



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2015

**November 2, 2015**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") outlines the financial position and results of operations of Maplewood International Real Estate Investment Trust ("Maplewood" or the "REIT") for the three and nine months ended September 30, 2015. This MD&A should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for the same period as well the audited consolidated financial statements and accompanying notes for the year ended December 31, 2014.

The information contained in the MD&A, including forward-looking information, is based on information available to Management as of November 2, 2015.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the REIT. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward looking-information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## **BASIS OF PRESENTATION**

This MD&A should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2015, prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The REIT's functional currency is the Canadian dollar. Unless otherwise stated, amounts expressed in this MD&A are in Canadian dollars.

## **NON-IFRS MEASURES**

Certain terms used in this MD&A such as funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"), including their derivations such as recurring FFO, recurring AFFO, and property AFFO, are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of a Canadian real estate investment

trust's performance and the REIT believes that FFO, AFFO and NOI are relevant measures of its ability to earn and distribute cash returns to the Unitholders. The IFRS measurements most directly comparable to FFO, AFFO and NOI are cash flow from operating activities and net income.

The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in April 2014.

The REIT believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions; however, it does not represent cash flow from operating activities as defined under IFRS.

"NOI" is defined as investment properties revenue less investment properties operating expenses.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT's performance. The REIT's method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

## **BUSINESS OVERVIEW**

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated May 30, 2013, as amended and restated on September 9, 2013.

Prior to its reorganization as a real estate investment trust, the REIT was known as Holland Global Capital Corporation ("Holland Global"), a capital pool company, as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV"). Holland Global was incorporated under the Business Corporations Act (Ontario) on January 15, 2013. Holland Global completed its initial public offering on April 5, 2013 and Holland Global's shares were listed for trading on the TSXV on April 11, 2013.

Pursuant to a plan of arrangement on September 9, 2013, the common shares of Holland Global were exchanged for REIT Units of the REIT, or Class B LP Units of Maplewood International Limited Partnership ("MILP"), a wholly-owned subsidiary of the REIT (the "Plan of Arrangement"). The REIT became the continuing public entity with its REIT Units listed on the TSXV under the symbol MWI.UN.

The REIT is considered to be a continuation of Holland Global following the continuity of interest method of accounting. As a result, the financial statements reflect a continuation of the Holland Global with the results of the Holland Global from January 15, 2013 to September 9, 2013, and the REIT from that date forward.

On September 16, 2013, the REIT completed the acquisition of its first investment property located at Einsteinstraat 1 in s'-Gravenzande, the Netherlands (the "Initial Property"), otherwise known as the Qualifying Transaction previously announced by Holland Global.

On September 8, 2015, the REIT announced that it initiated a value maximization process, approved by the Board of Trustees, involving a series of proposed transactions whereby, subject to receiving all necessary regulatory and unitholder approvals, the REIT intends to dispose of its sole investment property in the Netherlands and return the REIT's capital to unitholders, with a view to ultimately winding-up and terminating the REIT's business and affairs.

## **INVESTMENT OBJECTIVE AND STRATEGY**

Maplewood was established as a Canadian based international real estate investment vehicle to invest in high-quality income producing commercial real estate outside of Canada. Our initial geographic focus is on the investment grade countries of Europe, with an initial target market of the Netherlands.

The objectives of the REIT are to:

- (a) provide Canadian investors with international real estate diversification that delivers attractive risk-adjusted investment yields;
- (b) build a diversified, growth-oriented portfolio of income producing commercial properties in target markets outside of Canada, with an initial focus on the Netherlands;
- (c) grow the value of assets and maximize the long-term value of REIT Units through the active and efficient management of the REIT's assets; and
- (d) provide predictable, sustainable and growing cash distributions on a tax-efficient basis.

### **The Netherlands**

Management believes that the current yields on certain commercial real estate in certain European countries are higher than yields currently available from commercial real estate in Canada. Notably, in certain European countries that have attractive sovereign credit ratings, such as the Netherlands, the higher yields on commercial real estate are even more compelling on a risk-adjusted basis.

The Netherlands enjoys a strong economic position within Europe and globally. The Netherlands has a market-based mixed economy that is noted for its stable industrial relations, moderate unemployment and inflation, a sizable trade surplus, and an important role as a European transportation hub. Dutch industrial activity is predominantly in food processing, chemicals, petroleum refining, and electrical machinery. The Netherlands' location gives it prime access to markets in the United Kingdom and Germany, with the port of Rotterdam being the largest port in Europe.

