No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States unless registered under the U.S. Securities Act or an exemption from the registration requirements of such Act is available.

PROSPECTUS

Initial Public Offering June 8, 2012

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

$110,000,000
11,000,000 Units

This prospectus qualifies the distribution of 11,000,000 units (the "Units") of HealthLease Properties Real Estate Investment Trust (the "REIT"), a newly-created, unincorporated, open-ended real estate investment trust established under the laws of the province of Ontario.

The REIT has been formed to own, develop and acquire seniors housing and care properties, which are leased to experienced operators. The REIT will own the land and buildings and lease them to operators on a long-term, triple-net lease basis. The operators provide and manage the service offerings available at the facilities, deliver all care services and maintain the buildings. On closing of the offering described in this prospectus (and, where the context requires, the completion of the transactions described under "The Acquisitions", the "Closing"), the REIT will directly or indirectly acquire a portfolio of nine seniors housing and care properties owned by MPG Healthcare L.P. (the "Partnership"), a wholly owned affiliate of Mainstreet Property Group, LLC (which, together with its affiliates, is referred to in this prospectus as "Mainstreet"), and six seniors housing and care properties owned by a subsidiary of Northern Property Real Estate Investment Trust (the "NPR Portfolio"). These 15 properties are collectively referred to in this prospectus as the "Initial Properties". See "Acquisition of Initial Properties". On Closing, it is expected that Mainstreet will hold a 17.9% interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full) through the ownership of Class B limited partnership units ("Class B Units") of the Partnership, which are economically equivalent to, and exchangeable for, Units. See "Retained Interest" and "Plan of Distribution".

The REIT's goals are to deliver stable and growing income to its unitholders while expanding its high quality portfolio of seniors housing and care properties over time through organic growth, continued construction of "next generation", pre-leased development projects and accretive acquisitions.

The Initial Properties are comprised of a portfolio of 12 seniors housing and care properties located in the state of Indiana and the provinces of British Columbia and Alberta and three pre-leased development properties located in the states of Indiana and Illinois, which are currently under development and are expected to be completed within 12 months following Closing. At Closing, the three pre-leased development properties will be leased to Mainstreet until a certificate of occupancy is received in respect of the property and the tenant operator has taken possession of the facility, at which time the tenant will begin paying rent. See "Business of the REIT", "The Initial Properties" and "Retained Interest". Mainstreet will be the asset and administrative services manager of the REIT, giving the REIT access to Mainstreet's experienced management team and extensive network of relationships in the U.S. and Canadian seniors housing and care market.

Price $10.00 per Unit

	Price to the Public(1)	Underwriters' Fee	Net Proceeds to the REIT(2)
Per Unit	$ 10.00	$ 0.60	$ 9.40
Total(3)	$110,000,000	$6,600,000	$103,400,000

Notes:

(1) The price of the Units was established by negotiation between the REIT, Mainstreet and the Underwriters.

(2) Before deducting expenses of the Offering estimated at $4,954,530, including costs relating to the Acquisition, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

(continued on next page)

HealthLease
PROPERTIES REIT

A unique seniors care opportunity featuring a portfolio of 15 properties focused on need-driven care and leased to leading operators under long-term, triple-net leases.

A high-quality portfolio of predominantly skilled nursing and long-term care facilities in the Midwestern U.S. and Western Canada

Investment Highlights

- Portfolio of High-Quality Facilities in the U.S. and Canada Focused on Need-Driven Care
- Triple-Net Lease Structure Providing Stable Cash Flows
- Leading Regional Tenant Operators with High-Quality Payor Sources and Robust Occupancies
- Favourable Demographics and Industry Dynamics
- Proven and De-risked Pre-leased Development Model Offering Measured Growth
- Experienced and Aligned Management Team and Board
- Attractive Investment and Leverage Metrics

15 properties

9 in the U.S. | 6 in Canada

1,931 beds/suites

929 in the U.S. | 1,002 in Canada

weighted-average age of portfolio

8 years

(including major renovations)

A high-quality portfolio of seniors care facilities

leased under

triple-net leases to experienced tenant operators

ALBERTA

Calgary (Lake Midnapore)
Calgary (Glenmore)
Brooks
Lethbridge
Medicine Hat

BRITISH COLUMBIA

Burnaby

British Columbia
Alberta
Illinois
Indiana

INDIANA

Mishawaka
Valparaiso
Wabash
Marion (Miller's)
Marion
Alexandra
Indianapolis
Brookville

