees and cart rentals	33,370	32,980	1.2%
Food and beverage	41,289	41,350	(0.1%)
Merchandise, rooms and other	13,967	13,081	6.8%
Total operating revenue	\$ 140,085	\$ 139,620	0.3%

Total operating revenue increased 0.3% to \$140,085,000 from \$139,620,000 in 2015 due to the 2.2% increase in championship golf rounds.

***Canadian Golf Club Direct Operating Expenses***

Canadian golf club direct operating expenses are recorded as follows:

(thousands of Canadian dollars)	2016	2015	% Change
Cost of sales	\$ 20,556	\$ 19,885	3.4%
Labour and employee benefits	56,630	55,674	1.7%
Utilities	7,205	7,161	0.6%
Selling, general and administrative	3,542	4,441	(20.2%)
Property taxes	2,879	3,047	(5.5%)
Insurance	1,572	1,733	(9.3%)
Repairs and maintenance	3,108	3,290	(5.5%)
Fertilizers and pest control products	1,863	2,241	(16.9%)
Fuel and oil	870	1,077	(19.2%)
Other operating expenses	10,097	9,710	4.0%
Total direct operating expenses	\$ 108,322	\$ 108,259	0.1%

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
***Review of Canadian Golf Club Operations for the Year Ended December 31, 2016 (continued)***
***Canadian Golf Club Direct Operating Expenses (continued)***

Direct operating expenses have increased 0.1% to \$108,322,000 from \$108,259,000.

Gross margin on food and beverage sales decreased to 68.6% in 2016 compared to 69.1% in 2015 due to increases in food costs year over year.

Gross margin on merchandise sales decreased to 25.1% in 2016 compared to 26.1% in 2015, due to a change in mix of merchandise sales in 2016.

***Canadian Membership Fees***

Full privilege golf members increased 0.4% to 15,077 on December 31, 2016 from 15,015 on December 31, 2015.

ClubLink has implemented programs designed to cater to the needs of a changing golf demographic and to address the current industry and company trend of negative full privilege golf membership growth. ClubLink has announced expanded member retention and value-added programs. These include graduated annual dues pricing for intermediates up to age 35 and seniors over the age of 70 who have been members for at least 10 years. Complimentary restricted family membership benefits have been included for Gold, Platinum and Prestige level members. Enhancements for 2016 included a 10-month instalment program for annual dues and early pay discounts on annual dues. Management believes that these added value benefits will attract new members and retain existing members by adding to their package of member benefits.

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

(thousands of Canadian dollars)	2016		Golf Members	2015 Future Membership Fee Instalments
	Golf Members	Future Membership Fee Instalments		
Balance, beginning of year	15,015	\$ 26,818	15,177	\$ 26,600
Sales to new members	1,154	6,919	762	7,012
Reinstated members	215	523	311	670
Transfer and upgrade fees from existing members	-	561	-	1,262
Resignations and terminations	(1,307)	(3,975)	(1,235)	(3,093)
Instalments received in cash	-	(4,641)	-	(5,633)
Balance, end of year (Full Privilege)	15,077	\$ 26,205	15,015	\$ 26,818
Other golf member categories	6,496		7,603	
Total golf members	21,573		22,618	

ClubLink has three additional greenfield sites (in Canada) on which a 18-hole equivalent championship golf course could be built if demand warrants. The development of a greenfield site requires an investment of approximately \$15 to \$18 million to open, on a turn-key basis, an 18-championship hole golf club for play including a clubhouse and furniture, fixtures and equipment where required. Management currently has no plans to proceed with development at any of the properties within its budgeting horizons. Acquisitions, including long-term leasing opportunities, will be considered if the opportunity arises on terms acceptable to ClubLink.

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
***Review of Canadian Golf Club Operations for the Year Ended December 31, 2016 (continued)***
***Canadian Membership Fees (continued)***

Membership fees are amortized over the estimated weighted average remaining membership by year joined. This is determined by subtracting the average age of members that joined in that year from 70 and dividing the result by 2. The amortization period is reviewed annually and any adjustments are made prospectively. Membership fee revenue recognized in 2016 increased 0.3% to \$10,936,000 from \$10,906,000 in 2015. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt. An allowance for future resignations is considered as part of this model.

Details on amortization period in years, amortization of membership fee revenue and Canadian Region members at year end is broken down by member join year as follows:

Member Join Year	Amortization Period (yrs) 2016	Amortization Period (yrs) 2015	Amortization of Membership Fees (\$000) 2016	Amortization of Membership Fees (\$000) 2015	Members at year end 2016	Members at year end 2015	% Change
1994-2002	<b>Cash</b>	Cash	<b>\$ 303</b>	\$ 500	<b>4,961</b>	5,224	(5.0%)
2003	<b>1</b>	2	<b>1,267</b>	1,241	<b>656</b>	698	(6.0%)
2004	<b>2</b>	3	<b>1,177</b>	1,169	<b>593</b>	635	(6.6%)
2005	<b>1</b>	2	<b>2,130</b>	2,094	<b>1,447</b>	1,546	(6.4%)
2006	<b>4</b>	5	<b>866</b>	862	<b>574</b>	604	(5.0%)
2007	<b>3</b>	4	<b>1,506</b>	1,496	<b>1,054</b>	1,139	(7.5%)
2008	<b>5</b>	6	<b>745</b>	746	<b>589</b>	622	(5.3%)
2009	<b>6</b>	7	<b>654</b>	664	<b>675</b>	732	(7.8%)
2010	<b>6</b>	7	<b>482</b>	494	<b>797</b>	861	(7.4%)
2011	<b>9</b>	10	<b>422</b>	441	<b>594</b>	657	(9.6%)
2012	<b>11</b>	12	<b>226</b>	244	<b>381</b>	421	(9.5%)
2013	<b>11</b>	12	<b>256</b>	285	<b>365</b>	428	(14.7%)
2014	<b>12</b>	13	<b>293</b>	331	<b>605</b>	686	(11.8%)
2015	<b>13</b>	14	<b>268</b>	339	<b>632</b>	762	(17.1%)
2016	<b>14</b>	-	<b>341</b>	-	<b>1,154</b>	-	N/A
Canadian subtotals			<b>10,936</b>	10,906	<b>15,077</b>	15,015	0.4%
US golf members			<b>274</b>	256	<b>1,087</b>	1,316	
Totals			<b>\$ 11,210</b>	\$ 11,162	<b>16,164</b>	16,331	

Management is expecting 2017 revenue from the amortization of membership fees to be \$8.3 million compared to approximately \$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.