Management believes these are positive indicators of a stable and growing economy, one that is appealing to investors seeking stable, sustainable and growing cash flows. In addition, Management believes the Netherlands' operating and business environment in the real estate sector is comparable to Canada's in many important ways. For example, in comparing the Dutch market to the Canadian market, Management believes there is a similar focus in the Netherlands on building and maintaining long-term relationships with tenants, the brokerage community and lenders, as well as a similar leasing environment.

### **Target Markets**

In addition to investments in the Dutch market, the REIT will seek opportunities to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. In considering future acquisitions, the REIT will focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property and a manageable foreign investment regime.

Although the REIT will not be restricted in the geographies in which it may invest outside of Canada, it will have an initial focus primarily on the following target markets:

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- the Netherlands, where Management believes there will be more opportunities for acquiring additional assets to complement the Initial Property;
- Germany, whose economy is the largest in Europe and one of the most stable; and
- other investment grade countries in Europe, to the extent that those markets are compelling to Management and provide the potential to realize synergies with the REIT's asset base.

### SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
<b>Investment Property Information</b>					
Gross leasable area (sq. ft.)	<b>130,405</b>	130,405	130,405	130,405	130,405
Occupancy rate	<b>100%</b>	100%	100%	100%	100%
Weighted average lease term (years)	<b>5.8</b>	6.0	6.3	6.5	6.8
<b>Leverage Information</b>					
Debt to gross book value of assets	<b>50.3%</b>	49.1%	49.3%	51.6%	51.9%
Weighted average interest rate on debt	<b>3.8%</b>	3.8%	3.8%	3.8%	3.9%
Weighted average term to maturity on debt (years)	<b>3.0</b>	3.3	3.5	3.8	4.0
Interest coverage ratio <sup>(1)</sup>	<b>4.7</b>	4.7	4.6	4.4	4.3
Debt service coverage ratio <sup>(2)</sup>	<b>2.4</b>	2.6	2.6	2.5	2.6
	<b>For the three months ended September 30, 2015</b>	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
<b>Results of Operations</b>					
Net operating income ("NOI")	<b>\$ 260,660</b>	\$ 241,378	\$ 248,597	\$ 249,373	\$ 253,247
NOI margin	<b>93.9%</b>	92.9%	93.8%	92.6%	92.5%
NOI yield <sup>(3)</sup>	<b>10.6%</b>	9.8%	10.1%	10.2%	10.3%
Recurring funds from operations ("FFO") <sup>(4)</sup>	<b>\$ 110,485</b>	\$ 115,904	\$ 174,096	\$ (16,194)	\$ 112,966
Recurring adjusted funds from operations ("AFFO") <sup>(4)</sup>	<b>\$126,714</b>	\$95,158	\$ 96,496	\$ 76,423	\$ 99,954
Recurring FFO per Unit (basic) <sup>(5)</sup>	<b>\$ 0.02</b>	\$ 0.02	\$ 0.03	\$ (0.00)	\$ 0.02
Recurring AFFO per Unit (basic) <sup>(5)</sup>	<b>\$ 0.02</b>	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.02
Property AFFO <sup>(6)</sup>	<b>\$ 195,267</b>	\$ 179,247	\$ 184,778	\$ 182,699	\$ 184,499
Property AFFO yield <sup>(7)</sup>	<b>18.0%</b>	16.6%	17.1%	16.9%	17.0%

(1) Calculated as net operating income divided by interest expense on debt.

(2) Calculated as net operating income divided by the sum of interest expense on debt and principal repayment on debt.

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- (3) Calculated as annualized NOI divided by original purchase price of the Initial Property (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000, translated to at an exchange rate of 1.37284 on the acquisition closing date).
- (4) Recurring FFO and AFFO for the three months ended September 30, 2014 exclude the impact on one-time due diligence costs write-off. Recurring FFO and AFFO for the three months ended December 31, 2013, exclude the impact of non-recurring plan of arrangement costs. See FFO and AFFO for calculations.
- (5) Including Class B LP Units.
- (6) Calculated as Recurring AFFO plus general and administrative expenses
- (7) Calculated as annualized Property AFFO divided by the original equity investment in the Initial Property (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000 less mortgage debt of €4,000,000, translated to at an exchange rate of 1.37284 on the acquisition closing date).

### RESULTS OF OPERATIONS

The REIT presented quarter-over-quarter comparison between the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014 and September 30, 2014.