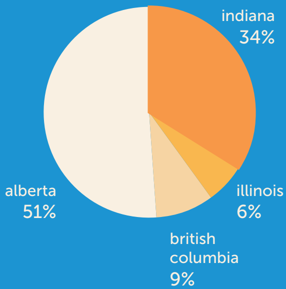
ILLINOIS

Springfield

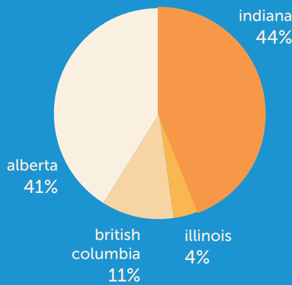
Skilled Nursing/ Long-Term Care
Assisted Living
Independent Living

Key Portfolio Statistics

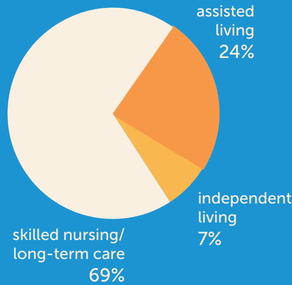
Rent by Geography[1]



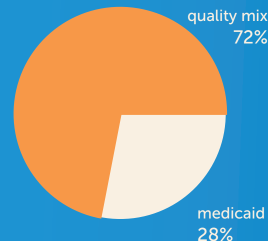
Beds/Suites by Geography



Beds/Suites by Service Type



Occupancy Payor Mix



1 Based upon contractual rent for 2013.

(continued from cover)

(3) The REIT has granted to the Underwriters an option, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional 1,100,000 Units on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the REIT will be $121,000,000, $7,260,000 and $113,740,000, respectively. See "Plan of Distribution". This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to acquire up to 1,100,000 Units	30 days from Closing	$10.00 per Unit

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See "Risk Factors". The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units under the symbol HLP.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before August 28, 2012. See "Plan of Distribution".

The pricing of the Units has been determined, in part, based on the forecasted net income and the resulting calculation of adjusted funds from operations ("AFFO") for the 12 months ending June 30, 2013. A return on a purchaser's investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of a purchaser's initial investment is at risk, and the anticipated return on a purchaser's investment is based on many performance assumptions. Although the REIT intends to make distributions from AFFO to Unitholders, these distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of the REIT's properties, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. The market value of the Units will decline if the REIT is unable to meet its AFFO targets in the future, and that decline may be material. See "Presentation of Financial Information — Non-GAAP Measures". It is important for a purchaser of Units to consider the particular risk factors, described in the "Risk Factors" section of this prospectus, which may affect the REIT and its business, the real estate industry and the Offering, and therefore the stability of distributions that a purchaser of Units receives.

The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax will depend, in part, on the composition for tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders' Units). The REIT estimates that approximately 64.0% of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred in 2012. The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

Canaccord Genuity Corp., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Dundee Securities Ltd., GMP Securities L.P. and Raymond James Ltd., as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP and Krieg DeVault LLP (with respect to U.S. income tax matters), and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP. The Underwriters may engage in market stabilization activities as described under "Plan of Distribution". Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on June 20, 2012 but in any event no later than July 4, 2012. Registrations and transfers of Units will be effected electronically through the non-certificated inventory ("NCI") system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Plan of Distribution" and "Declaration of Trust — Non-Certificated Inventory System".

The Underwriters may offer the Units at lower prices than stated above. See "Plan of Distribution".

Mainstreet Property Group, LLC, which has acted as a promoter, is organized under the laws of a foreign jurisdiction and resides outside Canada. Although the promoter has appointed GODA Incorporators, Inc., 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, as its agent for service of process in Ontario, it may not be possible for investors to enforce judgments obtained in Canada against Mainstreet Property Group, LLC. See "Risk Factors".

All capitalized terms referred to above are defined elsewhere in this prospectus including in the Glossary at page 153.

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MEANING OF CERTAIN REFERENCES

In this prospectus, it is assumed that the Offering has been completed, the transactions described under "The Acquisitions" have been completed, the Initial Properties have been acquired by the REIT and the Mainstreet Development Leases have been entered into, except where the context otherwise requires. References to the "REIT" in this prospectus includes its Subsidiaries, unless the context otherwise requires. References to dollars or "$" are to Canadian currency and references to U.S. dollars or "U.S.$" are to United States currency.

Certain terms used in this prospectus are defined under "Glossary".

Unless otherwise indicated, the disclosure in this prospectus assumes that the Over-Allotment Option is not exercised.