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**

*Review of Canadian Golf Club Operations for the Year Ended December 31, 2016 (continued)*

*Canadian Membership Fees (continued)*

The following is an age analysis of ClubLink's Canadian Region golf members:

	<b>2016</b>	2015 % Change	
Under 30 years	<b>1,340</b>	1,231	8.9%
31 - 40 years	<b>826</b>	810	2.0%
41 - 50 years	<b>2,413</b>	2,680	(10.0%)
51 - 60 years	<b>5,164</b>	5,164	-
61 - 70 years	<b>3,449</b>	3,263	5.7%
71 and over	<b>1,275</b>	1,166	9.3%
Not available	<b>610</b>	701	(13.0%)
	<b>15,077</b>	15,015	0.4%

The average age of a Canadian full privilege golf member as at December 31, 2016 is 53.9 years as compared to 56.4 years as at December 31, 2015.

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
*Review of US Golf Club Operations for the Year Ended December 31, 2016*
*Summary of US Golf Club Operations*

(statistics)	2016	2015	% Change
18-hole equivalent championship golf courses	11.0	12.0	(8.3%)
Championship golf rounds	373,000	395,000	(5.6%)
Full privilege golf members	1,087	1,316	(17.4%)
(thousands of dollars)	2016	2015	% Change
Operating revenue	\$ 18,924	\$ 20,500	(7.7%)
Direct operating expenses	(17,594)	(19,023)	(7.5%)
Net operating income	1,330	1,477	(10.0%)
Amortization of membership fees	206	199	3.5%
Depreciation and amortization	(2,009)	(1,986)	1.2%
Other expenses	(25)	-	N/A
Segment loss before interest and income taxes (US dollars)	(498)	(310)	(60.6%)
Exchange	(56)	(136)	58.8%
Segment loss before interest and income taxes (Cdn dollars)	\$ (554)	\$ (446)	(24.2%)
Operating margin	7.0%	7.2%	(2.8%)

*US Golf Club Operating Revenue*

US golf club operating revenue is recorded as follows:

(thousands of dollars)	2016	2015	% Change
Annual dues	\$ 5,678	\$ 6,614	(14.2%)
Corporate events, guest fees and cart rentals	9,569	9,688	(1.2%)
Food and beverage	2,828	3,275	(13.6%)
Merchandise and other	849	923	(8.0%)
Subtotal (US dollars)	18,924	20,500	(7.7%)
Exchange	6,347	5,624	12.9%
Total (Cdn dollars)	\$ 25,271	\$ 26,124	(3.3%)

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
***Review of US Golf Club Operations for the Year Ended December 31, 2016 (continued)***
***US Golf Club Direct Operating Expenses***

US golf club direct operating expenses are recorded as follows:

(thousands of dollars)	2016	2015	% Change
Cost of sales	\$ 1,610	\$ 1,781	(9.6%)
Labour and employee benefits	8,518	9,596	(11.2%)
Utilities	1,377	1,545	(10.9%)
Selling, general and administrative	104	285	(63.5%)
Property taxes	906	945	(4.1%)
Insurance	495	496	(0.2%)
Repairs and maintenance	700	833	(16.0%)
Fertilizers and pest control products	783	927	(15.5%)
Fuel and oil	194	272	(28.7%)
Management fee	652	-	N/A
Other operating expenses	2,255	2,343	(3.8%)
Subtotal (US dollars)	17,594	19,023	(7.5%)
Exchange	5,813	5,260	10.5%
Total (Cdn dollars)	\$ 23,407	\$ 24,283	(3.6%)

Gross margin on food and beverage sales was 64.3% in 2016 compared to 66.6% in 2015.

Gross margin on merchandise sales was 27.7% in 2016 compared to 28.6% in 2015.

***Review of Rail and Port Operations for the Year Ended December 31, 2016***
***Summary of Rail and Port Operations***

(statistics)	2016	2015	% Change
Rail passengers	408,000	402,000	1.5%
Port passengers	816,000	816,000	-

  

(thousands of dollars)	2016	2015	% Change
Operating revenue	\$ 40,391	\$ 39,464	2.3%
Direct operating expenses	(18,562)	(18,146)	2.3%
Net operating income	21,829	21,318	2.4%
Depreciation and amortization	(6,987)	(6,889)	1.4%
Land lease rent	(191)	(186)	2.7%
Other expenses	25	-	N/A
Segment earnings before interest and income taxes (US dollars)	14,676	14,243	3.0%
Exchange	3,959	3,988	(0.7%)
Segment earnings before interest and income taxes (Cdn dollars)	\$ 18,635	\$ 18,231	2.2%
Operating margin	54.0%	54.0%	-

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)**
***Review of Rail and Port Operations for the Year Ended December 31, 2016 (continued)***
***Rail and Port Operating Revenue***

Rail and port operating revenue is recorded as follows:

(thousands of dollars)	2016	2015	% Change
Railroad	\$ 30,000	\$ 29,331	2.3%
Port	8,128	8,007	1.5%
Gift shop and other	2,263	2,126	6.4%
Subtotal (US dollars)	40,391	39,464	2.3%
Exchange	12,088	10,939	10.5%
Total (Cdn dollars)	\$ 52,479	\$ 50,403	4.1%

The number of rail passengers has increased 1.5% to 408,000 in 2016 as compared to 402,000 in 2015 resulting in a 2.3% increase in railroad revenue.

The number of port passengers stayed flat in 2016 as compared to 816,000 in 2015.