	For the three months ended September 30, 2015	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
Investment property revenue	<b>\$ 277,677</b>	\$ 259,765	\$ 264,889	\$ 269,203	\$ 273,905
Investment property operating expenses	<b>(17,007)</b>	(18,387)	(16,292)	(19,830)	(20,658)
<b>Net operating income</b>	<b>260,660</b>	241,378	248,597	249,373	253,247
Finance costs - operations	<b>(55,044)</b>	(51,887)	(53,554)	(56,351)	(58,483)
Finance costs - distributions on Class B LP Units	-	-	-	-	-
General and administrative expenses	<b>(68,553)</b>	(84,089)	(88,282)	(106,276)	(84,545)
Asset management fees	<b>(9,267)</b>	(9,267)	(9,267)	(9,267)	(9,267)
Due diligence costs	-	-	-	-	(85,160)
Unit-based compensation recovery (expense)	<b>17,313</b>	19,767	76,597	(93,673)	12,007
Interest income	<b>2</b>	2	5	-	7
<b>Operating income (loss)</b>	<b>110,485</b>	115,904	174,096	(16,194)	27,806
Fair value adjustment to investment property	-	-	-	-	144,362
Fair value adjustment to warrants	-	732	23,824	(18,675)	2,602
Fair value adjustment to Class B LP Units	<b>(361,250)</b>	403,750	1,296,250	807,500	217,500
<b>Net income</b>	<b>(250,765)</b>	520,380	1,494,170	772,631	392,270
<b>Other comprehensive income</b>					
Foreign currency translation adjustments	<b>476,631</b>	(3,825)	(146,713)	(10,146)	(138,564)
<b>Comprehensive income</b>	<b>\$225,866</b>	\$516,561	\$1,347,457	\$ 762,485	\$ 253,706

### **Investment Property Revenue**

Investment property revenue includes base rents. For the three months ended September 30, 2015, investment property revenue was \$277,677, as compared to \$259,765 for the three months ended June 30, 2015. The increase of \$17,902 was the result of the impact of Euro strengthening against the Canadian dollar during the quarter.

### **Investment Property Operating Expenses**

Investment property operating expenses include repairs and maintenance, property taxes, property insurance, and property management fees. For the three months ended September 30, 2015, investment property expense was \$17,007, as compared to \$18,387 for the three months ended June 30, 2015. The variance of \$1,380 was primarily due to a slight decrease in property operating expenses of \$2,477, partially offset by the impact of the strengthening of the Euro against the Canadian dollar during the quarter of \$1,097.

### **Net Operating Income**

Net operating income ("NOI") is not a measure defined by IFRS and, accordingly the term does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures defined by other issuers. We define NOI as investment property revenue less investment property operating expenses. NOI for the three months ended September 30, 2015 was \$260,660, as compared to \$241,378 for the three months ended June 30, 2015. The increase in NOI of \$19,282 was primarily due to the impact of the Euro strengthening against the Canadian dollar during the quarter.

### **Finance Costs - Operations**

Finance costs - operations includes interest expense on mortgages payable and amortization of deferred financing costs. For the three months ended September 30, 2015, finance costs - operation was \$51,887, a decrease of \$3,157 from \$51,887 for the three months ended June 30, 2015. The variance was primarily due to the impact of the Euro strengthening against the Canadian dollar of \$3,549, partially offset by lower mortgage interest expense of \$392.

### **Finance Costs - Distributions on Class B LP Units**

The Class B LP Units are treated as a financial liability and hence distributions on Class B LP Units are recorded as a finance cost. For the three months ended September 30, 2015 and June 30, 2015, there was nil finance costs - distribution on Class B LP Units. On April 17, 2014, the REIT's Board of Trustees announced an amendment to the REIT's distribution policy to suspend monthly cash distributions, hence there were no distributions on Class B LP Units.

### **General and Administrative Expenses**

General and administrative expenses consist of management compensation expenses, head office costs and public company costs. For the three months ended September 30, 2015, general and administrative expenses were \$68,553, \$15,536 lower than the second quarter of 2015, as a result of timing of certain corporate expenses accruals.

### **Asset Management Fees**

Asset management fees for the three months ended September 30, 2015 were \$9,267, the same as for the three months ended June, 2015.



### **Due Diligence Costs**

There were no due diligence costs for the three months ended September 30, 2015. During the three months ended September 30, 2014, due diligence costs of \$85,160 incurred by the REIT with respect to conditional property acquisitions were expensed, as the REIT did not proceed any further with those acquisitions.

