Consolidated Financial Statements of

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Period from March 25, 2010 to December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NorthWest Healthcare Properties
Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of NorthWest Healthcare Properties Real Estate Investment Trust, which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of operations, unitholders' equity and cash flows for the period from March 25, 2010 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NorthWest Healthcare Properties Real Estate Investment Trust as at December 31, 2010, and its consolidated results of operations and its consolidated cash flows for the period from March 25, 2010 to December 31, 2010 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 9, 2011
Toronto, Canada

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheet

December 31, 2010

Assets

Income-producing properties (note 3)	$ 584,479,525
Goodwill and intangible assets (note 4)	72,343,718
Accounts receivable and other receivables (note 13)	5,106,275
Leasing costs (note 5)	6,501,046
Other assets (note 6)	9,814,051
Restricted cash (note 7)	175,000
Cash and cash equivalents	46,311,722
	$ 724,731,337

Liabilities and Unitholders' Equity

Liabilities:	
Mortgages payable (note 8)	$ 372,051,861
Accounts payable and accrued liabilities	13,134,151
Below-market leases (note 10)	7,494,276
Distributions payable	2,351,220
	395,031,508
Unitholders' equity (note 11)	329,699,829
Related parties (note 13)	
Commitments and contingencies (note 14)	
Subsequent events (note 18)	
	$ 724,731,337

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Edward Dato" Trustee

"Peter Riggin" Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Operations

Period from March 25, 2010 to December 31, 2010

Revenue	$	64,973,645
Expenses:		
Property operating		18,772,521
Property taxes		8,752,797
Mortgage and facility interest		13,788,126
Trust		1,820,159
Depreciation of income-producing properties		8,110,978
Amortization of leasing costs		333,558
Amortization of in-place leases and tenant relationships		12,344,265
		63,922,404
Net income	$	1,051,241
Basic income per unit (note 11(d))	$	0.04
Diluted income per unit (note 11(d))	$	0.04

See accompanying notes to consolidated financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Unitholders' Equity

Period from March 25, 2010 to December 31, 2010

	Trust unit equity	Class B LP unit equity	Issue costs	Net income	Distributions	Total
Unitholders' equity, beginning of period	$ –	$ –	$ –	$ –	$ –	$ –
Public offering (note 11(a))	273,769,838	77,497,720	(19,781,366)	–	–	331,486,192
Exchange of Class B LP unit equity to Trust unit equity (note 11(a))	690,260	(690,260)	–	–	–	–
Units issued on acquisition (note 2)	14,725,000	–	–	–	–	14,725,000
Net income	–	–	–	1,051,241	–	1,051,241
Distributions	–	–	–	–	(17,815,639)	(17,815,639)
Distribution reinvestment plan (note 11(c))	253,035	–	–	–	–	253,035
Unitholders' equity, end of period	$ 289,438,133	$ 76,807,460	$ (19,781,366)	$ 1,051,241	$ (17,815,639)	$ 329,699,829

See accompanying notes to consolidated financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Cash Flows

Period from March 25, 2010 to December 31, 2010

Cash provided by (used in):	
Operating activities:	
Net income	$ 1,051,241
Items not affecting cash:	
Depreciation and amortization	7,921,061
Amortization of mortgage premium	(535,871)
Amortization of intangible assets	12,344,265
Amortization of recoverable improvements	189,917
Amortization of financing costs	420,731
Amortization of leasing costs	333,558
Amortization of above-market leases	1,157,040
Amortization of below-market leases	(2,098,704)
Leasing costs	(6,834,604)
Change in non-cash operating items (note 15)	4,604,476
	18,553,110
Financing activities:	
Proceeds from issuance of units, net of issue costs	253,988,472
Proceeds from new mortgage financing	14,000,000
Distributions	(15,211,384)
Repayment of mortgages	(52,423,023)
Repayment of acquired bank indebtedness	(2,790,787)
Financing costs	(636,192)
	196,927,086
Investing activities:	
Acquisitions of net assets (note 2)	(158,331,233)
Additions to income-producing properties	(2,329,543)
Additions to recoverable improvements	(1,707,698)
Deposits on income-producing properties under contract	(6,800,000)
	(169,168,474)
Increase in cash and cash equivalents, being cash and cash equivalents, end of period	$ 46,311,722
Supplemental cash flow information:	
Interest paid	$ 13,671,379
Value of units issued under distribution re investment plan	253,035

See accompanying notes to consolidated financial statements.