***Rail and Port Direct Operating Expenses***

Rail and port direct operating expenses are recorded as follows:

(thousands of dollars)	2016	2015	% Change
Cost of sales	\$ 827	\$ 762	8.5%
Labour and employee benefits	9,410	9,547	(1.4%)
Utilities	332	384	(13.5%)
Selling, general and administrative	1,503	1,351	11.3%
Property taxes	561	561	-
Insurance	1,643	1,668	(1.5%)
Repairs and maintenance	569	393	44.8%
Fuel and oil	805	990	(18.7%)
Other operating expenses	2,912	2,490	16.9%
Subtotal (US dollars)	18,562	18,146	2.3%
Exchange	5,795	4,976	16.5%
Total (Cdn dollars)	\$ 24,357	\$ 23,122	5.3%

## RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

### *Review of Corporate Operations and Unallocated Amounts for the Year Ended December 31, 2016*

For the year ended December 31, 2016, the corporate operations segment incurred costs of \$2,886,000 as compared to \$2,810,000 in 2015. There is no operating revenue earned by the corporate operations segment.

Corporate operations operating costs are recorded as follows:

(thousands of Canadian dollars)	2016	2015	% Change
Labour and employee benefits	\$ 1,795	\$ 1,762	1.9%
Insurance	162	163	(0.6%)
Selling, general and administrative expenses	929	885	5.0%
	<b>\$ 2,886</b>	<b>\$ 2,810</b>	<b>2.7%</b>

## CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS.

The Company's significant accounting policies and accounting estimates under IFRS are contained in the consolidated financial statements (see Note 2 for description). Certain of these policies involve critical accounting estimates as they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the external auditors and the audit committee of the Board of Directors.

## FINANCIAL CONDITION

The following is a summary consolidated balance sheet and analysis for the last two fiscal years

(thousands of Canadian dollars)	2016	2015	Net Change	Ref
<b>Assets</b>				
Cash	\$ 2,382	\$ 2,251	\$ 131	
Accounts receivable	5,547	10,636	(5,089)	
Mortgages and loans receivable	1,457	15,303	(13,846)	1
Inventories and prepaid expenses	4,996	6,486	(1,490)	
Other assets	11,822	11,819	3	
Property, plant and equipment and intangibles	621,307	633,965	(12,658)	2
Goodwill	31,605	31,605	-	
	<b>\$ 679,116</b>	<b>\$ 712,065</b>	<b>\$ (32,949)</b>	
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 21,655	\$ 26,448	\$ (4,793)	
Borrowings	317,211	348,563	(31,352)	3
Prepaid annual dues and deposits	18,905	24,140	(5,235)	
Deferred membership fees	18,329	24,457	(6,128)	4
Deferred income tax liabilities	65,257	63,267	1,990	
	<b>441,357</b>	<b>486,875</b>	<b>(45,518)</b>	
<b>Shareholders' Equity</b>				
Share capital	111,987	109,953	2,034	
Retained earnings	96,775	83,892	12,883	5
Accumulated other comprehensive income	28,997	31,345	(2,348)	6
	<b>237,759</b>	<b>225,190</b>	<b>12,569</b>	
	<b>\$ 679,116</b>	<b>\$ 712,065</b>	<b>\$ (32,949)</b>	

Please see reference notes on page 34.

**FINANCIAL CONDITION (continued)**

The following notes describe significant changes in the balance sheets presented on page 33:

- Loans receivable have decreased by \$13,846,000 due to a US\$10,000,000 loan to an affiliate company outstanding at December 31, 2015, which was collected in 2016.
- Property, plant and equipment and intangibles decreased \$12,658,000 primarily due to a stronger Canadian dollar than at December 31, 2015, resulting in a lower net book value for US denominated property, plant and equipment.
- Borrowings have decreased \$31,352,000 due to the changes as follows:

(thousands of dollars)	2016	2015	Change
Borrowings, beginning of year	\$ 350,134	\$ 358,216	\$ (8,082)
Amortization payments	(20,388)	(18,820)	(1,568)
Revolving payments	(6,331)	(802)	(5,529)
Finance leases	(1,863)	(2,232)	369
Unrealized foreign exchange	(3,021)	13,772	(16,793)
Gross borrowings, end of year	318,531	350,134	(31,603)
Deferred financing costs	(1,320)	(1,571)	251
Borrowings, end of year	\$ 317,211	\$ 348,563	\$ (31,352)

- Deferred membership fees have decreased \$6,128,000 due to the changes as follows:

(thousands of dollars)	2016	2015	Change
Deferred membership fees, beginning of year	\$ 24,457	\$ 29,540	\$ (5,083)
Membership fee instalments received in cash	5,094	6,011	(917)
Amortization of membership fees to revenue	(11,210)	(11,162)	(48)
Exchange	(12)	68	(80)
Deferred membership fees, end of year	\$ 18,329	\$ 24,457	\$ (6,128)

- Retained earnings have increased \$12,883,000 due to net earnings of \$16,558,000 from 2016 offset by dividends paid from 2015.
- The Company has recorded a negative adjustment to its accumulated other comprehensive gain account of \$2,348,000 due to a change in the Canadian/US exchange rate to 1.3427 at December 31, 2016 from 1.3840 at December 31, 2015. This change has a corresponding impact on the US dollar assets and liabilities of the Company.

## FINANCIAL CONDITION (continued)

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

(thousands of Canadian dollars)	2016	2015
Current assets	\$ 12,925	\$ 33,418
Current liabilities	108,067	108,480
Working capital deficiency	\$ (95,142)	\$ (75,062)

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 in the future. Reasons for the working capital deficiency include:

- i) Year-end is at the end of the operating season for both of its major business segments (rail and port operations as well as Canadian golf operations) which causes the working capital deficiency to be particularly acute;
- ii) The minimum principal debt amortization repayments get funded monthly from the following year's operations which has not yet been reflected in the working capital balances.
- iii) The Company is typically a net borrower- any excess cash gets applied against its lines of credit;
- iv) 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;
- v) Neither of the Company's two major lines of credit are current obligations and are part of \$65,600,000 in available lines of credit at December 31, 2016 compared to \$53,600,000 at December 31, 2015.

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

### Shareholders' Equity

Consolidated shareholders' equity at December 31, 2016 totaled \$237,759,000 or \$8.69 per share, compared to \$225,190,000 or \$8.30 per share at December 31, 2015. The number of common shares outstanding increased to 27,345,540 shares as at December 31, 2016 from 27,135,545 as at December 31, 2015 as reflected in the chart below.