References to "management" in this prospectus means the persons acting in the capacities of the REIT's Chief Executive Officer and Chief Financial Officer. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

References to "stabilized" and "stabilization" with respect to the Initial Properties in this prospectus refer to those Initial Properties that have an EBITDAR to rent coverage ratio of at least 1.0 times.

References to "beds/suites" in this prospectus means the aggregate of (a) a bed that can be marketed, occupied and paid for in a SNF or LTC facility, and (b) (i) a unit door (that may contain one or more bedrooms if such unit has been designed as a suite), or (ii) for semi-private accommodation, a bed, which in each case can be marketed, occupied and paid for in an ALF and/or ILF facility.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Davies Ward Phillips Vineberg LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, and subject to the provisions of any particular plan, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act), the Units will be a qualified investment for trusts governed by an RRSP, registered education savings plan, RRIF, deferred profit sharing plan, registered disability savings plan and a TFSA.

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder of such registered plan deals at arm's length with the REIT, for purposes of the Tax Act, and does not have a significant interest in the REIT or a corporation, partnership or trust with which the REIT does not deal at arm's length. Generally, a holder will have a significant interest in the REIT if the holder and/or persons not dealing at arm's length with the holder own, directly or indirectly, 10% or more of the fair market value of the Units. Prospective purchasers who intend to hold Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the seniors housing and care industry in which the REIT will operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the seniors housing and care industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, neither the REIT nor the Underwriters have independently verified any of the data from management or third-party sources referred to in this prospectus, or

analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

In addition, this prospectus includes information regarding operators of the Initial Properties that has been obtained, where available, from publicly available information, and otherwise from the relevant operator. Neither the REIT nor the Underwriters have independently verified any of such information.

PRESENTATION OF FINANCIAL INFORMATION

Non-GAAP Measures

Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") are non-GAAP measures. Non-GAAP measures do not have standardized meanings prescribed by IFRS, Canadian GAAP or U.S. GAAP (collectively, "GAAP"). FFO, AFFO and EBITDA are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes that FFO, AFFO and EBITDA are relevant measures of its ability to earn and distribute cash returns to Unitholders. The GAAP measurement most directly comparable to FFO, AFFO and EBITDA is net income and comprehensive income. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Forecast Non-GAAP Reconciliation" for a reconciliation of EBITDA, FFO and AFFO to net income and comprehensive income and a reconciliation of EBITDA and FFO to net income, respectively, for the applicable periods. EBITDAR is a supplemental measure of the operators' ability to support lease payments.

"FFO" is defined as net earnings in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on exchangeable units; and (vi) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages, amortization of deferred financing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for any differences resulting from recognizing property rental revenues on a straight-line basis, (iii) adding an amount in respect of Mainstreet development lease payments, and (iv) deducting a reserve for normalized maintenance capital expenditures and leasing costs, as determined by the REIT. Other adjustments may be made to AFFO as determined by our Trustees in their sole discretion.

FFO, AFFO, EBITDA and EBITDAR should not be construed as alternatives to net income and comprehensive income determined in accordance with GAAP as indicators of the REIT's performance. The REIT's method of calculating FFO, AFFO, EBITDA and EBITDAR may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the closing of the purchase transaction regarding the Initial Properties, including the NPR Portfolio;
- the closing of the other transactions expected to occur on Closing, which are described in this prospectus;
- the intention of the REIT to pay stable and growing distributions;

- the ability of the REIT to execute its growth strategies;
- the forecasted financial results of the REIT for the periods set out in the financial forecast section of this prospectus;
- the expected tax treatment of the REIT and of the REIT's distributions to Unitholders; and
- the expected seniors housing and care industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this prospectus, are inherently subject to significant business, economic and competitive uncertainties and contingencies. 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, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the continual availability of capital 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, 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, the factors discussed under "Risk Factors". These forward-looking statements are made as of the date of this prospectus and, 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.

EXCHANGE RATE INFORMATION

The Initial Properties include six properties located in the state of Indiana and three pre-leased development properties located in the states of Indiana and Illinois. Accordingly, the REIT is exposed to the impact of fluctuations in the Canadian/U.S. dollar exchange rate. The REIT discloses certain financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for U.S.$1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Three months ended March 31		Year ended December 31		
	2012	2011	2011	2010	2009
	($)	($)	($)	($)	($)
Highest rate during the period	1.0272	1.0022	1.0604	1.0778	1.3000
Lowest rate during the period	0.9849	0.9686	0.9449	0.9946	1.0292
Average rate for the period	1.0011	0.9857	0.9891	1.0299	1.1420
Rate at the end of period	1.0009	0.9718	1.0170	0.9946	1.0466

On June 6, 2012, the effective date of the financial forecast, the 20-day average noon rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was U.S.$1 equals Cdn$1.02094.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

THE REIT

HealthLease Properties Real Estate Investment Trust is a newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the province of Ontario.

