



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

Quarterly Report – March 31, 2010

May 14, 2010

**NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
FOR THE PERIOD ENDING MARCH 31, 2010**

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Financial Outlook and Market Guidance

Our REIT got off to a great start, with the closing of the initial public offering ("IPO") on March 25, 2010. Based upon investor demand the offering was increased by \$25 million to \$175 million. Pricing was finalized at 8.0%, with strong and widespread institutional investor support. This bodes well for our future, as it represents a comparatively stable investor base while also providing a level of credibility for the organization in the eyes of investors, potential investors and analysts.

Following the end of the quarter the market reaction to the offering has been positive. The over-allotment option provided to the underwriters was exercised, resulting in another \$12.5 million of gross proceeds. As well RBC Capital Markets initiated coverage of the REIT and we are hopeful that others will follow suit.

The REIT is "now on the playing field" and poised to strengthen its position as Canada's Healthcare Landlord, taking advantage of its stable foundation of properties and tenants, its healthcare relationships, its strong balance sheet, including access to its credit facility, and its heightened profile to continue its consolidation of the fragmented Healthcare Real Estate market in Canada.

The closing costs of the IPO, including the over-allotment, were \$15.5 million. This was \$2.7 million in excess of the estimate. This was due to the resizing of the deal late in the process as well as its complexity, especially as the first significant real estate IPO in over four years. But at 8.3% of total proceeds, total costs are lower, as a percentage, than all but one of the most recent real estate offerings.

We have an active pipeline of acquisition opportunities and are confident that in the short term we will be able to announce transactions that will not only be accretive to the REIT but that will also substantially progress us toward our 2010 goal of \$100 million of acquisitions, exclusive of the two properties over which the REIT has a right of first offer, as detailed in the Prospectus, that are also under review. In the longer term our strategy is to double the size of the REIT.

The operating results for the first quarter were substantially in line with expectations, with the financial forecast contained in our IPO prospectus still constituting our guidance for the remainder of 2010.

With respect to leasing, renewals are well in hand, with 92% of expiring leases in the first quarter renewed or projected to renew. Approximately 50% of all 2010 budgeted renewals were completed as of March 31st, and 80% of the remaining renewals are in active negotiations. While new leasing of vacant space was 25% behind plan in the first quarter, all of that space was leased after the end of the quarter. Contracted per square foot rent for both renewal and new leasing completed in the first quarter was on budget (0.7% above). Our leasing efforts continue to be challenged, however, in some competitive markets, especially in southwest Ontario. In these markets we have increased our efforts and are hopeful that some positive momentum will result.

Leasing activity has also been focused on the head lease space within the portfolio. Three leases have been concluded for 17% of the space, including two larger leases at our Rockyview Professional Centre II property of ten and fifteen years, respectively, one of which is an anchor healthcare tenant that will almost certainly attract other healthcare users to the property. Documented negotiations continue for approximately 55% of the remaining uncommitted space.

Refinancing is not a primary focus of 2010, with only one mortgage of approximately \$1.4 million maturing during the year, and no mortgages scheduled to mature in 2011. Instead, financing will be limited to any mortgage requirements for acquisitions.

The weighted average interest rate on our mortgage debt is 5.58% and our debt to gross book value ratio is 54.2%, well below the 65% permitted in our Declaration of Trust. Our available credit facility of up to \$35.0 million, combined with the cash from the IPO, provides solid liquidity which means we are well positioned to take advantage of acquisition opportunities.

While we continue to work through all post-closing activities resulting from the IPO, we are also fully re-engaging ourselves in the business of operating and growing our business and look forward to sharing these successes with you in the future.

Sincerely,

(signed) Peter Rigg
Chief Executive Officer

This Management's Discussion and Analysis ("MD&A") sets out NorthWest Healthcare Properties Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the seven day period from March 25, 2010 to March 31, 2010. The analysis provides a comparison to the REIT's forecast provided in its initial public offering ("IPO") Prospectus (the "Prospectus") dated March 16, 2010, prorated to correspond with the seven day period. The seven day period results reflect the fact that the REIT completed its IPO on March 25, 2010. The REIT had no operations prior to March 25, 2010.

This MD&A is based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") using the REIT's reporting currency, the Canadian dollar. Per Unit amounts are presented on a diluted basis, except where otherwise stated.

This MD&A should be read in conjunction with the REIT's unaudited interim consolidated financial statements and accompanying notes for the seven day period ended March 31, 2010, and with the unaudited pro forma income statements of the acquired real estate properties and the forecast contained in the Prospectus.

Information about the REIT, including the Prospectus, can be found on SEDAR at www.sedar.com.

PART I

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may constitute "forward-looking statements" under applicable Canadian securities law. When used in this MD&A, words including, but not limited to, "plans", "expects", "scheduled", "estimates", "intends", "anticipates", "predicts", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements.

Forward-looking statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT and are necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies which could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be incorrect. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, and the current economic conditions remaining unchanged. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to those presented in Part VII in this MD&A.

These forward-looking statements are made as of the date of this MD&A. Except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

NON-GAAP FINANCIAL MEASURES

Certain terms used such as "Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts used by management to

measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under Canadian GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with Canadian GAAP. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the interim consolidated financial statements of the REIT for the seven day period ended March 31, 2010. Such terms do not have a standardized meaning prescribed by Canadian GAAP and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT is a newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust ("DOT") dated January 1, 2010 and as amended on March 25, 2010, under the laws of the Province of Ontario. The REIT completed its IPO on March 25, 2010. The REIT's Units are listed and publicly traded on the Toronto Stock Exchange (TSX) under the symbol NWH.UN.

The REIT is the largest non-government owner of medical office buildings ("MOB's") and healthcare focused real estate (collectively, "Healthcare Real Estate") in Canada, and is focused on leasing space to doctors, dentists, other medical professionals and related healthcare service providers such as pharmacies, laboratories and diagnostic imaging clinics. The REIT employs a full service, fully integrated national management platform with regional offices in its four core markets of Calgary, Toronto, Montreal and Halifax.

Management believes that Healthcare Real Estate represents a growing yet defensive market position, owing to necessity-based tenancies that are not typically impacted by recessions or economic slow downs. The REIT and its property portfolio are well positioned to benefit from strong demographic and industry trends, such as a growing and aging population, increased demand for and funding of healthcare, and a shift of administration, diagnostic services and other non-acute services out of hospitals and into nearby Healthcare Real Estate owing to space shortages, pressure for cost savings and a desire by the hospitals to focus their activities on acute care.

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investments focused on Healthcare Real Estate in Canada, on a tax efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT's adjusted funds from operations ("AFFO") per Unit, including through accretive acquisitions.