The following is a summary of the common share activity:

(number of shares)	2016	2015
Balance, beginning of year	27,135,545	26,419,342
Shares issued pursuant to stock dividend	209,048	742,183
Shares cancelled through sunset clause	947	(25,980)
Balance, end of year	27,345,540	27,135,545

The following is a summary of dividends declared in 2015 and 2016:

Date of declaration	Record date	Distribution date	Cash/stock	Amount per share
March 4, 2015	March 18, 2015	March 27, 2015	Stock	0.075
May 7, 2015	May 29, 2015	June 15, 2015	Stock	0.075
August 6, 2015	August 31, 2015	September 15, 2015	Stock	0.075
November 5, 2015	November 30, 2015	December 15, 2015	Stock	0.075
March 3, 2016	March 18, 2016	March 28, 2016	Stock	0.075
May 5, 2016	May 31, 2016	June 15, 2016	Cash	0.02
August 4, 2016	August 31, 2016	September 15, 2016	Cash	0.02
November 3, 2016	November 30, 2016	December 15, 2016	Cash	0.02

## 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)	2016	2015
Cash provided by operating activities	36,912	47,183
Operating property, plant and equipment expenditures	(9,932)	(9,765)
Expansion property, plant and equipment expenditures	(9,768)	(2,317)
Mortgages and loans receivable	13,754	(13,188)
Revolving borrowings	(6,331)	1,460
Non-revolving borrowings – amortization payments	(20,388)	(18,820)
Finance lease obligations, net	(1,863)	(2,232)
Dividends paid	(1,641)	-
Other	(612)	(1,854)
Net change in cash during the year	131	467
Cash, beginning of year	2,251	1,784
Cash, end of year	\$ 2,382	\$ 2,251

Funds and adjusted funds from operations are calculated as follows:

(thousands of Canadian dollars)	2016	2015
Net earnings	\$ 16,558	\$ 4,259
Depreciation of property, plant and equipment	25,214	25,270
Amortization of intangible assets	1,200	1,117
Deferred income tax expense	2,964	450
Amortization of membership fees	(11,210)	(11,162)
Collection of membership fee instalments	5,094	6,011
Unrealized foreign exchange loss	-	3,188
Impairment	-	5,381
Funds from operations	39,820	34,514
Operating capital expenditures	(9,932)	(9,765)
Adjusted funds from operations	\$ 29,888	\$ 24,749

Please see page 17 for a description and definition of the funds from operations calculations.

The adjusted funds from operations have increased due to an increase in net operating income and a \$2,743,000 decrease in current income tax expense.

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

The analysis of TWC's liquidity is as follows:

(thousands of Canadian dollars)	Availability on December 31, 2016		Availability on December 31, 2015	
	Maximum	Available	Maximum	Available
Cash	\$ 2,382	\$ 2,382	\$ 2,251	\$ 2,251
Revolving line of credit (US golf)	13,427	13,427	13,840	-
Revolving line of credit (corporate)	70,000	9,821	70,000	14,026
Revolving line of credit (rail)	37,569	37,087	41,963	22,335
Related party revolving line of credit	50,000	2,916	50,000	15,000
	<b>\$ 173,378</b>	<b>\$ 65,633</b>	\$ 178,054	\$ 53,612

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

Liquidity risk arises from general funding needs and in the management of assets, liabilities and optimal capital structure. TWC manages liquidity risk to maintain sufficient liquid financial resources to meet its commitments and obligations in the most cost-effective manner possible.

Based on TWC's financial position at December 31, 2016, and projected future earnings, management expects to be able to fund its working capital requirements, and meet its other obligations including debt repayments.

The following is an analysis of the Company's net borrowings and their characteristics on December 31, 2016 compared to December 31, 2015:

(thousands of Canadian dollars)	Interest Rate 2016	Interest Rate 2015	Total Indebtedness 2016	Total Indebtedness 2015	Average Term to Maturity (Yrs) 2016	Average Term to Maturity (Yrs) 2015
Revolving (US golf)	2.28%	1.99%	\$ -	\$ 10,000	1.50	1.50
Revolving (rail)	2.49%	1.99%	359	14,182	1.92	2.92
Revolving (related party)	2.14%	-	9,000	-	N/A	N/A
Non-revolving	8.00%	8.00%	13,081	13,644	12.75	13.75
Term loan	3.64%	3.24%	22,138	23,998	3.67	4.67
Exchange	-	-	15,277	23,740	-	-
Subtotal US borrowings	4.61%	3.81%	59,855	85,564		
Revolving (corporate)	2.65%	2.64%	58,561	45,325	1.50	1.50
Revolving (related party)	2.09%	2.03%	35,000	35,000	N/A	N/A
Non-revolving	7.11%	7.13%	161,490	178,668	8.39	9.23
Finance lease obligations	3.75%	3.59%	3,625	5,577	1.78	1.69
Subtotal CDN borrowings	5.38%	5.61%	258,676	264,570		
Gross borrowings	5.24%	5.17%	318,531	350,134		
Cash			(2,382)	(2,251)		
Related party receivable			-	(13,840)		
Net borrowings			\$ 316,149	\$ 334,043		

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

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 December 31, 2016:

(thousands of Canadian dollars)	Revolving Maturities	Mortgage and Term Loan Amortization Payments	Mortgage and Term Loan Maturities	Finance Lease Obligations	Total Borrowings
2017	\$ 47,084	\$ 18,649	\$ -	\$ 1,774	\$ 67,507
2018	59,043	19,843	-	984	79,870
2019	-	21,125	-	528	21,653
2020	-	21,670	20,568	224	42,462
2021	-	21,486	-	115	21,601
2022 and thereafter	-	85,438	-	-	85,438
	\$ 106,127	\$ 188,211	\$ 20,568	\$ 3,625	\$ 318,531

TWC expects to meet its 2017 obligations by way of funds from operations, and using unutilized lines of credit if necessary.

TWC has certain golf clubs that it operates, which are under long-term lease arrangements and are subject to standard lease termination clauses.

The following are the golf clubs under lease with expiration dates:

- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Country Club: December 31, 2026
- The Club at Bond Head: December 31, 2029

TWC has two non-cancellable leases for tidelands with the State of Alaska, that expire in 2051, and a non-cancellable lease for tidelands with the City of Skagway, which expires in 2023.