NorthWest Healthcare Properties Real Estate Investment Trust (the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2010, as amended on March 25, 2010. The Trust commenced operations on March 25, 2010 when it issued units for cash pursuant to an initial public offering (the "IPO") and acquired a portfolio of 45 buildings or health care real estate commercial properties (note 2). The Trust invests primarily in real properties operated as medical offices in Canada.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

(b) Property acquisitions:

Upon the acquisition of income-producing properties, the Trust allocates the purchase price, including acquisition costs, to the fair value of assets and liabilities, including land, buildings, furniture, fixtures and equipment, recoverable improvements and intangible assets, such as the value of the above- and below-market leases, in-place leases and tenant relationships.

(c) Income-producing properties:

Income-producing properties are recorded at cost less accumulated depreciation. An impairment loss is required to be recognized when the carrying amount of the property exceeds the sum of the undiscounted cash flows expected from its use and disposal. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

1. Significant accounting policies (continued):

Income-producing properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	29 - 40 years
Building improvements	5 - 25 years
Recoverable improvements	5 - 30 years
Furniture, fixtures and equipment	5 years

(d) Leasing costs:

Leasing commissions and other leasing costs which include directly attributable internal costs of obtaining and renewing leases are amortized on a straight-line basis over the term of the related lease.

Payments to tenants under lease obligations are characterized either as tenant improvements owned by the landlord or as tenant inducements. When the obligation is determined to be a tenant improvement owned by the Trust, the Trust is considered to have acquired an asset. If the Trust determines that for accounting purposes it is not the owner of the tenant improvements, then the obligations under the lease are treated as tenant inducements. Tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the lease. The amortization of tenant improvements is recorded as amortization expense and the amortization of tenant inducements is treated as a reduction of revenue.

(e) Goodwill and intangible assets and below-market leases:

Intangible assets are recorded at cost less accumulated amortization and consist of in-place leases, tenant relationships and above-market leases.

Goodwill represents the cost of acquired net assets in excess of their fair values.

1. Significant accounting policies (continued):

Below-market leases are recorded at cost less accumulated amortization.

The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to revenue over the remaining term of the associated tenant occupancy. The value associated with in-place leases, which represents the avoided costs of originating the acquired leases plus the value of lost net rental revenue over the estimated lease-up period of the property, is similarly amortized over the remaining term of the tenant occupancy. The value of tenant relationships is amortized over the remaining term of the associated tenant occupancy plus renewal terms if applicable.

Intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is not amortized, but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired, by comparing the carrying value of a reporting unit with its fair value.

If a lease is cancelled prior to maturity date, any associated amounts are written off.

(f) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(g) Financing costs:

Financing costs are presented with the related debt and amortized using the effective interest rate over the anticipated life of the related debt.

1. Significant accounting policies (continued):

(h) 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 the 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.

(i) Unit-based compensation:

The Trust uses the fair value based method of accounting for its equity awards, under which compensation expense is measured at the grant date and recognized over the vesting period. Unit based compensation which does not qualify as an equity award is classified as a liability.

(j) Income taxes:

Legislation relating to the federal income taxation of a specified investment flow-through ("SIFT") trust was enacted on June 22, 2007 (the "SIFT Rules"). A SIFT includes a publicly traded trust other than a "real estate investment trust". A publicly traded trust is a "real estate investment trust" if it meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing the SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital is not subject to such tax.

1. Significant accounting policies (continued):

No provision for income taxes has been recorded in the financial statements for the Trust and its flow-through subsidiaries. The Trust is a "mutual fund trust" for income tax purposes. If the Trust satisfies the REIT Conditions throughout a taxation year, it will not be subject to income taxes to the extent that its taxable income is distributed to its Unitholders. This exemption does not extend to corporate subsidiaries of the Trust that are subject to income tax. The Trust has determined that it meets the REIT Conditions as at December 31, 2010. The Trust intends to continue to satisfy the REIT Conditions and to distribute all taxable income. The Trust did not have taxable income for the year ended December 31, 2010. The carrying value of the assets of the Trust and its flow-through subsidiaries at December 31, 2010 exceeded their corresponding tax basis by approximately $115 million.