DECLARATION OF TRUST

The investment guidelines of the REIT are outlined in the Trust's DOT, a copy of which is filed on SEDAR and is also available on request to all unitholders. Further information regarding the DOT can also be located starting on page 117 of the Prospectus. Some of the main investment guidelines and operating policies are summarized in the DOT starting on page 114 of the Prospectus, including in part, the following:

Investment Guidelines

1. Acquire and operate income-producing commercial real estate located primarily in Canada;
2. Investments in joint ventures regarding real estate permitted; and
3. Investments in mortgages and mortgage bonds regarding real estate permitted.

Operating Policies

1. Maximum portfolio debt capacity not to exceed 65% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;

3. Limitations meeting certain defined criteria restricting leasing to non – institutional tenants; and
4. Environmental third party surveys are required prior to the acquisition of any property.

At March 31, 2010, the REIT was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

| | As at / For the 7 days ended March 31, 2010 |
|---|--|
| Operational information | |
| Number of properties | 45 |
| Gross Leasable Area (“GLA”) | 2,697,791 |
| Occupancy % (current) ⁽¹⁾ | 90.7% |
| Average lease term to maturity | 4.0 years |
| Weighted average in place net rental rate (psf) | \$14.40 |
| Summary of Financial information | |
| Gross Book Value | \$572,057,671 |
| Debt ⁽²⁾ | \$309,923,719 |
| Debt to Gross Book Value ⁽³⁾ | 54.2% |
| Interest coverage ⁽⁴⁾ | 2.58x |
| Weighted average mortgage interest rate ⁽⁵⁾ | 5.58% |
| Revenue | \$1,568,188 |
| Net operating income (“NOI”) ⁽⁶⁾ | \$895,278 |
| Funds from Operations (“FFO”) ⁽⁶⁾ | \$530,466 |
| FFO per unit (Fully diluted) | \$0.02 |
| Adjusted funds from Operations (“AFFO”) ⁽⁶⁾ | \$390,907 |
| AFFO per unit (Fully diluted) | \$0.02 |
| Distributions declared (annualized) | \$20,199,818 |
| Distributions per unit (annualized) (Fully Diluted) | \$0.80 |
| Payout ratio ⁽⁷⁾ | 98.9% |
| Units outstanding at period-end: | |
| Weighted average – basic | 25,249,772 |
| Weighted average – diluted | 25,249,772 |
| Notes: | |
| (1) As at March 31, 2010 | |
| (2) Debt is presented net of a Mark to Market premium of \$2,090,222 and unamortized financing costs of \$518,185 and excludes contingent liabilities | |
| (3) Defined as total debt divided by total assets incl. accumulated depreciation and amortization of income properties. | |
| (4) Defined as net income plus amortization and interest expense divided by interest expense | |
| (5) Market weighted average mortgage interest rate = 5.35% | |
| (6) NOI, FFO and AFFO are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT | |
| (7) Based on AFFO for the 7 days ended March 31, 2010 annualized for a 12 month period. Refer to Part IV – Distributions and Adjusted Funds From Operations for additional details. | |

SUMMARY OF SIGNIFICANT EVENTS

- The REIT completed an IPO of 17.5 million units on March 25, 2010 for gross proceeds of \$175.0 million or approximately \$160.2 million net of underwriters’ fees and other transaction costs. Concurrent with the IPO, the REIT acquired 45 Healthcare Real Estate properties in six provinces, totaling approximately 2.7 million square feet from NorthWest Operating Trust and certain of its affiliates (“NW Trust”). The consideration for the properties was a cash payment of approximately \$105.6 million plus \$1.7 million of issue cost reimbursements, the issuance to NW Trust of Class B Limited Partnership units (the “Class B LP Units”) exchangeable into

and equivalent to REIT Units of approximately \$77.5 million, the assumption by the REIT of an estimated \$11.4 million working capital deficit (subject to adjustment as noted below) as well as approximately \$358.2 million of mortgages payable with staggered maturities. Immediately following the acquisition of the 45 properties, the REIT repaid \$47.7 million of the assumed mortgages.

- As part of the REIT's acquisition of the 45 properties, the cash consideration of \$105.6 million was approximately \$2.3 million greater than estimated in the Prospectus due to scheduled mortgage principal repayments from September 30, 2009 to March 25, 2010.
- Pursuant to the acquisition agreement for the 45 properties dated March 25, 2010 (the "Acquisition Agreement") the consideration paid for the properties is subject to a working capital adjustment, to be determined by NW Trust within 60 days of Closing, and reviewed by the REIT within 30 days thereafter, such that the net working capital assumed on the acquisition shall be nil, subject to certain adjustments. At March 31, 2010, the calculation had not been provided to the REIT and as a result, the amounts recoverable from NW Trust, primarily relating to third party trade payables, are based on management's best estimate and may be adjusted in future periods.
- On April 7, 2010, the REIT completed the issuance of an additional 1.25 million units at a price of \$10 per unit for total gross proceeds of \$12.5 million, or \$11.8 million net of underwriters' fees and other transaction costs, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the REIT's IPO. The net proceeds will be used for future acquisitions and general working capital purposes.
- Upon completion of the over-allotment, the REIT estimates that the total transaction costs in relation to the Offering were approximately \$15.5 million (8.3% of gross proceeds), representing \$10.8 million of underwriters' fees and \$4.7 million of other transaction costs. Other transaction costs of \$4.7 million were approximately \$2.2 million greater than estimated in the Prospectus as a result of the complexity of the transaction.
- On April 22, 2010, the REIT declared distributions of 8.1725 cents per unit for the period from March 25, 2010 to and including April 30, 2010. The distributions will be payable on May 17, 2010 to unitholders of record as at April 30, 2010.
- The financial and operating results for the period ended March 31, 2010 met management's expectations and are consistent with the guidance provided in the 2010 Forecast of Financial Information ("FOFI") disclosed in the REIT's Prospectus
- Net income/(loss) for the period of \$61,501 was favourable by \$65,592 relative to the forecasted net income/(loss) of (\$4,091) for the prorated period due primarily to a reduction in depreciation and amortization expenses as a result of revisions to the purchase price allocation. The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation may be adjusted in future periods.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The REIT believes that its portfolio of primarily necessity-based tenancies is typically not materially impacted by economic slowdowns. Regardless of current economic conditions, the REIT believes that it is well-positioned to capitalize upon longer term demographic and healthcare industry trends. However, the improving fundamentals in the underlying Canadian economy through the first quarter of 2010 can only serve to assist the REIT in achieving its near-term goals of renewing existing tenants, leasing vacant space and pursuing acquisitions of Healthcare Real Estate.