TWC is committed to the following minimum land lease rent payments for the next five years and thereafter as follows:

(thousands of Canadian dollars)	Golf Club Operations	Rail and Port Operations	Total
2017	\$ 4,948	\$ 250	\$ 5,198
2018	5,352	250	5,602
2019	5,459	250	5,709
2020	5,569	250	5,819
2021	5,683	250	5,933
2022 and thereafter	30,860	2,507	33,367
	\$ 57,871	\$ 3,757	\$ 61,628

**Operating Activities**

Cash provided by operating activities has decreased 21.8% to \$36,912,000 in 2016 from \$47,183,000 in 2015 primarily due to the changes in working capital from the timing of collecting Canadian annual dues which has resulted in a one time increase in 2015. Cash provided by operating activities in 2016 is consistent with \$36,112,000 earned in 2014.

**LIQUIDITY AND CAPITAL RESOURCES (continued)**
***Investing Activities***

Cash used in investing activities increased 26.3% to \$19,948,000 in 2016 from \$15,794,000 in 2015 primarily due to an increase in expansion capital expenditures on property, plant and equipment.

Property, plant and equipment expenditures are broken down as follows:

(thousands of Canadian dollars)	2016	2015
<b>Operating property, plant and equipment expenditures</b>		
Canadian golf club operations		
Golf carts	\$ 1,400	\$ 1,100
Turf improvements	1,550	991
Turf equipment	936	657
Facilities, administrative and other	1,680	2,008
US golf club operations		
Golf carts	352	183
Turf improvements	540	107
Turf equipment	246	427
Other	295	365
Rail and port operations		
Track improvements	873	1,025
Bridge upgrades	189	443
Rolling stock upgrades	1,474	1,372
Dock upgrades	73	339
Facilities, administrative and other	324	748
	<b>9,932</b>	<b>9,765</b>
<b>Expansion property, plant and equipment expenditures</b>		
Canadian golf club operations		
Land and buildings	5,582	911
US golf club operations		
Golf course and clubhouse upgrades	-	80
Rail and port operations		
Locomotive upgrades	1,684	978
Railroad dock mooring fender	1,284	-
Main track rail replacement	1,218	-
Rolling stock	-	348
	<b>9,768</b>	<b>2,317</b>
<b>Total</b>	<b>\$ 19,700</b>	<b>\$ 12,082</b>

## LIQUIDITY AND CAPITAL RESOURCES (continued)

### *Financing Activities*

Cash flows used in financing activities were \$16,645,000 in 2016 compared to \$32,874,000 in 2015 primarily due to the collection of an outstanding loan receivable from a related party in 2016.

The Company's \$70,000,000 secured revolving operating line of credit due June 30, 2017 was renewed to June 30, 2018. The Company's US\$10,000,000 revolving operating line of credit was renewed to June 30, 2018 as well. These facilities have a two year term and provisions for annual one year extensions.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,338,000 of its common shares which expired on September 19, 2016. During 2016, no shares were repurchased for cancellation under the normal course issuer bid

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,367,000 of its common shares, which will expire on September 19, 2017. During 2016, no shares were repurchased for cancellation under the normal course issuer bid.

During 2016, TWC declared and issued one quarterly stock dividend of 7.5 cents per common share. There were 209,048 shares issued in relation to this dividend.

During 2016, TWC declared and paid three quarterly dividends of 2 cents per common share for a total of 6 cents per common share or \$1,641,000 for the year.

TWC finances its operations and expansion through a combination of operating cash flows, revolving and non-revolving secured debt and finance lease obligations. In the past, TWC has issued debt and shares to facilitate acquisitions and to provide working capital. Wherever possible, expansion activities are financed through secured long term debt with repayment obligations corresponding to the expected cash flows.

The Company primarily uses credit facilities, along with funds generated from operating activities, to fund development capital spending and interest and principal payments on borrowings.

The Company currently does not expect to access debt or equity capital markets for financing over the next twelve months; however, the Company may access these markets.

## OFF-BALANCE SHEET FINANCING AND GUARANTEES

TWC and its subsidiaries do not engage in off-balance sheet financing, except for the existence of operating leases, which are primarily for the rental of golf courses and for the rental of tide lands in Skagway, Alaska.

From time to time, TWC enters into agreements to provide financial or performance assurances to third parties of which letters of credit of \$1,018,000 (2015 - \$1,049,000) and unsecured surety bonds of \$1,601,000 (2015 - \$1,601,000) were outstanding as at December 31, 2016.

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets, sales of services, securitization agreements and underwriting and agency agreements.

### 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. The facility bears interest at TWC's short-term borrowing rate plus 10 basis points. As at December 31, 2015, there was US\$10,000,000 (CDN\$13,840,000) outstanding on this facility. Interest earned for the year ended December 31, 2015, amounted to CDN\$71,000. As at December 31, 2016, there was no amount outstanding on the facility, and interest earned for the year amounted to CDN\$63,000.

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 has been utilized for short-term borrowing needs from time to time in 2015 and 2016. This facility bears interest at Morguard's short-term borrowing rate plus 10 basis points. Interest incurred for the year ended December 31, 2016 amounted to \$186,000 (2015 - \$479,000).

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 the years ended December 31, 2016 and 2015, 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 the years ended December 31, 2016 and 2015, 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 \$240,000 for the year ended December 31, 2016 (2015 - \$240,000), 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 \$652,000 (CDN\$866,000) for the period ended December 31, 2016 (December 31, 2015 - nil) under a contractual agreement, which is included in operating expenses.

During 2016, the Company earned \$479,000 (2015 - \$476,000) in golf revenue (primarily food and beverage and corporate events) from related parties controlled by the Chairman, President and Chief Executive Officer of the Company.

A total of US\$53,000 of rental revenue was earned by TWC for the year ended December 31, 2016 (2015 - US\$53,000) from Morguard relating to a shared office facility in Florida.

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.

### ENVIRONMENTAL AND HEALTH AND SAFETY OBLIGATIONS

The Company's operations and properties are subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the United States, relating to, among other things, air emissions, the management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts. The Company believes it has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties, whether currently or previously owned, or other properties where it may have environmental matters. The Company's total costs and liabilities cannot be predicted with certainty due to, among other things, the various issues described above, changing environmental laws, requirements and the potential necessity to conduct additional investigations.