### **Unit-based Compensation Recovery (Expense)**

Unit-based compensation recovery (expense) relates to the Unit options granted to trustees, officers, employees and consultants and is a non-cash recovery (expense). Unit options are recognized as liabilities and measured initially at fair value. The option liability is subsequently measured at fair value at each reporting period, with the change in fair value recognized in net income as unit-based compensation recovery (expense). For the three months ended September 30, 2015, unit-based compensation recovery of \$17,313 was recognized, as a result of the increase in fair value of the Unit options, mainly due to the increase in the trading price of REIT Units during the quarter.

### **Fair Value Adjustment to Investment Property**

The REIT has elected to use the fair value model to account for its investment property. As at September 30, 2015, the fair value of the investment property was determined by Management to be \$11,005,000, or €7,300,000 using the discounted cash flow method with a discount rate of 8.5% and terminal capitalization rate of 8.75%. For the three months ended September 30, 2015, there was nil fair value adjustment to the investment property.

### **Fair Value Adjustment to Warrants**

Warrants issued in connection with the private placement are recognized as liabilities and measured initially at fair value. The warrants liability is re-measured to fair value at each reporting period and changes in fair value are recognized in net income as a fair value adjustment. The warrants expired on September 10, 2015.

### **Fair Value Adjustment to Class B LP Units**

The REIT's Class B LP Units are recorded as financial liabilities and measured at fair value at each reporting period. The change in fair value of Class B Units is based on the change in the trading price of the REIT Units. For the three months ended September 30, 2015, a fair value loss of \$361,250 was recognized as a result of the increase in fair value of Class B LP Units, due to the increase in the trading price of REIT Units during the quarter.

## **FFO AND AFFO**

Funds from operations ("FFO") for the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014 and September 30, 2014 are calculated as follow:

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	<b>For the three months ended September 30, 2015</b>	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
Net income (loss)	<b>\$ (250,765)</b>	\$ 520,386	\$ 1,494,170	\$ 772,631	\$ 392,270
Adjusted for:					
Fair value adjustment to investment property	-	-	-	-	(144,362)
Fair value adjustment to warrants	-	(732)	(23,824)	18,675	(2,602)
Fair value adjustment to Class B LP Units	<b>361,250</b>	(403,750)	(1,296,250)	(807,500)	(217,500)
Finance costs - distributions on Class B LP Units	-	-	-	-	-
<b>FFO</b>	<b>\$ 110,485</b>	\$ 115,904	\$ 174,096	\$ (16,194)	\$ 27,806
Add back:					
Due diligence costs	-	-	-	-	85,160
<b>Recurring FFO</b>	<b>\$110,485</b>	\$115,904	\$174,096	\$(16,194)	\$112,996
Units outstanding, including Class B LP Units	<b>5,980,057</b>	5,980,057	5,980,057	5,980,057	5,950,057
<b>Recurring FFO per Unit (basic)</b>	<b>\$ 0.02</b>	\$ 0.02	\$ 0.03	\$ (0.00)	\$ 0.02

Adjusted funds from operations ("AFFO") for the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014 and September 30, 2014 are calculated as follows:

	<b>For the three months ended September 30, 2015</b>	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
FFO	<b>\$ 110,485</b>	\$ 115,904	\$ 174,096	\$ (16,194)	\$ 27,806
Adjusted for:					
Unit-based compensation expense (recovery)	<b>17,313</b>	(19,767)	(76,597)	93,673	(12,007)
Amortization of financing costs	<b>3,016</b>	2,821	2,897	2,944	2,995
Normalized leasing costs	-	-	-	-	-
Normalized maintenance capital expenditures	<b>(4,100)</b>	(3,800)	(3,900)	(4,000)	(4,000)
<b>AFFO</b>	<b>\$ 126,714</b>	\$ 95,158	\$ 96,496	\$ 76,423	\$ 14,794
Add back:					
Due diligence costs	-	-	-	-	85,160
<b>Recurring AFFO</b>	<b>\$ 126,714</b>	\$ 95,158	\$ 96,496	\$ 76,423	\$ 99,954
Units outstanding, including Class B LP Units	<b>5,980,057</b>	5,980,057	5,980,057	5,980,057	5,950,057
<b>Recurring AFFO per Unit (basic)</b>	<b>\$ 0.02</b>	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.02

**Property AFFO**

	<b>For the three months ended September 30, 2015</b>	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
Recurring AFFO	<b>\$ 126,714</b>	\$ 95,158	\$ 96,496	\$ 76,423	\$ 99,954
General and administrative expenses	<b>68,553</b>	84,089	88,282	106,276	84,545
<b>Property AFFO</b>	<b>\$ 195,267</b>	\$ 179,247	\$ 184,778	\$ 182,699	\$ 184,499
<b>Property AFFO yield <sup>(1)</sup></b>	<b>18.0%</b>	16.6%	17.1%	16.9%	17.0%

(1) Calculated as annualized Property AFFO divided by the original equity investment in the Initial Property (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000 less mortgage debt of €4,000,000, translated to at an exchange rate of 1.37284 on the acquisition closing date).