The REIT continues to focus its leasing efforts on increasing the healthcare tenancies within each building, wherever possible, which means aggressively renewing healthcare tenancies and selectively renewing non-healthcare tenancies. Over the long term, this is important in order to create the positive synergies that result from an agglomeration of healthcare users in one property. It also assists in driving maximum traffic to the property which translates into increased parking and other revenue.

The REIT believes there are significant opportunities to grow the portfolio by being a consolidator within a fragmented sector that has not been targeted by traditional institutional investors, through accretive acquisitions that efficiently leverage its existing asset and property management platform.

In the latter half of 2009, Canadian real estate equity and debt capital markets returned to stability and debt availability is no longer considered a constraining factor to acquisition activity. In general the

investment market has become more competitive with increased activity as capital raised in 2009 and early 2010 is available for investment. As a consequence of this growth in demand there has been a gradual decline in yields.

The REIT is currently pursuing an active acquisition pipeline, with multiple properties in varying stages of negotiation and due diligence, and is expecting to be in a position to make announcement(s) in this regard in the second quarter of 2010. This pipeline also includes an on-going review of two Calgary assets – University Centre and Glenmore Professional Centre over which the REIT has a right of first offer to acquire from NW Trust, as set out in the Prospectus.

PART III

RESULTS OF OPERATIONS

Comparison to Forecast

Results for the period are not directly comparable to the three month forecast included in the Prospectus, as the REIT commenced operations on March 25, 2010 and is only reporting for a seven day period. On a pro-rated basis, actual net earnings compare favorably to the forecast. Pro rata allocation of the three month forecast was deemed appropriate for the seven day period ending March 31, 2010. The REIT's results of operations for the 7 day period from the commencement of operations on March 25, 2010 to March 31, 2010 are summarized below:

| | Actual results for the 7 days ended March 31, 2010 | Pro-rated 2010 Forecast ⁽¹⁾ | Variance |
|--|---|---|-------------------|
| Revenue | | | |
| Base rent | \$778,311 | \$772,667 | \$5,644 |
| Property operating cost recoveries | 583,472 | 617,391 | (33,919) |
| Parking and other | 192,257 | 179,832 | 12,425 |
| Property management recovery fees | 14,148 | 14,313 | (165) |
| Total property and property related revenue | \$1,568,188 | \$1,584,203 | \$(16,015) |
| Expenses | | | |
| Operating | 672,910 | 706,723 | (33,813) |
| Interest expense, net | 335,976 | 337,461 | (1,485) |
| Depreciation and amortization | 468,965 | 513,340 | (44,375) |
| Trust expenses | 28,836 | 30,771 | (1,935) |
| Total expenses | \$1,506,687 | \$1,588,295 | \$(81,613) |
| Net income / (loss) | \$61,501 | \$ (4,091) | \$ 65,592 |
| Calculation of Net Operating Income | | | |
| Property and property related revenue | 1,568,188 | 1,584,203 | (16,015) |
| Operating expenses | 672,910 | 706,723 | (33,813) |
| Net Operating Income ("NOI") ⁽²⁾ | \$895,278 | \$877,480 | \$17,798 |
| <i>NOI margin</i> | <i>57.6%</i> | <i>55.4%</i> | <i>2.2%</i> |
| Notes: | | | |
| (1) Represents the forecast contained in the Prospectus on page 16 pro-rated for the 7 days of operations ended March 31, 2010. These figures have been prepared by management and are unaudited. | | | |
| (2) Net Operating Income ("NOI") is a non-GAAP measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of above/below market rent amortization and amortization of straight line rent. Property revenue excludes interest income. The REIT uses NOI to assess its property operating performance on an unleveraged basis. | | | |

Property and Property related revenue

Total property and property related revenue of \$1,568,188 is \$16,015 less than the pro-rated forecast, primarily as a result of lower recoverable operating expenses, and therefore lower operating expense recoveries, for the 7 day period. Please refer to the commentary on operating expenses below for additional details.

The favourable variance in base rent of \$5,644 against the pro-rated forecast was a result of a favourable variance in above and below market rent amortization of \$13,344, due to revisions to the purchase price allocation, offset by an unfavourable variance against forecast in base rent of \$7,700 relating to later rent commencement dates than anticipated for new leasing. The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation and related values of above and below market rents may be adjusted in future periods.

Operating Expenses

Property operating expenses are comprised of amounts recoverable from tenants (including property taxes, repairs and maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. The REIT absorbs these costs to the extent of vacancies that can not be recovered through the “gross-up” provision of leases.

Operating expenses of \$672,910 are \$33,813 less than the pro-rated forecast as a result of a milder winter across Canada which resulted in lower than forecast snow removal and utility costs. In addition there has been a delay in general repairs and maintenance expenditures relative to the FOFI and these costs are likely to be incurred in future quarters.

Interest Expense

The interest expense of \$335,976 results in a favourable variance of \$1,485 as compared to the pro-rated forecast. This is attributable to the fact that the forecast assumed interest expense related to the upfront utilization of the REIT’s revolving credit facility (the “Revolving Credit Facility”).

Depreciation and Amortization Expense

Depreciation and amortization expense had a favourable variance of \$44,374 as compared to the pro-rated forecast. This is attributable to a reduction in depreciation and amortization expenses as a result of revisions to the purchase price allocation. The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation may be adjusted in future periods.

Trust Expenses

The Prospectus forecast of trust expenses reflected management’s best estimate of legal fees, trustee fees, annual report costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT. Trust expenses of \$28,836 for the period compared favorably with the pro-rated forecast of \$30,771. The variance is primarily a result of timing differences.

FUNDS FROM OPERATIONS

Funds from Operations (“FFO”) is a supplemental non-GAAP industry wide financial measure of a REIT’s operating performance. The REIT calculates FFO as net income (computed in accordance with GAAP), plus property depreciation and amortization. The REIT’s method of calculating FFO may differ from other issuers’ methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of GAAP net income to FFO for the 7 days ended March 31, 2010 is set out below:

| | Actual results for the 7 days ended March 31, 2010 | Pro-rated 2010 Forecast ⁽¹⁾ | Variance |
|--|---|---|-----------------|
| Net income / (loss) (per GAAP) | \$61,501 | \$(4,091) | \$65,592 |
| Add / (Deduct): | | | |
| Depreciation and amortization | 468,965 | 513,340 | (44,375) |
| Funds from Operations (“FFO”) | \$530,466 | \$509,249 | \$21,217 |
| Basic FFO per unit | \$0.02 | \$0.02 | - |
| Fully diluted FFO per unit | \$0.02 | \$0.02 | - |
| Weighted average units outstanding: | | | |
| Basic | 25,249,772 | 25,249,772 | - |
| Fully diluted | 25,249,772 | 25,249,772 | - |
| Notes: | | | |
| | (1) Represents the forecast contained in the Prospectus on page 16 pro-rated for the 7 days of operations ended March 31, 2010. These figures have been prepared by management and are unaudited. | | |

(2) Funds from Operations ("FFO") is a non-GAAP measure of a REIT's operating performance. FFO is only one measure of real estate operating performance and does not reflect amounts available for tenant installation costs, property capital expenditures, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions.