Investment Opportunity

HealthLease Properties Real Estate Investment Trust was formed on April 17, 2012 to carry out the Offering and to use the proceeds to, among other things, acquire a portfolio consisting of income-producing and pre-leased development seniors housing and care properties offering predominately skilled nursing, long term care and assisted living programs, including short-term rehabilitation and Alzheimer's care special care units, in the Midwestern United States and Western Canada. The portfolio will be created through the acquisition of various facilities, from related and third parties, such that, upon completion of the acquisitions, the REIT will own a portfolio of 12 seniors housing and care properties, representing 1,656 beds/suites, located in the state of Indiana and the provinces of British Columbia and Alberta and three pre-leased development properties, representing 275 beds/suites, located in the states of Indiana and Illinois, which are currently under construction and are expected to be completed within 12 months following Closing. These three development properties will be subject to the Mainstreet Development Leases. See "Retained Interest".

Management believes that certain characteristics of the North American seniors housing and care industry, including favourable demographic trends, increasing demand with stagnant supply of new facilities and the shift from hospitals for post-acute care to SNFs and LTCs due to budgetary constraints, provide for a unique investment opportunity. Management also believes that, as a result of the high quality of the REIT's properties, its triple-net leasing structure, its relationship with reputable operators and its pre-leased development model, the REIT is well-positioned to participate in the industry and capitalize on its projected growth.

The REIT's goals are to deliver stable and growing income to its Unitholders while expanding its portfolio of seniors housing and care properties over time through organic growth, continued construction of "next generation", pre-leased development projects and accretive acquisitions.

Investment Highlights

- ***Portfolio of High-Quality Facilities Focused on Need-Driven Care.*** The REIT will own an initial portfolio of 15 seniors housing and care properties (including three pre-leased development properties), representing 1,931 beds/suites (including 275 pre-leased development beds/suites). The Initial Properties are predominately comprised of SNF/LTC (1,326 beds/suites) and ALF (471 beds/suites), which focus on facilitating need-driven care services. Nine of the Initial Properties are located in the Midwestern U.S. and six are located in Western Canada. The Initial Properties consist of facilities with hotel-like designs, hospitality-inspired amenities and quality construction in order to attract strong tenant operators who generate high margins from favourable payor sources and robust occupancies. The average age of the Initial Properties is approximately eight years (including major renovations), which compares very favourably to the industry average. Furthermore, approximately 70% of the beds/suites within the Initial Properties are private rooms, far above the average seen in typical seniors housing and care facilities.

- ***Triple-Net Lease Structure Providing Stable Cash Flows.*** The REIT will own the Initial Properties, which are leased to operators on a long-term, triple-net lease basis, which means the tenant operators assume all operational risk and all operating expenses associated with the property, including capital expenditures (subject to certain exceptions described under the definition of "triple-net" under "Glossary of Terms"), property taxes, utilities and insurance. Typical leases include fixed rent escalators, some of which occur on an annual basis (ranging from 2.0% to 3.0%) and others which occur every five years (ranging from 4.7%

to 5.5%). The leases generally include a corporate or personal guarantee and/or an escrow in support of the tenant operator's obligations under the lease. In the event of default, the leases provide numerous default remedies. The REIT can, subject to regulatory requirements, either designate a new tenant operator or Mainstreet, as manager, could operate the facility until a more permanent tenant operator is identified. Mainstreet has on staff employees with extensive seniors housing and care operational experience, including two administrators with over 30 years experience managing and operating such facilities. Tenant financial information in respect of the operators of the Initial Portfolio are provided at regular reporting intervals. The weighted average lease term of the Initial Properties is 13.5 years (excluding renewal options), with the first lease maturities not occurring until 2022.