The following is a reconciliation of AFFO and cash provided by operating activities for the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014 and September 30, 2014.

	<b>For the three months ended September 30, 2015</b>	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
Cash flow from operating activities	<b>\$(236,674)</b>	\$21,536	\$394,362	\$ 28,856	\$ (11,151)
Change in non-cash working capital	<b>367,488</b>	77,422	(293,966)	51,567	29,945
Normalized maintenance capital expenditures	<b>(4,100)</b>	(3,800)	(3,900)	(4,000)	(4,000)
<b>AFFO</b>	<b>\$ 126,714</b>	\$ 95,158	\$ 96,496	\$ 76,423	\$ 14,794
Add back:					
Due diligence costs	-	-	-	-	85,160
<b>Recurring AFFO</b>	<b>\$ 126,714</b>	\$ 95,158	\$ 96,496	\$ 76,423	\$ 99,954

**INVESTMENT PROPERTY**

On September 16, 2013, the REIT completed the acquisition of the Initial Property, located at Einsteinstraat 1 in s'-Gravenzande, the Netherlands. The Initial Property is a large-scale industrial complex, comprised of approximately 130,450 square feet of gross leasable area of which approximately 20,785 square feet are used for an integrated 3-storey office building. The Initial Property is 100% leased pursuant to an annual inflation-indexed lease with a remaining lease term of approximately 6.3 years, and with unlimited automatic five-year renewal terms, to Rexnord FlatTop Europe B.V., a wholly-owned subsidiary of Rexnord Corporation ("Rexnord"), a leading global industrial components company headquartered in Milwaukee, Wisconsin, USA, with approximately 7,400 employees worldwide. Rexnord has a corporate history dating back to 1892 and is listed on the New York Stock Exchange.

As at September 30, 2015, the fair value of investment property determined by Management was \$11,005,000 or €7,300,000. (December 31, 2014, \$10,319,000, or €7,300,000). Management determines fair value using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate to the stabilized net operating income. The resulting capitalized value is further

adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses a discount rate and a terminal capitalization rate.

## **MORTGAGES PAYABLES**

As at September 30, 2015, the REIT had \$5,632,080 of principal mortgages payable, which were secured by a first charge on the Initial Property. The mortgages carry a weighted average interest rate of 3.8% and a weighted average term to maturity of 3 years. As at September 30, 2015, one mortgage had a fixed rate 4.53% and one mortgage had a variable rate of 3.00%.

	<b>As at September 30, 2015</b>
Current:	
Mortgages payable	\$ 180,912
Unamortized financing costs	(12,513)
	168,399
Non-current:	
Mortgages payable	\$ 5,487,664
Unamortized financing costs	(23,983)
	5,463,681
	\$5,632,080

## **EQUITY**

### **REIT Units and Class B LP Units**

The discussion of equity includes Class B LP Units, which along with related Special Voting Units are economically equivalent to the REIT Units, and are exchangeable at the option of the holder on a one-for-one basis for the REIT Units. The Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instrument-Presentation and are classified as fair value through profit or loss, measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The distributions on Class B LP Units are accounted for as finance costs.

The REIT's Declaration of Trust authorizes the issuance of an unlimited number of REIT Units. Each REIT Unit represents a unitholder's ownership interest in the REIT and carries voting rights.

Pursuant to the Plan of Arrangement on September 9, 2013, 40,500,000 common shares of Holland Global shares were exchanged for 687,500 REIT Units and 4,375,000 Class B LP Units.

On September 10, 2013, the REIT issued 625,000 Private Placement Units, comprised of one REIT Unit and one warrant, at a price of \$3.20 per Private Placement Unit, for gross proceeds of \$2,000,000. Each warrant entitles the holder to purchase a REIT Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

As at September 30, 2015, there were 1,730,057 REIT Units outstanding and 4,250,000 Class B LP Units outstanding.