PORTFOLIO PROFILE

As of March 31, 2010, the REIT's portfolio consisted of 45 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 2.7 million square feet encompassing approximately 1,150 individual tenancies.

Geographic Diversification

The properties are well diversified throughout Canada, with 72% of annualized NOI derived from the four major markets of the Greater Toronto Area (29%), Calgary (23%), the greater Montreal Area (10%), and the Halifax Regional Municipality (10%) for the seven days ended March 31, 2010. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.

| <u>Region</u> | <u># of properties</u> | <u>Total GLA</u> | <u>Current Occupancy rate ⁽¹⁾</u> | <u>Avg. in- place net rent (psf)</u> |
|-----------------|------------------------|------------------|--|--------------------------------------|
| Western Canada | 8 | 587,959 | 97.7% | \$17.11 |
| Ontario | 19 | 1,131,838 | 86.3% | 14.34 |
| Quebec | 11 | 521,500 | 90.6% | 11.95 |
| Atlantic Canada | 7 | 456,494 | 92.0% | 13.62 |
| Total | 45 | 2,697,791 | 90.7% | \$14.40 |

Geographic diversification by 2010 annualized NOI ⁽²⁾

| Region | Percentage |
|-----------------|------------|
| Ontario | 41% |
| Western Canada | 31% |
| Atlantic Canada | 15% |
| Quebec | 13% |

Geographic diversification By GLA

| Region | Percentage |
|-----------------|------------|
| Ontario | 42% |
| Western Canada | 22% |
| Atlantic Canada | 17% |
| Quebec | 19% |

Notes:
(1) As at March 31, 2010
(2) Based on NOI for the 7 days ended March 31, 2010 annualized for a 12 month period

Tenant Mix

The portfolio has a well diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The average tenant occupies approximately 2,160 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the Properties is approximately \$14.40.

The following table summarizes the REIT's 10 largest tenants by minimum rent:

| Tenant | # of locations | % of annual min. net rent | % of GLA | Avg. min. net rent (psf) | Remaining term ⁽¹⁾ |
|--|----------------|---------------------------|---------------|--------------------------|-------------------------------|
| 1 NW Trust Head Leases | 3 | 5.90% | 3.76% | \$21.40 | 5.0 |
| 2 Alberta Health Services ⁽²⁾ | 6 | 4.32% | 2.65% | 22.89 | 3.5 |
| 3 Shoppers Drug Mart | 3 | 2.79% | 0.94% | 40.75 | 10.6 |
| 4 Lawtons Drugs | 4 | 2.62% | 1.85% | 19.32 | 8.6 |
| 5 CML Healthcare | 7 | 2.38% | 1.56% | 21.62 | 3.2 |
| 6 Networc Health Inc | 1 | 2.32% | 1.02% | 31.20 | 3.8 |
| 7 University of Toronto | 1 | 2.31% | 1.60% | 19.71 | 4.1 |
| 8 CLSC | 3 | 2.06% | 3.22% | 10.11 | 2.3 |
| 9 Sunnyhill Wellness Centre ⁽³⁾ | 1 | 1.75% | 0.74% | 32.60 | 8.8 |
| 10 Charles-Lemoyne Hospital | 1 | 1.34% | 0.91% | 19.98 | 9.8 |
| Total / Weighted averages | 30 | 27.78% | 18.23% | \$21.21 | 5.0 |

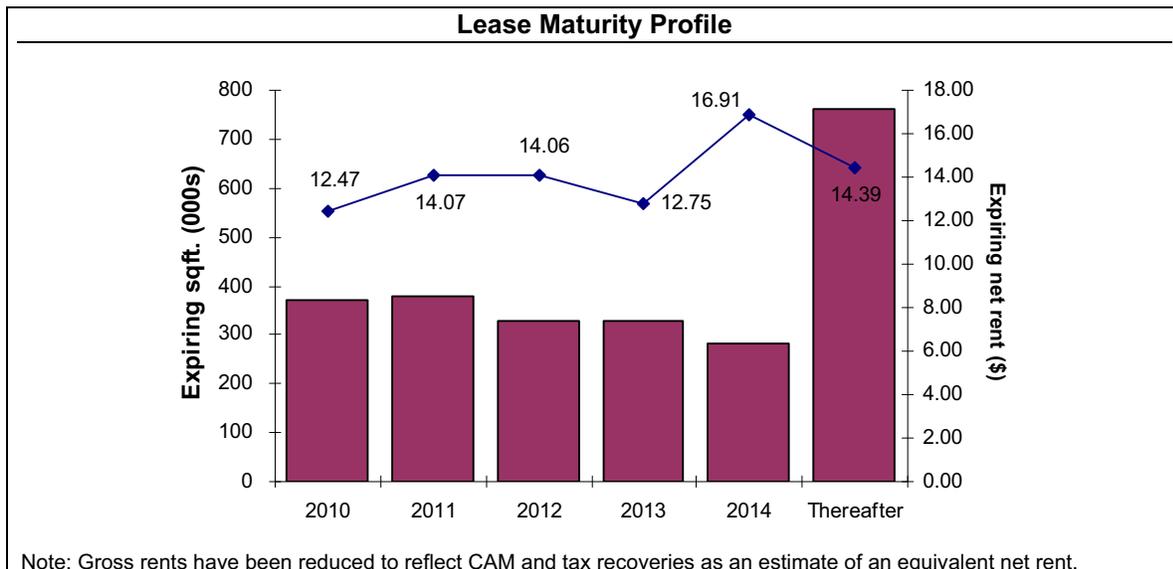
Notes:

- (1) Remaining term as of April 1, 2010, weighted by GLA
- (2) Alberta Health Services was formed by the amalgamation of all of Alberta's regional health authorities, including the REIT's two tenants, Calgary Health Region and Capital Health Region
- (3) Sunnyhill Wellness Centre is an assisted living centre owned and operated by an affiliate of NW Trust. While the affiliate has only owned the business since 2005, it has operated since 2002, and its residents receive approximately 60% reimbursement from Alberta Health Services