The Trust's corporate subsidiaries are subject to tax on their taxable income. Income taxes for corporate subsidiaries are accounted for using the asset and liability method, whereby future income taxes assets and liabilities are determined based on the differences between the carrying amount of the balance sheet items and their corresponding tax values. Income taxes are computed using enacted and substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse. Adjustments to these balances are recognized in income as they occur.

(k) Measurement uncertainty:

The preparation of financial statements 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 financial statements and the reported amounts of revenue and expenses during the period. In determining the fair value of assets and liabilities of businesses it acquires, the estimated useful lives and net recoverable amounts for income-producing properties, the net realizable value of properties held for and under development, the fair value of goodwill, if any, as well as determining the amount of qualifying internal leasing costs, the Trust relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the uncertainty of predictions concerning future events. By nature, asset valuations are subjective and do not necessarily result in precise determinations. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(l) Financial instruments:

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) held-for-trading, (iv) available-for-sale, or (v) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the consolidated statement of operations. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in the consolidated statement of comprehensive income.

The Trust designated its restricted cash, cash and cash equivalents as held-for-trading; accounts receivable and other receivables as loans and receivables; and mortgages payable, bank indebtedness, accounts payable and accrued liabilities and distributions payable as other liabilities. The Trust has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset's or liability's carrying value at inception.

(m) Comprehensive income:

The Trust has determined that there are no comprehensive income items that should be included in a consolidated statement of comprehensive income and, consequently, no such statement is presented.

(n) Future changes in accounting policies:

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will, for public entities, replace Canadian GAAP effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis. The Trust is currently evaluating the impact of adopting IFRS and its primary accounting principles and developing its changeover plan.

2. Acquisitions:

On March 25, 2010, subsidiaries of the Trust indirectly acquired from NorthWest Operating Trust ("NW Operating Trust") 45 commercial properties through its acquisition of Healthcare Properties LP ("HPLP") for a net purchase price of $171,899,206. The net assets acquired have been accounted for using the purchase method of accounting. The purchase price has been allocated to the assets and liabilities assumed, based on their fair values at the date of acquisition, as follows:

Assets	
Income-producing properties	$ 479,805,378
Intangible assets	72,687,741
Other assets	4,822,912
	557,316,031
Liabilities	
Bank indebtedness	2,787,672
Assumed mortgages, including mark-to-market adjustments	358,487,430
Accounts payable and accrued liabilities	14,309,659
Unearned revenue	492,190
Below-market leases	9,339,874
	385,416,825
Net assets acquired	$ 171,899,206
Consideration given indirectly by the Trust:	
Class B LP units of NHP Holdings Limited Partnership ("NHP") (note 11)	$ 77,497,720
Cash	105,624,502
Due from NW Operating Trust	(11,223,016)
Total consideration paid	$ 171,899,206

Immediately following the acquisition of HPLP, the Trust repaid $47,744,567 of the assumed mortgages.

2. Acquisitions (continued):

During the period from March 25, 2010 to December 31, 2010, the Trust acquired five income-producing properties and two pieces of land adjacent to an income-producing properties owned by the Trust for net consideration of $66,780,084. The acquisition of the properties and the related assets and liabilities has been recorded by the purchase method. The net assets acquired were as follows:

Assets	
Income-producing properties	$ 108,747,884
Intangible assets	13,157,282
Other assets	317,322
	122,222,488
Liabilities	
Bank indebtedness	3,115
Assumed mortgages, including mark-to-market adjustments	52,613,675
Accounts payable and accrued liabilities	2,151,307
Unearned revenue	421,201
Below-market leases	253,106
	55,442,404
Net assets acquired for cash	$ 66,780,084
Consideration given by the Trust:	
REIT units	$ 14,725,000
Cash	52,706,731
Due from an affiliate of NW Operating Trust	(651,647)
	$ 66,780,084

3. Income-producing properties:

	Cost	Accumulated depreciation	Net book value
Land	$ 97,486,806	$ –	$ 97,486,806
Buildings and building improvements	488,173,415	7,857,646	480,315,769
Recoverable improvements	6,570,319	189,917	6,380,402
Furniture, fixtures and equipment	359,963	63,415	296,548
	$ 592,590,503	$ 8,110,978	$ 584,479,525