TWC continually demonstrates its commitment to ensuring the health and safety of anyone affected by its operations and to responsibly manage the impact of its operations on the environment. In implementing its policies, TWC employs the benefits of strong environment, health and safety ("EH&S") management systems to a wide range of stakeholders in Canada and the United States. Stakeholders include all employees and the communities where TWC operates, along with customers, investors, partners, and service providers. This commitment extends throughout the entire Company at every level, starting with the Board of Directors.

The EH&S committee of the Company's Board of Directors meets on a regular basis to review and oversee TWC's policies and programs as well as to review the EH&S performance of each business unit. The committee also oversees the Company's compliance with applicable EH&S laws and regulations and monitors trends, issues and events which could have a significant impact on the Company.

TWC continually monitors changes in both EH&S technologies and regulations both directly and through its involvement with various industry associations.

TWC believes that safe operations are essential for a productive and engaged workforce. TWC is committed to workplace incident prevention and makes expenditures towards the necessary human and financial resources and site-specific systems to ensure compliance with its health and safety policies. Any injuries that may occur are investigated to determine root cause and to establish and put in place necessary controls, with the goal of preventing recurrence.

### FINANCIAL INSTRUMENTS

TWC has a number of financial instruments which are described in Note 20 to the audited consolidated financial statements for the year ending December 31, 2016. These financial instruments do not include any hedging or complicated derivatives.

Risks associated with these financial instruments and information on their fair values are also disclosed in Note 20.

## SUMMARY OF FINANCIAL RESULTS BY QUARTER

The table below sets forth selected financial data for the most recent eight quarters ending December 31, 2016. 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)	2016				2015			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Total assets	\$ 679,116	\$ 690,478	\$ 699,487	\$ 687,861	\$ 712,065	\$ 719,933	\$ 708,983	\$ 697,916
Operating revenue	28,766	94,448	69,999	24,622	31,052	96,352	65,598	23,145
Net operating income	1,427	37,334	18,973	1,129	1,695	38,076	16,849	1,053
Operating margin (%)	5.0	39.5	27.1	4.6	5.5	39.8	26.7	5.3
Net earnings (loss)	(1,457)	17,869	5,866	(5,720)	(10,772)	17,749	4,666	(7,384)
Basic earnings (loss) per share	(0.05)	0.65	0.21	(0.21)	(0.39)	0.66	0.17	(0.28)
Eligible stock dividends per share	-	-	-	0.075	0.075	0.075	0.075	0.075
Eligible cash dividends per share	0.02	0.02	0.02	-	-	-	-	-

## FOURTH QUARTER RESULTS

For the Fourth Quarter ended December 31,

(thousands of Canadian dollars, except per share amounts)	2016	2015	Change
Operating revenue	\$ 28,766	\$ 31,052	(7.4%)
Cost of sales and operating expenses	27,339	29,357	(6.9%)
Net operating income	1,427	1,695	(15.8%)
Operating margin (%)	5.0%	5.5%	(9.1%)
Amortization of membership fees	2,715	2,710	0.2%
Depreciation and amortization	(6,766)	(6,768)	0.0%
Land lease rent	(1,326)	(1,372)	(3.4%)
Interest, net	(4,561)	(4,865)	(6.2%)
Other expense, net	(420)	(7,348)	(94.3%)
Income tax recovery	7,474	5,176	44.4%
Net loss	\$ (1,457)	\$ (10,772)	86.5%
Weighted average shares outstanding (000)	27,345	27,344	0.0%
Basic and diluted loss per share	\$ (0.05)	\$ (0.39)	87.2%

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

Statement of earnings, average for the fourth quarter	1.3339	1.3353
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The majority of the revenue and net operating income earned in the fourth quarter relate to the activities of the Canadian and US golf operations as certain golf clubs remain open in the fall and annual dues revenue is recognized on a monthly basis. The Florida golf course acquisitions have also helped to increase revenue and operating income for the fourth quarter. Costs for the end of season maintenance and operating expenses negatively impact net operating income in the fourth quarter.

Net operating income for the fourth quarter of 2016 has decreased 15.8% to \$1,427,000 from \$1,695,000 in 2015. Net loss for the fourth quarter of 2016 has decreased to \$1,457,000 from \$10,772,000 in 2015 due primarily to the \$5,381,000 impairment charge recorded in the fourth quarter of 2015.

## 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.

## RISKS AND UNCERTAINTIES

TWC manages a number of risks in each of its business segments in order to achieve an acceptable level of risk without hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks.

In addition to the risks described elsewhere in this MD&A, this section describes the principal risks that could have a material and adverse effect on the Company's financial condition, results of operations, cash flows or business, as well as cause actual results to differ materially from expectations expressed in or implied by forward-looking statements. The risks described below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect TWC's financial condition, results of operations, cash flows or business.

### *Economic & Business Risk*

A decline in the economic environment and its impact on disposable income in areas where TWC operates may have an adverse effect on operating revenue. The Company's business segments are dependent upon discretionary spending by consumers and corporations which in turn is impacted by general economic conditions.

An extended recession could materially affect both business segments' revenue and financial performance as discretionary spending declines.

The ability to attract and retain full privilege golf members and the number of rounds played at member, hybrid and daily fee golf clubs have historically been dependent upon (i) discretionary spending by consumers and corporations, which may be affected by general economic conditions in the markets that it operates, and (ii) the popularity of golf as a leisure activity. There is no certainty that current levels of participation will be sustained or increase in the future. A decrease in the overall number of golfers, their rates of participation and consumer or corporate spending on golf, individually or collectively, could have a material adverse effect on the Company's business, financial condition and results of operations. Given that a substantial portion of the Company's golf activities are carried out in Southern Ontario, the results of operations will depend heavily on the financial condition of this market.

A decline in the economic environment and its impact on disposable income in areas where TWC's clusters are located may have an adverse effect on the Company's golf club operations revenue. The Company believes this is mitigated and that revenue from member clubs would remain relatively constant since a member is committed to pay annual dues and consume a food and beverage minimum to maintain their membership. While the sale of new memberships may decline in such circumstances, almost all Member Golf Clubs have a membership base that generates sufficient operating revenue to sustain profitable operations at that property.

Corporate event bookings, which represent a material portion of the Company's golf revenue, are susceptible to major changes in the economic environment.