Subsequent to quarter end, Networc Health Inc ("Networc"), the REIT's sixth largest tenant (by % of annual minimum net rent) occupying approximately 26,000 square feet at Riley Park Health Centre, had an interim receiver appointed at the request of Alberta Health Services ("AHS") until January 15, 2011. The REIT is disappointed by this event, since Networc was not in default with the REIT and the REIT had no reason to believe that it would default. It was alleged that Networc had defaulted in relation to another creditor. The interim receivership was granted to ensure that the surgical procedures performed in the Networc premises continued for the public good. The REIT is confident that, to the extent it is determined through the interim receivership period that the space is not needed by Networc/AHS past early 2011, that demand for the space will be strong from replacement tenants. In fact, the REIT already has documented leasing interest for a portion of the space. Riley Park Health Centre's position as one of Calgary's strongest healthcare properties was recently strengthened with the expansion of the Foothills Primary Care Network clinic.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12.5% of GLA maturing each year between 2010 and 2014, as illustrated by the chart below, and, as of March 31, 2010, a weighted average term to maturity of 4.0 years.



PART IV

LIQUIDITY AND CAPITAL RESOURCES

The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through a Revolving Credit Facility and conventional mortgage debt secured by income producing properties; and (iii) the ability to issue equity and convertible/unsecured debentures.

The following table details the changes in cash and cash equivalents during the period:

| | Actual results for the 7 days ended March 31, 2010 |
|---|---|
| Cash provided by / (used in): | |
| Operating activities | \$(1,236,596) |
| Financing activities | 109,135,329 |
| Investing activities | (105,634,502) |
| Increase / (Decrease) in cash and cash equivalents during the period | \$2,264,231 |
| Cash and cash equivalents, beginning of period | - |
| Cash and cash equivalents, end of period ⁽¹⁾ | \$2,264,231 |
| Notes: | |
| (1) Cash and cash equivalents of approximately \$2.3 million do not include net proceeds received from the exercise of over-allotment option on April 7, 2010 of approximately \$11.8 million | |

Cash flow activity for the seven day period ended March 31, 2010 primarily related to the completion of the REIT's IPO, the purchase of 45 properties, the assumption of mortgage debt and the subsequent repayment of a portion of such mortgage debt. These events have been detailed in the notes to the financial statements as well as earlier in this MD&A.

Cash flows from financing activities of approximately \$109.1 million primarily relate to the net proceeds from the issuance of Units on the IPO of approximately \$160.2 and the repayment of mortgage debt of approximately \$47.7 million. The cash generated from financing activities was primarily used in investing activities as reflected in the cash payment to NW Trust of approximately \$105.6 million in consideration for the acquisition of 45 properties.

CAPITALIZATION AND DEBT PROFILE

| | As at March 31, 2010 |
|--|---------------------------------|
| Indebtedness | |
| Existing Mortgages Payable | \$308,351,682 |
| Mark-to-Market premium on Existing Mortgages | 2,090,222 |
| Unamortized financing costs | (518,185) |
| Revolving Credit Facility | - |
| Unitholders' Equity | |
| Units issued, net of issue costs, end of period | 160,195,885 |
| Class B LP Units (Authorized – unlimited ; Issued – 7,749,772) | 77,497,720 |
| Total capitalization (at book value) | \$547,617,324 |

The following table sets out, as at March 31, 2010, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages.

| Year ending December 31 st | Scheduled principal payments | Debt maturing during the year | Total mortgages payable | Weighted average interest rate of maturing mortgages | Percentage of total mortgages payable |
|---------------------------------------|------------------------------|-------------------------------|-------------------------|--|---------------------------------------|
| 2010 ⁽¹⁾ | \$4,473,066 | \$1,365,000 | \$5,838,066 | 4.77% | 1.9% |
| 2011 | 6,259,052 | - | 6,259,052 | n/a | 2.0% |
| 2012 | 6,444,219 | 10,028,231 | 16,472,450 | 5.42% | 5.3% |
| 2013 | 6,538,633 | 17,228,510 | 23,767,143 | 6.15% | 7.7% |
| 2014 | 5,974,551 | 35,864,975 | 41,839,526 | 5.68% | 13.6% |
| 2015 | 4,824,589 | 49,630,869 | 54,455,458 | 5.64% | 17.7% |
| 2016 | 4,130,496 | 94,029,887 | 98,160,383 | 5.51% | 31.8% |
| 2017 | 620,524 | 60,939,080 | 61,559,602 | 5.49% | 20.0% |
| Sub-total | \$39,265,130 | \$269,086,552 | \$308,351,682 | 5.58% | 100.0% |
| MTM adjustment | | | 2,090,222 | (0.24%) | |
| Unamortized financing costs | | | (518,185) | | |
| Total | | | <u>\$309,923,719</u> | <u>5.35%</u> | |

Notes:
(1) 2010 represents the period from 1 April 2010 to 31 December 2010

Revolving Bank Credit Facility

At March 31, 2010 there was no outstanding balance under the REIT's Revolving Credit Facility. The Revolving Credit Facility has a maximum principal amount of \$35 million, which may be increased to \$50 million, subject to standard conditions including lender consent. The Revolving Credit Facility bears interest at a rate equal to the bank's prime rate plus 250 basis points or Bankers' Acceptances plus 350 basis points, with an initial term of one year, maturing on March 25, 2011. The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties (the "Borrowing Base"). The properties within the Borrowing Base, subject to a right of substitution under certain standard conditions, are Riley Park Health Centre, Rockyview Professional Centre II, Collingwood Health Centre, Wharncliffe Health Centre and CLSC La Presqu'île. The REIT is entitled to borrow a maximum of 60% of the appraised value of the properties in the Borrowing Base.

Ratios / Covenants

Pursuant to the Declaration of Trust the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 55% to 60% of GBV. The following summarizes the status of these key ratios as at and for the period ended March 31, 2010:

| | As at March 31, 2010 |
|--|----------------------|
| Gross Book Value | \$572,057,671 |
| Debt | 309,923,719 |
| Debt to Gross Book Value ⁽¹⁾ | 54.2% |
| Amount of debt at fixed rates | 309,923,719 |
| Interest coverage ⁽²⁾ | 2.58x |
| Weighted average mortgage interest rate (at contract) ⁽³⁾ | 5.58% |

Notes:
(1) Defined as total debt divided by total assets plus accumulated depreciation and amortization of income properties
(2) Defined as net income plus depreciation & amortization and interest expense divided by interest expense
(3) Market weighted average mortgage interest rate = 5.35%

Management expects that the ratio of indebtedness to GBV will increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and debt maturities will be reviewed regularly by the trustees of the REIT ("Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations with a combination of, primarily, fixed rate secured debt with staggered maturities and floating rate secured short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages.