On October 13, 2015, 4,125,000 Class B LP Units were exchanged to REIT Units.

### **Unit Option Plan**

Under the REIT's Unit Option Plan, the Board of Trustees may from time to time, at its discretion, grant trustees, officers, employees and consultants options to purchase REIT Units.

Pursuant to the Plan of Arrangement, on September 9, 2013, 4,050,000 of outstanding options of Holland Global were exchanged for Unit Options on an eight-for-one basis.

On November 12, 2014, 30,000 options were exercised for proceeds of \$24,000.

As at September 30, 2015, there were 476,250 Unit Options outstanding. Each Unit Option entitles the holder to purchase one REIT Unit, at an exercise price of \$0.80.

### **Warrants**

#### **Agent's Warrants**

On April 5, 2013, in connection with the Initial Public Offering, Holland Global granted on the closing date to the agent of the offering an option to purchase up to 400,000 common shares, at a price of \$0.10 per share (the "Agent's Warrants"). The Agent's Warrants expired 24 months from the date the common shares of Holland Global were listed on the TSXV.

Pursuant to the Plan of Arrangement on September 9, 2013, 400,000 of outstanding Agent's Warrants were exchanged for 50,000 REIT Unit warrants at an exercise of \$0.80 per REIT Unit warrant.

The Agent's Warrants expired on April 5, 2015.

#### **Private Placement Warrants**

On September 10, 2013, the REIT issued 625,000 Private Placement Units, comprised of one REIT Unit and one warrant, at a price of \$3.20 per Private Placement Unit, for gross proceeds of \$2,000,000. Each warrant entitles the holder to purchase a REIT Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

The warrants expired on September 10, 2015

## **LIQUIDITY AND CAPITAL RESOURCES**

The REIT's primary sources of capital are cash generated from operations, mortgage financing, equity and debt issues. The REIT's primary uses of capital include the payment of distributions, debt servicing, property maintenance, tenant improvements, leasing costs and property acquisitions.

The REIT's Declaration of Trust provides that total indebtedness of the REIT may not exceed 65% of the Gross Book Value as defined; as at September 30, 2015, this ratio was 50.3% according to the calculation as defined in the Declaration of Trust.

For the three months ended September 30, 2015, the changes in cash and cash equivalents are summarized as follows:

Operating activities used cash flows of \$236,674, mainly due to the change in non-cash working capital.

Financing activities used \$53,448 of cash flow, for the principal repayments of long-term debt.

There were no cash flows from investing activities.

## **SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies, including significant judgments and critical accounting estimates made by management of the REIT, are described in Note 3 of the REIT's audited consolidated financial statements for the year ended December 31, 2014. There are no material changes to the REIT's significant accounting policies as of September 30, 2015.

## **INTERNAL CONTROLS**

The REIT'S Chief Executive Officer and Chief Financial Officer are designing or causing to be designed disclosure controls and procedures and internal controls over financial reporting, as those terms are defined in National Instrument 52-109, "Certification of Disclosure in Issuers' annual and interim Filings" to provide reasonable assurance regarding the reliability of financial reporting.

## **RISKS AND UNCERTAINTIES**

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. Certain of these risks are described below. The management information circular of Holland Global dated August 9, 2013 (the "Circular") and prospectus of Holland Global dated August 9, 2013 (the "Prospectus") contains a detailed summary of risk factors pertaining to the REIT and its business. The Circular and Prospectus is available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no changes to the nature or the number of risk factors pertaining to the REIT.

### **Real Property Ownership and Tenant Risks**

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to lease unoccupied suites in properties may be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, competition from other available properties, and various other factors. Cash available for distribution to Unitholders will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties owned by the REIT do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the REIT's results from operations and ability to make distributions to Unitholders will be adversely affected.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for a property or revenues to be derived therefrom. Reported estimated market rents can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be consistent with historical occupancy rates

and revenues and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

### **Illiquidity**

Real estate investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to need to liquidate a property, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property. In addition, by concentrating commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

### **Interest Rate Risk**

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible.

### **Public Market Risk**

It is not possible to predict the price at which the Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the Initial Property or future properties acquired by the REIT. Accordingly, the Units may trade at a premium or a discount to values implied by the value of the Initial Property or future properties acquired by the REIT. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

### **Acquisitions**

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

### **Access to Capital**

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust. In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. It is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the REIT or otherwise,

may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. As well, the degree of leverage could affect the REIT's ability to obtain additional financing in the future.