The success of the rail and port operations are economically dependent upon the flow of cruise ship traffic along the west coast of North America to Alaska. These operations can be disrupted for reasons beyond the control of management, including new taxes, commercial and weather-related changes to ship scheduling. There is a risk, beyond the control of TWC, that receivables due from Carnival Cruises will not be paid or paid in a timely manner.

### *Economic Dependency*

Rail and port operations are economically dependent upon the Alaska cruise line industry. For the year ended December 31, 2016, Carnival Cruises and its subsidiaries, Princess Cruises and Holland America Cruises, made up approximately 53.2% of White Pass port passengers (2015 – 54.3%). The loss of this customer could have a material impact on the operations of the Company.

### *Foreign Currency Risk*

TWC operates both in Canada and the United States and reports its earnings in Canadian dollars. Certain TWC borrowings have a base currency of US dollars as well. Fluctuations in exchange rates could affect the cost of capital or the contribution from operations in the United States, and the value of the Company's investments in the United States.

### RISKS AND UNCERTAINTIES (continued)

#### *Availability of Credit/Liquidity*

No assurance can be given that borrowings will be available to the Company or its subsidiaries to replace existing credit facilities on terms acceptable to the Company, if at all. Failure to renew or replace credit facilities as they mature would require TWC to obtain alternative sources of capital, which may include the sale of assets or the issuance of equity at prices that may be dilutive to current shareholders.

#### *Renewal Risk*

TWC is exposed to renewal risk on its maturing borrowings. A total of 72% (December 31, 2015 – 68%) of TWC's consolidated borrowings is fully amortizing over the remaining term to maturity and 28% (December 31, 2015 – 32%) of TWC's borrowings is subject to this risk.

#### *Interest Rate Risk*

TWC is exposed to market risk related to interest rate fluctuations. The majority of TWC's borrowings has fixed interest rates over its remaining term to maturity, with 43% (December 31, 2015 – 42%) of its debt subject to this risk.

#### *Risks Associated with Information Systems*

Golf club operations rely on information systems in its business to obtain, rapidly process and analyze data to manage:

- its tee sheet and reservation system;
- its member database;
- the accurate billing of receivables and collections from members;
- the accurate accounting for and payment to vendors; and
- the processing of financial data.

Rail and port operations rely on information systems to manage train scheduling, cruise ship bookings, communications and accounting data.

Results of operations from both business segments could be adversely affected if these systems are interrupted, damaged by unforeseen events or fail for any extended period of time, including due to the action of third parties.

#### *Competition*

The competitive environment in all business segments is evolving. There have been significant additions to alternative products in the golf club, resort and tourism sectors in Ontario. While the Company has certain competitive advantages which management believes will offset, in part, the impact of this increased competition, it has been affected by these developments.

The Company faces strong competition in the Florida golf marketplace from golf clubs that have been reducing their golf fees to maintain market share. TWC believes its pricing is competitive and is striving to differentiate their product by ensuring a quality golfing experience.

#### *Key Management*

The Company's success depends upon the continued contribution of key management, some of whom have unique talents and experience and would be difficult to replace quickly. The loss or interruption of the services of a key executive could have a material adverse effect on our business during the transitional period that would be required to restructure the organization or for a successor to assume the responsibilities of the key management position.

#### *Litigation*

The Company and certain of its subsidiaries are defendants in a number of legal actions. Although the outcome of these claims cannot be determined, in the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position or results of operations.

#### *Regulatory Environment*

TWC and its subsidiaries are subject to regulation by numerous agencies involving the serving of alcohol, operation of a railroad and adherence to environmental constraints. Changes in these regulations, and their application, can impact the cost and efficiency of each business segment.

## RISKS AND UNCERTAINTIES (continued)

### *Loss of Reputation*

“ClubLink One Membership More Golf” and “White Pass & Yukon Route” both currently enjoy recognizable brand names in their operating markets. Damage to these brands could have a negative impact on the affairs of the Company. If the Company does not meet or exceed customer expectations, these brands could suffer. We have endeavoured to reduce this risk by ongoing employee training and a company-wide focus on customer service excellence.

### *Environment*

TWC's golf courses are managed with a high level of environmental awareness. In addition, TWC's turf management team is highly knowledgeable and receives extensive training regarding the proper use of pesticides and chemicals required to promote healthy golf course conditions and compliance with applicable regulations. However, certain risks are associated with the use of these materials and the overall effect a golf course has on the surrounding habitat, including nearby waterways.

Phase 1 environmental assessments are completed prior to the acquisition of any property. Once the property is acquired, environment assessment programs ensure continued compliance with all laws and regulations governing environment and related matters.

Rail and port operations are subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the US relating to, among other things, air emissions, management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts (such as the contamination of soil and water, including groundwater). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

The Company believes that it has adopted appropriate practices and procedures and maintains adequate insurance to address environmental contingencies. As part of our environmental policies, TWC monitors, controls and manages environmental issues by way of measures for waste prevention, minimization and recycling of any waste products. A committee of the Board of Directors has been established to ensure appropriate policies and standards are maintained for environmental stewardship.

### *Terrain*

The rail and port operations segment operates in remote, rocky and mountainous terrain. While the Company maintains safeguards, operations may be adversely effected in the event of a rock slide, washout or accident.

### *Weather*

Extraordinary weather conditions involving extended dry or wet periods or exceptional hot or cold temperatures could impact the condition of golf courses and the demand for golf. Management believes that its geographically diverse operations may serve to reduce the impact of severe weather conditions.

The rail and port operations segment is dependent on its ability to operate its port and railroad. Severe weather and natural disasters, such as extreme cold or heat, flooding, snow, unusual high winds, stormy seas and earthquakes, can disrupt operations and service for the port and railroad and damage its infrastructure or properties.

### *Real Estate*

TWC is subject to risks inherent in the acquisition, development, ownership and financing of real estate in general and the operations, rehabilitation and development of golf courses and recreational real estate in particular, such as the risk of depreciation in the value of land and federal, provincial and municipal governmental regulations, including environmental, sewer, water, zoning and similar regulations. It is possible that enactment of new laws, changes in the interpretation or enforcement of applicable laws, rules and regulations or the decision of any authority to change or refuse a change to current zoning classification may have an adverse effect on the value of these golf facilities and related real estate.