The REIT is targeting to distribute 90% of its AFFO to unitholders. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and portfolio capital expenditures. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the Revolving Credit Facility.

DISTRIBUTIONS AND ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to unitholders and to holders of Class B LP Units on each monthly distribution date equal to, on an annual basis, approximately 90% of AFFO.

The AFFO payout ratio for the 7 day period ended March 31, 2010 annualized for a 12 month period was 98.9% and increased to 103.8% as a result of an additional 1.25 million units issued pursuant to the exercise of the over-allotment on April 7, 2010.

The current annualized AFFO payout ratio is in excess of management's target of 90% as a result of the annualization of a 7 day period which does not take into consideration organic growth embedded in the 2010 forecast. In addition, the net proceeds of the over-allotment have yet to be deployed.

Management forecasts that the REIT's payout ratio will decrease as it accretively deploys proceeds from the offering and subsequent over-allotment as well as achieves the leasing targets set forth in the 2010 forecast.

Adjusted Funds From Operations

Adjusted Funds from Operations ("AFFO") is a supplemental non-GAAP industry wide financial measure of a REIT's cash generating activities after providing for (stabilized) operating capital requirements. Management considers AFFO to be a useful measure of cash available for distributions. The REIT calculates AFFO as net income (computed in accordance with GAAP), subject to certain adjustments, including: (i) adding back the following items: depreciation of buildings and improvements (including amortization of tenant installation costs and financing costs) and amortization of related intangibles (including amortization of value of tenant rents regarding in-place lease agreements, amortization of differential between in-place rent and above market rents, amortization of customer relationships) and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; (ii) deducting the following items: amortization of differential between in-place rents and below market rents and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight line basis as opposed to contractual rental amounts; and (iv) deducting reserves for tenant inducements, leasing commissions, financing costs and sustaining capital expenditures, as determined by the REIT.

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of GAAP net income to AFFO for the period ended March 31, 2010 is set out below:

| | Actual results for the 7 days ended March 31, 2010 | Pro-rated 2010 Forecast ⁽¹⁾ | Variance |
|--|---|---|-----------------|
| Net income / (loss) (per GAAP) | \$61,501 | \$(4,091) | \$65,592 |
| Add / (Deduct): | | | |
| Depreciation and amortization | 468,965 | 513,340 | (44,375) |
| Funds from Operations (“FFO”) ⁽²⁾ | \$530,466 | \$509,249 | \$21,217 |
| Add / (Deduct): | | | |
| Amortization of Mark to Market adjustment | (11,789) | (10,415) | (1,374) |
| Amortization of finance fees ⁽³⁾ | 10,132 | 11,181 | (1,049) |
| Amortization of above/below market rent | (32,466) | (19,122) | (13,344) |
| Amortization of straight line rent | (11,344) | (11,344) | - |
| Reserve for stabilized capital expenditures ⁽⁴⁾ | (31,364) | (31,684) | 320 |
| Reserve for stabilized leasing commissions and tenant inducements ⁽⁵⁾ | (62,728) | (63,368) | 640 |
| Adjusted Funds from Operations (“AFFO”) ⁽²⁾ | \$390,907 | \$384,497 | \$6,410 |
| Basic AFFO per unit | \$0.02 | \$0.02 | - |
| Fully diluted AFFO per unit | \$0.02 | \$0.02 | - |
| Weighted average units outstanding: | | | |
| Basic | 25,249,772 | 25,249,772 | - |
| Fully diluted | 25,249,772 | 25,249,772 | - |
| Notes: | | | |
| (1) Represents the forecast contained in the Prospectus on page 16 pro-rated for the 7 days of operations ended March 31, 2010. These figures have been prepared by management and are unaudited | | | |
| (2) Adjusted Funds from Operations (“AFFO”) is a non-GAAP measure of a REIT’s operating performance. AFFO is only one measure of real estate operating performance and is an alternative measure of determining available cash flow. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital | | | |
| (3) Represents costs related to the REIT’s Revolving Credit Facility | | | |
| (4) Based on an estimate of 2.0% of property revenue | | | |
| (5) Based on an estimate of 4.0% of property revenue | | | |

PART V

RELATED PARTY TRANSACTIONS – HEAD LEASES

| Property | Head Lease Summary | | | Sub-Leased to Third Parties ⁽¹⁾ | | |
|--|---------------------------|---|-------------------------|---|---|--|
| | At March 25, 2010 | | | GLA | Min. rent (psf) ⁽¹⁾ | Lease expiry ⁽³⁾ |
| | GLA | Min. rent (psf) ⁽²⁾ | Lease expiry | | | |
| Rockyview Professional Centre II | 51,177 | \$21.00 | Mar-15 | 15,900 | \$13.99 | Jul-25 |
| HealthPark | 29,932 | 16.25 | Mar-15 | 1,496 | 15.03 | May-20 |
| Riley Park Health Centre | 20,271 | 30.00 | Mar-15 | - | - | |
| Total / Weighted averages | 101,380 | \$21.40 | | 17,396 | \$14.08 | |
| Notes: | | | | | | |
| (1) As at May 12, 2010 | | | | | | |
| (2) Represents annual minimum rent psf at commencement and does not reflect rent escalations | | | | | | |
| (3) Represents the latest lease expiry for the respective property | | | | | | |

Third-party commitments are in place for approximately 17% of the head lease space. While the average in place rent at the Rockyview Professional Centre II is below the head lease rent, management believes that both sub-leases represent good tenants for the property, as:

- they represent two leases of 8,000 and 7,900 square feet with 15 and 10 year lease terms, respectively;
- there are rental rate escalations throughout the term;
- one of the leases is considered an “anchor” healthcare tenancy that will assist in the future lease-up of the building;
- both tenants pay for monthly parking at the property; and,

- both tenants are expected to drive significant parking demand for the property, resulting in paid parking revenue.

In addition to the in-place third-party commitments, negotiations continue for approximately 55% of the uncommitted space.

PART VI

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies and changes in accounting policies are described in note 1 to the interim consolidated financial statements. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Acquisitions

Upon acquisition of commercial properties, the REIT performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities (including land, buildings, origination costs, in-place leases, above-and below-market leases, and any other assumed assets and liabilities), and allocates the purchase price to the acquired assets and liabilities. The purchase price allocation may be adjusted in future periods.