4. Goodwill and intangible assets:

	Cost	Accumulated amortization	Net book value
In-place leases	$ 47,069,765	$ 9,026,896	$ 38,042,869
Tenant relationships	28,023,886	3,317,369	24,706,517
Above-market leases	6,293,478	1,157,040	5,136,438
Goodwill	4,457,894	–	4,457,894
	$ 85,845,023	$ 13,501,305	$ 72,343,718

5. Leasing costs:

	Cost	Accumulated amortization	Net book value
Leasing costs	$ 6,834,604	$ 333,558	$ 6,501,046

6. Other assets:

Prepaid expenses	$ 1,394,981
Mortgage escrow	603,954
Deposits on income-producing properties under contract	7,000,000
Other deposits	815,116
	$ 9,814,051

7. Restricted cash:

Restricted cash	$ 175,000

Restricted cash represents an earn-out reserve on a first mortgage on one of the Trust's properties.

8. Mortgages payable:

The Trust has various first mortgage facilities and one second mortgage facility at fixed rates ranging from 4.77% to 6.53% with terms ranging from one month to ten years. The weighted average interest rate is 5.54%.

8. Mortgages payable (continued):

All mortgages are secured by first or second charges on specific facilities and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2011	$ 7,243,928	$ 39,822,261	$ 47,066,189
2012	7,189,645	10,028,231	17,217,876
2013	7,323,163	17,228,511	24,551,674
2014	6,476,907	47,594,815	54,071,722
2015	5,185,732	49,630,869	54,816,601
2016	4,509,674	94,029,878	98,539,552
2017 and thereafter	2,218,972	71,247,476	73,466,448
	$ 40,148,021	$ 329,582,041	369,730,062
Mark-to-market adjustment			2,445,647
Unamortized financing costs			(123,848)
			$ 372,051,861

Mortgage interest expense for the period from March 25, 2010 to December 31, 2010 was $13,441,309.

9. Credit facility:

The Trust has a floating rate revolving credit facility, of $35,000,000 which expires on March 25, 2011 subject to an extension term of one year. The credit facility bears interest at the banker's acceptance rate plus 350 basis points or prime plus 2.5% and is secured by certain income-producing properties and the terms of a general security agreement. As at December 31, 2010, there was nil outstanding on the credit facility.

Unamortized financing costs of $125,113 related to the credit facility have been included in prepaid expenses as at December 31, 2010.

10. Below-market leases:

	Cost	Accumulated amortization	Net book value
Below-market leases	$ 9,592,980	$ 2,098,704	$ 7,494,276

11. Unitholders' equity:

The Trust is authorized to issue an unlimited number of units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the Trust to redeem their units on demand. Upon receipt of the redemption notice by the Trust, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price") as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The Trust's unitholders' equity is represented by two categories of equity: trust units of the Trust and exchangeable units of NHP, a subsidiary of the Trust. Each Class B unit of NHP is exchangeable into one unit of the Trust. As at December 31, 2010, there were 7,680,746 exchangeable units issued and outstanding by NHP with a stated value of $76,807,460. These exchangeable units are economically equivalent to trust units and are entitled only to receive distributions equal to those provided to holders of trust units. As a result, the unitholders' equity includes the issued and outstanding units of the Trust and the exchangeable units of the subsidiary of the Trust.

11. Unitholders' equity (continued):

The Trust's trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units issued, beginning of period	–	$ –
Issuance of units through initial public offering	17,500,000	175,000,000
Issuance of units over-allotment option	1,250,000	12,500,000
Class B LP units of NHP issued	7,749,772	77,497,720
Follow-on equity offering	6,495,000	75,017,250
Follow-on equity offering over-allotment option	974,250	11,252,588
Units issued on acquisition of Glenmore	1,274,891	14,725,000
Distribution investment plan	22,624	253,035
Units issued	35,266,537	366,245,593
Less issue costs	–	(19,781,366)
Units issued, net of issue costs, end of period	35,266,537	$ 346,464,227

During the year, 69,026 Class B LP units were exchanged for Trust units.

(b) Deferred unit plan:

In order to align the interest between the trustees and certain officers of the Trust, there may be grants of deferred units under the deferred unit plan. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units vest as follows:

(i) 50% of the deferred units on the third anniversary of the award date;

(ii) 25% of the deferred units on the fourth anniversary of the award date; and

(iii) 25% of the deferred units on the fifth anniversary of the award date.

For the period from March 25, 2010 to December 31, 2010, 10,806 units were granted under the deferred unit plan at an average unit price of $11.31.