#### **Changes in Currency Exchange Rates Could Adversely Affect the REIT's Business**

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars; however, the REIT will pay distributions to Unitholders in Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its Subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which will be denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders. When appropriate, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

#### **Taxation of the REIT and the REIT's Subsidiaries**

Although the REIT and its Subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by the REIT's Subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or the REIT's Subsidiaries.



**QUARTERLY RESULTS**

	For the three months ended September 30, 2015 <sup>(1)</sup>	For the three months ended June 30, 2015 <sup>(1)</sup>	For the three months ended March 31, 2015 <sup>(1)</sup>	For the three months ended December 31, 2014 <sup>(1)</sup>
Investment property revenue	\$ 277,667	\$ 259,765	\$ 264,889	\$ 269,203
Investment property operating expenses	(17,007)	(18,387)	(16,292)	(19,830)
<b>Net operating income</b>	<b>\$ 26,0660</b>	<b>\$ 241,378</b>	<b>\$ 248,597</b>	<b>\$ 249,373</b>
Finance costs - operations	(55,044)	(51,887)	(53,554)	(56,351)
Finance costs - distributions on Class B LP Units	-	-	-	-
Plan of arrangement costs	-	-	-	-
General and administrative expenses	(68,553)	(84,089)	(88,282)	(106,276)
Asset management fee	(9,267)	(9,267)	(9,267)	(9,267)
Due diligence costs	-	-	-	-
Unit-based compensation recovery (expense)	(17,313)	19,767	76,597	(93,673)
Interest income	2	2	5	-
<b>Income (loss) before undernoted:</b>	<b>110,485</b>	<b>115,904</b>	<b>174,096</b>	<b>(16,194)</b>
Fair value adjustment to investment property	-	-	-	-
Fair value adjustment to warrants	-	732	23,824	(18,675)
Fair value adjustment to Class B LP Units	403,750	403,750	1,296,250	807,500
<b>Net income (loss)</b>	<b>\$(250,765)</b>	<b>\$520,386</b>	<b>\$1,494,170</b>	<b>\$772,631</b>
Other comprehensive income:				
Foreign currency translation adjustments	476,631	(3,825)	(146,713)	(10,146)
<b>Comprehensive income</b>	<b>\$225,866</b>	<b>\$516,561</b>	<b>\$1,347,457</b>	<b>\$762,485</b>
<b>Net income (loss)</b>	<b>\$(250,765)</b>	<b>\$520,386</b>	<b>\$1,494,170</b>	<b>\$772,631</b>
Adjusted for:				
Fair value adjustment to investment property	-	-	-	-
Fair value adjustment to warrants	-	732	(23,824)	18,675
Fair value adjustment to Class B LP Units	361,250	403,750	(1,296,250)	(807,500)
Finance costs - distributions on Class B LP Units	-	-	-	-
<b>FFO</b>	<b>110,485</b>	<b>115,904</b>	<b>174,096</b>	<b>(16,194)</b>
Add back:				
Non-recurring plan of arrangement costs	-	-	-	-
Due diligence costs	-	-	-	-
<b>Recurring FFO</b>	<b>\$ 110,485</b>	<b>\$ 115,904</b>	<b>\$ 174,096</b>	<b>\$ (16,194)</b>
<b>Recurring FFO per Unit (basic) <sup>(2)</sup></b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>	<b>\$ (0.00)</b>
<b>FFO</b>	<b>\$ 110,485</b>	<b>\$ 115,904</b>	<b>\$ 174,096</b>	<b>\$ (16,194)</b>
Adjusted for:				
Unit-based compensation expense (recovery)	17,313	(19,767)	(76,597)	93,673
Amortization of financing costs	3,016	2,821	2,897	2,944
Normalized leasing costs	-	-	-	-
Normalized maintenance capital expenditures	(4,100)	(3,800)	(3,900)	(4,000)
<b>AFFO</b>	<b>126,714</b>	<b>95,158</b>	<b>96,496</b>	<b>76,423</b>
Add back:				
Non-recurring plan of arrangement costs	-	-	-	-
Due diligence costs	-	-	-	-
<b>Recurring AFFO</b>	<b>\$ 126,714</b>	<b>\$ 95,158</b>	<b>\$ 96,496</b>	<b>\$ 76,423</b>
<b>Recurring AFFO per Unit (basic) <sup>(2)</sup></b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>