The REIT assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

The REIT allocates the purchase price based on the following:

- Land: The amount allocated to land is based on an estimate of its fair value.
- Buildings: Buildings are recorded at the fair value of the building on an "as-if-vacant" basis, which is based on the present value of the anticipated net cash flow of the building from vacant start-up to full occupancy.
- In-place leases: In-place lease values are determined based on estimates of the avoided costs of originating the acquired leases plus an estimate of the value of lost net rental income over the estimated lease-up period of the property.
- Tenant relationships: Tenant relationships are determined based on estimates of the avoided costs of renewing existing leases plus an estimate of value of lost net rental income over the estimated lease-up period of the property.
- Goodwill represents the cost of acquired net assets in excess of their fair values
- Above-and below-market leases: The values ascribed to above- and below-market leases are determined based on the present value of the difference between the rents payable under the terms of the respective leases and estimated future market rents.
- Fair value of debt: The values ascribed to fair value of debt are determined based on the differential between the contractual and market interest rates on long-term liabilities assumed at acquisition.

Income-producing Properties

Income-producing properties include land, buildings and tenant improvements. Income-producing properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, its estimated useful life (not exceeding 40 years) and its residual value.

Amortization of tenant improvements is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Repair and maintenance improvements that are not recoverable from tenants are either expensed as incurred or in the case of a major item, capitalized to income-producing properties and amortized on a straight-line basis over the useful life of the improvement.

Revenue Recognition

The Trust has adopted the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on the straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Revenue from income-producing properties includes rents earned from tenants under lease agreements, parking, realty tax and operating cost recoveries and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

Use of Estimates

The preparation of interim consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant areas of estimation and assumption include:

- Impairment of assets;
- Depreciation and amortization;
- Allocation of purchase price on property acquisitions; and
- Fair value of income-producing property debt.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If it is determined that the net recoverable value of a long-lived asset is less than its carrying value, the long-lived asset is written down to its fair value. The net recoverable amount represents the undiscounted estimated future cash-flow expected to be received from the long-lived asset. Assets reviewed under this policy include commercial properties and intangible assets.

Financial Instruments

The fair value of a financial instrument is the estimated amount that the REIT would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

The REIT has classified its financial instruments in the following categories:

- Held for trading - restricted cash, cash and cash equivalents
- Loans and receivables - Notes receivable and accounts receivable
- Other financial liabilities - Mortgages payable, accounts payable and accrued liabilities

The book values of cash and cash equivalents, restricted cash, receivables, payables and accruals approximate fair values at the balance sheet date.

Fair value of the other instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the REIT might pay or receive in actual market transactions.

The fair values of the REIT's mortgages payable approximate the carrying values at March 31, 2010. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (“IFRS”) will, for public entities, replace Canadian generally accepted accounting principles effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis.

The Canadian Securities Administrators have provided issuers with the option of early adopting IFRS for Canadian reporting purposes. The REIT does not intend to prematurely adopt IFRS at this time. The REIT is currently evaluating the impact of adopting IFRS and its primary accounting principles and developing its changeover plan. IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the REIT’s reported cash flows, it may have a material impact on the REIT’s consolidated balance sheet and statement of net income. The REIT performed an initial assessment of the impact of IFRS and has identified significant accounting policy differences between IFRS and current Canadian GAAP pertaining to accounting for investment properties, REIT units, income tax and leases that the REIT will be required to further assess and implement.

Upon Closing the REIT immediately commenced with Phase 1 of its IFRS conversion, which will include identifying major accounting differences and their relevance to the REIT and formulating key IFRS conversion issues to be dealt with in Phase 2 of the project. Key employees with responsibility for financial reporting are currently being provided with IFRS education. Phase 2 of the project will commence immediately thereafter and will include the formation of functional implementation teams that will be responsible for effecting required changes to business and accounting processes and systems. The REIT has evaluated its internal valuation processes and has completed the external appraisal and assessment of the fair values of the REIT’s investment properties as of January 1, 2010, as more particularly described in the Prospectus.

The REIT will continue to assess the impact of the transition to IFRS and to review all of the proposed and ongoing projects of the International Accounting Standards Board to determine their impact on the REIT.

Additionally, the REIT will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

PART VII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and in the activities of the REIT, including the following, which current and prospective Unitholders should carefully consider.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

The REIT owns the properties in its portfolio and is expected in the future to acquire interests in other real property. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. AFFO 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 in which the REIT will have an interest become vacant and are not able to be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT’s investment may be incurred. Furthermore,

at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants may require licences to operate their business, such as laboratories. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Fixed Costs

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space.

The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Liquidity

Real property investments tend to be 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 be required to liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and

weakened business and consumer confidence. Although the Healthcare Real Estate industry is an asset class that is not typically impacted by recessions or economic slowdowns, this difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT's tenants and operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Risk Factors Related to the Business of the REIT

Acquisitions

The REIT's business plan 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 to Unitholders. 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.

Acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

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. Although the REIT's Revolving Credit Facility is available for acquisitions, there can be no assurances that the REIT will otherwise 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. In addition, the REIT may not be able to borrow funds under the Revolving Credit Facility due to the limitations on the incurrence of debt by the REIT set forth in the Declaration of Trust. 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.

Financing Risks

As at March 31, 2010 the REIT had outstanding indebtedness of approximately \$308 million. Although a portion of the cash flow generated by income-producing properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at March 31, 2010 none of the REIT's total indebtedness is at variable rates. To the extent the REIT incurs variable rate indebtedness, including pursuant to the Revolving Credit Facility, this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the

amount of cash available for distribution. In addition, the REIT has conduit loans outstanding as at March 31, 2010. Due to the current economic climate, access to this type of financing has diminished significantly. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although, based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

The Revolving Credit Facility contains covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties by way of civil action.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which the REIT cannot insure, or against which the REIT may elect not to insure, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT will make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Potential Conflicts of Interest

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

Conflicts may exist due to the fact that certain Trustees of the REIT will be affiliated with NW Trust. The REIT and NW Trust will enter into certain arrangements, including those relating to certain rights

of first offer and development arrangements in respect of certain properties and the head leases described under “Related Party Transactions – Head Leases” in the Prospectus. NW Trust and its affiliates are engaged in a wide variety of real estate activities. The REIT may become involved in transactions that conflict with the interests of the foregoing.

General Insured and Uninsured Risks

The business carried on by the REIT entails an inherent risk of liability. The REIT expects that from time to time it may be subject to lawsuits as a result of the nature of its business. The REIT will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. The REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the REIT’s insurance could have a material adverse effect on the REIT’s business, operating results and financial condition. Claims against the REIT, regardless of their merit or eventual outcome, also may have a material adverse effect on their ability to attract tenants or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.