11. Unitholders' equity (continued):

(c) Dividend investment plan:

The Trust has established a dividend reinvestment plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.

(d) Per unit calculation:

Per unit information is calculated based on the weighted average number of units outstanding for the period. The weighted average numbers of basic and diluted units outstanding for the period from March 25, 2010 to December 31, 2010 are 28,161,895 and 28,165,235, respectively.

12. Segment disclosure:

All of the Trust's assets and liabilities are in, and its revenue derived from, the Canadian real estate industry segment. No single tenant accounts for 10% or more of the Trust's rental revenue.

13. Related party transactions and balances:

Except as disclosed elsewhere in the consolidated financial statements, the following are the related party transactions:

(a) The Trust has entered into head leases with NW Operating Trust on three properties. The annual minimum rent for the head leases, including parking, totals $2,504,042. The head leases commenced March 25, 2010 and have a term of five years subject to certain rights of termination upon third party leasing of such space. NW Operating Trust is responsible for any leasing costs incurred in leasing this space and reimburses the Trust for costs incurred.

(b) NW Operating Trust leased space in two properties owned by the REIT for the period from March 25, 2010 to September 30, 2010 and for the period from August 1, 2010 to April 30, 2011, respectively.

13. Related party transactions and balances (continued):

(c) The Trust earned revenue from a tenant which is owned and operated by NW Operating Trust.

(d) The Trust has entered into Management and Cost Sharing Agreements with NW Operating Trust to provide property management services for two properties for a period of five years commencing March 25, 2010 for $418,630 per annum plus reimbursement of expenditures based on standard commercial terms provided by the Trust. One of the properties was acquired by the Trust on December 31, 2010 (note 2).

(e) The Trust has entered into a Leasing and Construction Supervision Services Agreement with NW Operating Trust to provide supervision and leasing services at the properties subject to the head leases for a period of five years commencing March 25, 2010.

(f) The Trust entered into a Sublease Agreement with an affiliate of NW Operating Trust to lease its head office premises. The sublease term is for the period from March 25, 2010 to December 31, 2010. The Trust is to pay an annual minimum rent of $100,000 plus additional rents.

(g) The Trust has entered into a Support Services Agreement with NW Operating Trust to provide NW Operating Trust certain support services for a fee based on an allocation of the relevant costs of the support services incurred by the Trust.

(h) During the period from March 25, 2010 to December 31, 2010, the Trust earned interest on the balance representing the working capital deficiency of HPLP of $11,223,016 on the date of acquisition (note 2) and issue costs of $1,991,000 related to issuance of units (note 11), which were reimbursed by NW Operating Trust. NW Operating Trust agreed to pay interest at 4.5% per annum for the thirty days commencing July 5, 2010 and 8.0% per annum thereafter.

13. Related party transactions and balances (continued):

(i) On December 24, 2010, the Trust acquired an income-producing property from an affiliate of NW Operating Trust (note 2) for net consideration of $28,831,278. The Trust and an affiliate of NW Operating Trust have agreed to negotiate a development agreement respecting the prospective future development of the excess land associated with this property on mutually acceptable terms and conditions. The purchase agreement allows NW Operating Trust to repurchase the development land at $2,950,000 if agreement is not reached within a period of six months of the acquisition date or a period mutually agreed by the Trust and an affiliate of NW Operating Trust. As at December 31, 2010, a working capital adjustment of $651,647, calculated according to the terms of the acquisition agreement, is included in accounts receivable and the calculation is being reviewed by the Trust.

Minimum rent, operating cost recoveries, parking income (included in revenue)	$ 3,376,340
Interest revenue (included in revenue)	460,138
Fee income and cost recovery (included in revenue)	593,145
Cost recovery (offset against operating expenses and trust expenses)	469,747
Head office rent expense (included in operating expenses and trust expenses)	157,188
Leasing costs	1,711,292
Accounts receivable at year end	1,695,239

The accounts receivable balance at year end includes approximately $1.3 million of accrued amounts related primarily to the working capital adjustment for the acquisition noted above (note 13 (i)) and accrued leasing costs for the head lease space (note 13(a)).

14. Commitments and contingencies:

(a) The Trust has assumed an obligation with respect to one ground lease. The lease expires on June 30, 2036, with monthly payments of $18,750.