**MAPLEWOOD INTERNATIONAL REIT 2015 Third Quarter MD&A**

	For the three months ended September 30, 2014 <sup>(1)</sup>	For the three months ended June 30, 2014 <sup>(1)</sup>	For the three months ended March 31, 2014 <sup>(1)</sup>	For the three months ended December 31, 2013 <sup>(1)</sup>
Investment property revenue	\$ 273,905	\$ 284,007	\$ 281,871	\$ 266,371
Investment property operating expenses	(20,658)	(17,305)	(16,791)	(13,680)
<b>Net operating income</b>	<b>\$ 253,247</b>	<b>\$ 266,702</b>	<b>\$ 265,080</b>	<b>\$ 252,691</b>
Finance costs - operations	(58,483)	(60,924)	(61,023)	(59,001)
Finance costs - distributions on Class B LP Units	-	-	(297,544)	(347,136)
Plan of arrangement costs	-	-	-	(45,686)
General and administrative expenses	(84,545)	(95,513)	(114,120)	(107,873)
Asset management fee	(9,267)	(9,267)	(9,267)	(9,267)
Due diligence costs	(85,160)	-	-	-
Unit-based compensation recovery (expense)	12,007	218,309	39,217	(165,855)
Interest income	7	2	35	261
<b>Loss before undernoted:</b>	<b>27,806</b>	<b>319,309</b>	<b>(177,622)</b>	<b>(481,866)</b>
Fair value adjustment to investment property	144,362	236,534	377,700	-
Fair value adjustment to warrants	2,602	70,793	49,873	110,618
Fair value adjustment to Class B LP Units	217,500	6,212,500	1,487,500	2,187,500
<b>Net income (loss)</b>	<b>\$392,270</b>	<b>\$6,839,136</b>	<b>\$1,737,451</b>	<b>\$1,816,252</b>
Other comprehensive income (loss):				
Foreign currency translation adjustments	(138,564)	(210,894)	141,339	230,935
<b>Comprehensive income (loss)</b>	<b>\$253,706</b>	<b>\$6,628,242</b>	<b>\$1,878,790</b>	<b>\$ 2,047,187</b>
<b>Net income (loss)</b>	<b>\$392,270</b>	<b>\$6,839,136</b>	<b>\$1,737,451</b>	<b>\$1,816,252</b>
Adjusted for:				
Fair value adjustment to investment property	(144,362)	(236,534)	(377,700)	-
Fair value adjustment to warrants	(2,602)	(70,793)	(49,873)	(110,618)
Fair value adjustment to Class B LP Units	(217,500)	(6,212,500)	(1,487,500)	(2,187,500)
Finance costs - distributions on Class B LP Units	-	-	297,544	347,136
<b>FFO</b>	<b>27,806</b>	<b>319,309</b>	<b>119,922</b>	<b>(134,730)</b>
Add back:				
Non-recurring plan of arrangement costs	-	-	-	45,686
Due diligence costs	85,160	-	-	-
<b>Recurring FFO</b>	<b>\$ 112,966</b>	<b>\$ 319,309</b>	<b>\$ 119,922</b>	<b>\$(89,044)</b>
<b>Recurring FFO per Unit (basic)</b> <sup>(2)</sup>	<b>\$ 0.02</b>	<b>\$ 0.05</b>	<b>\$ 0.02</b>	<b>\$ (0.02)</b>
<b>FFO</b>	<b>\$ 27,806</b>	<b>\$ 319,309</b>	<b>\$ 119,922</b>	<b>\$ (134,730)</b>
Adjusted for:				
Unit-based compensation expense (recovery)	(12,007)	(218,309)	(39,217)	165,855
Amortization of financing costs	2,995	3,088	3,153	2,972
Normalized leasing costs	-	-	-	-
Normalized maintenance capital expenditures	(4,000)	(4,200)	(4,200)	(4,000)
<b>AFFO</b>	<b>14,794</b>	<b>99,888</b>	<b>79,658</b>	<b>\$ 30,097</b>
Add back:				
Non-recurring plan of arrangement costs	-	-	-	45,686
Due diligence costs	85,160	-	-	-
<b>Recurring AFFO</b>	<b>\$ 99,954</b>	<b>\$ 99,888</b>	<b>\$ 79,658</b>	<b>\$ 75,783</b>
<b>Recurring AFFO per Unit (basic)</b> <sup>(2)</sup>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>

- (1) The REIT had its first two full quarters of property operations in the three months ended March 31, 2014 and December 31, 2013 and commenced reporting FFO and AFFO in these quarters.
- (2) Including Class B LP Units.