### *Unions and Collective Bargaining*

White Pass has three separate unions which represent employees in the rail and port operations segment. All three unions are under contract for 2017.

In any set of labour negotiations, there can be no assurance that the negotiated compensation expenses or changes to operating efficiency will be as planned and may result in unanticipated increased costs and/or reduced productivity. In addition, there can be no assurance that reduced productivity and work disruptions will not occur during the course of collective bargaining prior to settlement.

### RISKS AND UNCERTAINTIES (continued)

#### *Exchange of Confidential Information*

This risk involves the utilization of members' confidential information, particularly in direct marketing. The potential dissemination of such information to the wrong individuals could cause significant damage to our relationship with our members and customers and could result in legal action. Various initiatives, such as a corporate privacy policy, have been implemented which seek to minimize the possibility that this may occur.

TWC is also involved in payment card industry ("PCI") compliance, a rigorous set of standards leveraging the latest security technology, such as encryption, to ensure the protection of customer credit card information. These capabilities are being introduced and implemented by TWC in accordance with the ongoing PCI certification program.

#### *Income and Commodity Tax Amounts*

The operations of TWC are relatively complex and related tax interpretations, regulations and legislation that pertain to TWC's activities are subject to continual change. The Company collects and pays income and commodity taxes to various taxation authorities.

The audit and review activities of the Internal Revenue Services and Canada Revenue Agency and other jurisdictions' tax authorities affect the ultimate determination of the actual amounts of commodity taxes payable or receivable, income tax liabilities and income tax expense. Therefore, there can be no assurance that taxes will be payable as anticipated and/or that the amount and timing of receipt of use of the tax-related assets will be as currently expected.

#### *Risk of Loss Not Covered by Insurance*

The Company generally maintains insurance policies related to our business, including casualty, general liability and other policies covering our business operations, employees and assets; however, TWC would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost. Due to the cost involved, the Company has chosen not to purchase catastrophic wind (hurricane) insurance for its southeast Florida golf clubs.

#### *Integration of Acquisitions*

Integration activities include the review and alignment of accounting policies, employee transfers and moves, information systems, optimization of service offerings and establishment of control over new operations. Such activities may not be conducted efficiently and effectively, negatively impacting service levels, competitive position and expected financial results.

TWC has a team that performs the integration function. This team applies an integration model, based on experiences from numerous previous integrations, which enhances and accelerates the standardization of TWC's business processes and strives to preserve the unique qualities of acquired operations. The integration process begins with strategic, pre-closing analysis and planning, and continues after closing with the execution of a plan. Integrated operations are re-evaluated and assessed regularly, based on timely feedback received from the integration team.

#### *Land Leases*

TWC has certain golf clubs that it operates, which are under long-term lease arrangements and are subject to standard lease termination clauses.

The following are the golf clubs under lease with expiration dates:

- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Country Club: December 31, 2026
- The Club at Bond Head: December 31, 2029

TWC has two non-cancellable leases for tidelands with the State of Alaska, that expire in 2051, and a non-cancellable lease for tidelands with the City of Skagway, which expires in 2023.

## RISKS AND UNCERTAINTIES (continued)

### *Land Leases (continued)*

Unless the terms of our leases are extended, the properties, together with any improvements that we have made, will revert to the property owners upon expiration of the lease terms. As the terms of our leases expire, we may not be able to renew these leases or find alternative locations that meet our needs on favourable terms, or at all. If we are unable to renew our expiring leases, our business and financial results could be materially adversely affected. The leases also provide that the landlord may increase the rent over the term of the lease, as well as obligate us to pay a variety of costs such as cost of insurance, taxes, maintenance and utilities. Breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that a significant number of our leases are terminated on that basis, our business and financial results could be materially adversely affected.

### *Data, Security and Privacy Breaches*

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber threats in particular vary in technique and sources, are persistent, frequently change and are increasingly more targeted and difficult to detect and prevent. Cyber attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information systems and networks, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business and financial results.

The Company collects and maintains proprietary and confidential information related to the business and affairs, including our members, suppliers and employees. We store and process such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to members, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Company's systems, even if no breach has been attempted or has occurred, could adversely impact the Company's brand and reputation and materially impact its business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber-incidents, such measures may not be adequate or effective to prevent, identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could be in excess of any available insurance, and could materially adversely affect its business and financial results.

## 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. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2016, have concluded that the Company's disclosure controls are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

### 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.

Based on their evaluation, the CEO and CFO have concluded that, as at December 31, 2016, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

There were no changes in internal control over financial reporting that occurred during the Company's most recent year 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 \$8.3 million compared to approximately \$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.

#### *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. 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, 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 negotiated plan of subdivision includes 159 single family homes and a 7 storey residential building with 114 units.

Management is working on a plan for servicing and homebuilding activities at this site. The sales office is expected to open in July 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.

On December 8, 2016, Oakville issued a letter stating that the application is incomplete.

During an eight day process with the OMB which ended February 15, 2017, ClubLink appealed an interim control by-law which was passed by the Town of Oakville which restricted the use of Glen Abbey to its existing use until January 2018. The decision of this appeal is not known at this time.

## OUTLOOK (continued)

### *Glen Abbey Development (continued)*

On March 28, 2017, there is an OMB hearing scheduled on the completeness of ClubLink's application filed on November 10, 2016.

The development approval process at Glen Abbey may take several years and consequently it's business as usual for the next several years and of course, ClubLink looks forward to hosting the RBC Canadian Open once again in 2017.

### *US Golf Club Operations*

Effective July 1, 2016, Falcon Watch Golf Club has been closed and will not re-open. Nine holes will remain in use as part of the Scepter Golf Club.

### *Rail and Port Operations*

Based on data provided by Cruise Line Agencies of Alaska, we are expecting approximately 852,000 cruise ship passengers in 2017, an increase of 36,000 passengers compared to 2016.

Based on data provided by Cruise Line Agencies of Alaska, we are expecting approximately 944,000 cruise ship passengers in 2018, an increase of 128,000 passengers compared to 2016.

### *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.

## 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 consolidated financial statements and management's discussion and analysis of operations contained in this MD&A 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 consolidated 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 MD&A is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditor appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their independent auditor's report is set out on the following page.

The consolidated 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

March 28, 2017



**Andrew Tamlin**  
Chief Financial Officer