(b) The Trust entered into an agreement related to the acquisition of one of the properties where it has agreed to pay the original vendor an additional $700,000 plus accrued interest upon obtaining municipal approval to introduce paid parking within a period of five years from the closing date.

(c) The Trust is involved in litigation and claims in relation to the income-producing properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements.

(d) The Trust has entered into fixed-price electricity contracts with a third-party suppliers in the amount of $675,996 to provide electricity for its own use at its properties.

15. Change in non-cash operating items:

Decrease in due from related party	$ 11,223,016
Increase in accounts receivable	(2,126,243)
Decrease in other assets, excluding deposits	316,460
Increase in straight-line rents	(568,550)
Decrease in accounts payable and accrued liabilities	(4,240,207)
	$ 4,604,476

16. Capital management:

The Trust's primary objectives when managing capital are to maximize unit value through the ongoing active management of the Trust's assets, the acquisition of additional properties and the development and construction of projects which are leased to creditworthy tenants.

The Trust considers its capital to be its unitholders' equity and mortgages payable. The Trust is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Trust will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The Trust's strategy is also driven by policies as set out in the Amended and Restated Declaration of Trust, as well as requirements from certain lenders.

The requirements of the Trust's operating policies as outlined in the Amended and Restated Declaration of Trust includes requirements that the Trust will not:

(a) incur or assume indebtedness on properties in excess of 75% of the property's market value; and

(b) incur or assume indebtedness which would cause the total indebtedness of the Trust to exceed 65% of Gross Book Value as defined.

16. Capital management (continued):

In addition, the Trust is required under the terms of its credit facility to meet certain financial covenants, including:

(a) a Debt to Gross Book Value ratio of not more than 65%;

(b) an Interest Coverage Ratio of not less than 1.75%;

(c) a Debt Service Coverage Ratio of not less than 1.50; and

(d) a minimum Adjusted Unitholders' Equity of not less than the aggregate of: (i) $200,000,000; and (ii) 75% of net proceeds in connection with equity offerings after June 30, 2010.

The Trust complied with all financial covenants during the period from March 25, 2010 to December 31, 2010.

17. Risk management and fair values:

(a) Risk management:

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Interest rate risk:

Floating rate debt puts the Trust at risk that interest rates may rise before long-term fixed rate debt is arranged. At December 31, 2010, none of the Trust's mortgages bear interest at floating rates. The Trust staggers the maturities of its mortgages payable in order to minimize the exposure to future interest rate fluctuations.

17. Risk management and fair values (continued):

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Trust by failing to discharge its obligations. The Trust is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the consolidated balance sheet. The Trust actively manages to minimize its credit risk through careful selection and assessment of its credit parties based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new tenants.

(iii) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations when they come due. Managements' strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the Trust staggers the maturity dates of its mortgage portfolio over a number of years. In addition, whenever possible, the Trust enters into long-term leases with creditworthy tenants which assist in maintaining a predictable cash flow. The Trust's policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required.

(iv) Market risk:

All of the Trust's income-producing properties are focused on the Canadian medical office sector. Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Trust's financial instruments. All of the Trust's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

17. Risk management and fair values (continued):

(b) Fair values:

The fair values of the Trust's financial assets, which include accounts receivable, mortgage escrow, other deposits, restricted cash and cash and cash equivalents as well as financial liabilities, which include accounts payable and accrued liabilities and distributions payable, approximate their recorded values due to their short-term nature. The fair value of the Trust's mortgages payable at December 31, 2010 is $375,872,767. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

18. Subsequent events:

(a) The Trust has acquired two additional income-producing properties for aggregate consideration of $156 million. It has also entered into a purchase and sale agreement to acquire a property for $16.75 million.

(b) The Trust entered into a non revolving bridge facility of $85 million with a Canadian chartered bank which expires in October 2011. The bridge facility bears interest at the bankers' acceptance rate plus 350 basis points or prime plus 250 basis points and was fully utilized to acquire the above noted two additional income producing properties. The bridge facility is secured by these properties and the terms of a general security agreement.

(c) The Trust filed a prospectus for the issuance of an additional 6,400,000 Trust units at a price of $11.75 per unit representing gross proceeds of $75.2 million. In addition, the Trust has granted the underwriter an over-allotment option of 960,000 units on the same terms. The net proceeds from the equity raise will be utilized to partially repay the bridge facility.