Regulation Risk

The healthcare industry is highly regulated, and changes in government regulation and reimbursement in the past have had material adverse consequences on the industry in general, which consequences may not have been contemplated by lawmakers and regulators. There can be no assurance that future changes in government regulation of healthcare will not have a material adverse effect on the healthcare industry, which could in turn have an adverse effect on the REIT.

International Financial Reporting Standards

Canada’s Accounting Standards Board recently confirmed its strategic plan that will result in GAAP, as used by publicly accountable enterprises, being fully converged with IFRS as issued by the International Accounting Standards Board (“IASB”) over a transitional period to be completed by 2011. The REIT will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011. GAAP will be fully converged with IFRS through a combination of two methods: first, as current joint-convergence projects of the United States’ Financial Accounting Standards Board and the IASB are agreed upon, they will be adopted by Canada’s Accounting Standards Board and may be introduced in Canada before the publicly accountable enterprises’ transition date to IFRS; and second, standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises’ transition date to IFRS. The IASB currently has projects underway that are expected to result in new pronouncements that continue to evolve. Implementing IFRS will have an impact on accounting, financial reporting and supporting information technology systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses (including debt covenants), employee compensation plans and performance metrics. The REIT’s implementation plan will include measures to provide extensive training to key finance personnel and to form functional implementation teams that will be responsible for effecting required changes to business and accounting processes and systems. Changing from current GAAP to IFRS may materially affect the REIT’s reported financial position, AFFO and other financial measures.

Land Leases

To the extent the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which would likely adversely impact the REIT’s financial condition and results of operation and decrease the amount of cash available for distribution. Land leases may also be terminated or not renewed upon expiry.

Specific Lease Considerations

Some of the leases in the REIT’s properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants

which increases would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including the names executive officers of the REIT and the Trustees. The loss of the services of any key personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT does not have key man insurance on any of its key employees.

Limit on Activities

In order to maintain its status as a "mutual fund trust" under the Tax Act, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Declaration of Trust contains restrictions to this effect.

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Forecasted Occupancy Rates and Revenues in Excess of Historical Occupancy Rates and Revenues

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the REIT's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of the leases currently in effect, the average occupancy rates and revenues will be the same as, or higher than, historical occupancy rates and revenues.

Lease Renewals and Rental Increases

Expiries of leases for the REIT's properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

NW Trust Indemnity and Prior Commercial Operations

The indirect acquisition of the properties owned by the REIT in connection with its IPO included the indirect acquisition from NW Trust of all of the outstanding partnership units of Healthcare Properties LP ("HPLP"). Pursuant to the Acquisition Agreement, NW Trust made certain representations and warranties to the REIT with respect to HPLP. NW Trust also provided an indemnity to the REIT under the Acquisition Agreement that, subject to certain conditions and thresholds, NW Trust will indemnify the REIT for breaches of such representations and warranties. Although NW Trust has covenanted to maintain minimum net assets of \$20 million plus an amount equal to the present value of its basic and additional rent obligations under the Head Leases plus 25% of tenant inducement obligations, from time to time, calculated using a discount rate equal to the appropriate Government of Canada bond rate for the remaining term of the Head Leases, for a period of 18 months following Closing, there can be no assurance that the REIT will be fully protected in the event of a breach of such representations and warranties or that NW Trust will be in a position to indemnify the REIT if any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the Acquisition Agreement against NW Trust or such indemnity may not be sufficient to fully indemnify the REIT from third party claims. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of HPLP and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of the REIT's properties and capital expenditure requirements. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Tax-Related Risk Factors

Management of the REIT believes the REIT currently qualifies as a mutual fund trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The Income Tax Act (Canada) contains rules (the "SIFT Rules"), which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax.

The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). Unless the REIT qualifies for the REIT Exception, the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders.

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception at March 31, 2010, and plans to continue to do so throughout 2010. Accordingly, no current income tax expense or future income tax assets or liabilities have been recorded in the March 31, 2010, interim financial statements.

The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2010 or any subsequent year until the end of the particular year.

Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of 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.

Nature of Investment

A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of

Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, and tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time, and the interests of the holders of Units may be diluted thereby.

Public Market Fluctuations

The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such a market will be sustained at the price level of the Offering. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

Indirect Ownership of Units by NW Trust

NW Trust holds an estimated 29.2% economic interest in the REIT with the exercise of the Over-Allotment Option through the ownership of Class B LP Units, each of which are exchangeable at the option of the holder for one Unit of the REIT and will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Furthermore, pursuant to the Declaration of Trust, NW Trust will be entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, NW Trust will be in a position to exercise a certain influence with respect to the affairs of the REIT. If NW Trust reduces its ownership interest in the REIT, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such effect.

PART VIII

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the interim filings or other reports filed or submitted by the Trust under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer are designing the REIT's internal control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the 7 day period ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART IX

SUBSEQUENT EVENTS

On April 7, 2010, the REIT completed the issuance of an additional 1.25 million units at a price of \$10 per unit for total gross proceeds of \$12,500,000 or \$11,781,250 net of underwriters' fees pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the REIT's IPO. The net proceeds will be used for future acquisitions, working capital and general REIT purposes.

On April 21, 2010 the REIT filed a Notice of Intention to be qualified to file a short form prospectus under National Instrument 44-101 as a "pop" (prompt offering procedure) filer. This notice of intention does not indicate an intention to actually file a short form prospectus, just the intention to qualify under the short form prospectus rules in order to avoid the requirements and expenses associated with a long form prospectus should the REIT decide to undertake an offering in the future.

On April 22, 2010, the REIT declared distributions of 8.1725 cents per unit for the period from March 25, 2010 to and including April 30, 2010. The distributions will be payable on May 17, 2010 to unitholders of record as at April 30, 2010.

PART X

FINANCIAL OUTLOOK AND MARKET GUIDANCE

Management's outlook for the REIT is consistent with the recently produced Prospectus, with no material change to the operating or economic environment within which the REIT operates. Further, management believes that the health of its balance sheet and the defensive nature of its portfolio's "necessity-based tenants" will continue to meet expectations.

In order to achieve its 2010 objectives the REIT will focus on:

- Increasing occupancy in the portfolio
- Maximizing net operating income
- Acquiring assets on an accretive basis
- Improving operational productivity

Apart from the sometimes significant difference between vendor and purchaser pricing, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. The REIT will aggressively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for newer, well-occupied properties in order to consistently improve the REIT's status on these parameters. While it is expected that acquisitions will be immediately accretive, the REIT will consider those that improve the overall quality of the portfolio and/or will be accretive over the longer term.