- ***Leading Regional Tenant Operators with High Quality Payor Sources and Robust Occupancies.*** The REIT's tenants are strong and experienced operators in the U.S. and Canada. These operators have a combined operating history of over 200 years, operate in multiple states and provinces and annually generate over $285 million of consolidated EBITDAR. During 2011, the stabilized Initial Properties generated a weighted average portfolio EBITDAR to rent coverage ratio of 2.0 times and had a weighted average occupancy of 88.4%. The Initial Properties that are stabilized currently receive a large percentage (approximately 72.2%) of their funding from high quality payor sources, including private pay and government sources (excluding Medicaid). This compares favourably with industry norms.

- ***Favourable Demographics and Industry Dynamics.*** The seniors housing and care industry in the U.S. and Canada is expected to experience significantly increasing demand as a result of growth in the senior population, increased life expectancy, changing family dynamics, evolving consumer preferences and the desire for cost efficient care alternatives as a result of rising healthcare costs. Significant barriers to entry have limited new supply, which has caused an imbalance against increasing demand, resulting in stable occupancy levels of nearly 90%. In the U.S., more than U.S.$400 billion in new construction is needed over the next 35 years to meet anticipated demand, while in Canada the required stock of LTCs and ALFs is expected to nearly double over the next 20 years. Management believes that its investment opportunity in the seniors housing and care industry is enhanced due to compelling industry dynamics such as stable revenues that result from consistent occupancy rates, need-driven care services and favourable pay sources.

- ***Proven and De-risked Pre-leased Development Model Offering Measured Growth.*** The REIT will, internally and externally, through a development agreement with Mainstreet, construct "next generation", pre-leased seniors housing and care properties that are triple-net leased to qualified tenant operators. Management believes it has mitigated the normal risks associated with development through its pre-leased development structure, which includes the use of bonded contractors, guaranteed maximum price construction contracts and binding timelines for project completion. Leases are entered into prior to the start of construction with rent commencing upon issuance of a certificate of occupancy. Mainstreet's construction process is approximately nine to twelve months from start to rent commencement. The REIT has no operational responsibility for the facility, as property level lease-up risk is borne exclusively by the tenant. Initial rent under the leases is typically based on a percent of total project costs, which provides a going-in yield of approximately 10%. Since 2008, Mainstreet has successfully financed, developed and leased to operators nine facilities (including five of the Initial Properties), representing approximately U.S.$130 million in total value, using its pre-leased development model. The REIT will limit internal development activity to a maximum of 20% of its Gross Book Value.

- ***Experienced and Aligned Management Team and Board.*** Initially, the REIT will be externally managed and operated by an experienced team of real estate professionals from Mainstreet. Mainstreet was founded in 2002 and its principals have over 35 years of experience in asset management, development, financing, ownership and operation of seniors housing and care properties. Specific experience includes acquiring, developing and managing such assets with a value in excess of U.S.$600 million. Mainstreet's interests will be fully aligned with the REIT's interests as a result of Mainstreet's ownership of a 17.9% interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full). The REIT will maintain strong and effective governance with a Board of Trustees comprised of a majority of Independent Trustees who have substantial experience in the U.S. and Canadian healthcare and

real estate capital markets. Mainstreet has agreed to internalize the management functions of the REIT at no cost to the REIT once the REIT reaches a fully-diluted market capitalization of $500 million.

- ***Attractive Investment and Leverage Metrics.*** The REIT intends to pay stable, monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 8.5% based on an estimated AFFO payout ratio of approximately 93%. The REIT is anticipated to have a targeted debt/Gross Book Value ratio of approximately 55% (approximately 52% at March 31, 2012 adjusted for the Offering and 55% upon completion of construction of the three pre-leased development properties), a weighted average interest rate (all of which is fixed) of approximately 5.04% and a weighted debt maturity of 8.6 years as at March 31, 2012 adjusted for the Offering.

See “Investment Highlights” and “Risk Factors”.

Growth Strategies

The REIT, through its external management, intends to adopt the following strategies to achieve future growth in its AFFO per Unit:

- **Organic Growth:** The REIT’s internal growth strategy will focus on rent-step-ups, financing opportunities and tenant retention and growth. All leases are triple-net and include a rent escalator (other than the lease in respect of Highland Manor Health and Living). The REIT will have opportunities to increase its margin on individual properties through financing and refinancing of debt, including through U.S. government agency financing. Furthermore, the REIT has targeted experienced operating partners with the desire and financial ability to expand, which should provide additional opportunities to grow the REIT’s portfolio.
- **Construction of Pre-Leased Development Facilities:** Management believes a significant portion of the REIT’s future growth will come from the construction of additional “next generation”, pre-leased development facilities. Mainstreet has identified more than ten projects for potential future external development over the next 24 months using its proven and de-risked pre-leased development model. While the majority of these identified projects are located in Indiana, Ohio and Texas, the REIT has also targeted or is reviewing opportunities in other states as well. The REIT initially plans to grow its portfolio throughout the Midwest, West and South Atlantic regions of the United States and the provinces of Alberta, British Columbia and Ontario in Canada. The REIT intends to target states, provinces and regions demonstrating strong fundamentals for seniors housing and care properties.
- **Strategic and Accretive Acquisitions:** The REIT will seek to identify potential property and portfolio acquisitions using investment criteria that focus on the quality of the facilities, the strength of the underlying operations, the types of facilities available, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient asset management of the assets being acquired. It is also the REIT’s intention that all of the properties purchased in such acquisitions will be leased to qualified tenant operators using the same triple-net lease structure that is utilized in connection with the Initial Properties in the U.S. and Canada.

See “Growth Strategies”.

Industry Spectrum of Care

The chart below illustrates the range of seniors housing and care alternatives available in the U.S. and Canada. The Initial Properties will focus primarily on high acuity, need-driven services which are facilitated by SNFs and LTCs.

REAL ESTATE COMPONENT | SERVICES COMPONENT

LOW ACUITY | Shelter | Activities, Recreation | Transport, Laundry | Meals | Care Services | Short-Term Post Acute Care | Long-Term Chronic Care

Independent Living Facilities (ILFs)

Assisted Living Facilities (ALFs)

Skilled Nursing Facilities (SNFs) and Long-Term Care (LTCs)

HIGH ACUITY

Continuing Care Retirement Communities (CCRCs)

PRIVATE PAY ← → GOVERNMENT PAY

- **Skilled Nursing Facilities ("SNFs") and Long-Term Care Facilities ("LTCs"):** SNFs, as referred to in the U.S., and LTCs, as referred to in Canada, are facilities that provide a room, meals, assistance with activities of daily living and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical/nursing care in a residential setting for the aged and sick, typically treating residents with physical or mental impairments that prevent them from living independently. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services, but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post acute settings. SNFs and LTCs also provide transitional care units (known as complex continuing care or interim care in Canada) and are designed for patients transitioning from hospital to home. SNFs and LTCs in North America are subject to extensive federal, state, provincial and local regulation, including licensing requirements and regulations relating to government funding. SNFs and LTCs receive revenue from private pay sources and third party pay sources, including the federal, state and provincial government and insurance companies.

- **Assisted Living Facilities ("ALFs"):** ALFs play a key role in the continuum of seniors housing and care, as they bridge the gap between independent living properties and SNFs/LTCs. ALFs provide relatively independent elderly persons with typical amenities associated with less-intensive seniors housing and care, as well as personal assistance with activities of daily living and some healthcare services. Services provided at ALFs typically include 24-hour care services for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. In addition, a growing number of ALFs offer services specifically designed for residents with Alzheimer's/memory care needs. ALFs in the U.S. are licensed and regulated by state and local governments, rather than the U.S. federal government. In Canada, ALFs are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs. ALFs receive revenue from private pay sources and third party pay sources, including the government and insurance companies.

- **Independent Living Facilities ("ILFs"):** ILFs are the least medically-intensive type of seniors housing and care property. Unlike ALFs, SNFs and LTCs, ILFs do not commonly offer nursing, rehabilitative care or therapy services and typically do not provide assistance with activities of daily living. Alternatively, ILFs are designed as a seniors housing and care option for those who are able to perform their own basic activities of daily living and need little or no medical assistance. ILFs in North America are generally unregulated and unlicensed, with some exceptions for ILFs providing more extensive care services. ILFs

typically receive revenue through private pay sources, such as private insurance and private funds, rather than government sources.

- **Continuing Care Retirement Communities ("CCRCs"):** Often a number of the above types of facilities are combined into one campus environment, thereby establishing a continuum of care for the residents. Residents have flexible choices of accommodations that are designed to meet their housing and care needs as these needs change over time, sometimes also referred to as 'aging in place'. Some CCRCs have a financial or contractual commitment for their independent living units, with the assisted living or nursing care offered as necessary for limited or extended periods.

The REIT will own 754 SNF and 175 ALF beds/suites in the U.S., and 572 LTC, 296 ALF and 134 ILF beds/suites in Canada. In the discussion on industry dynamics, references will be to the U.S. SNF industry and the Canadian seniors housing and care industry.

Seniors Housing and Care Industry

Management believes that the REIT will benefit from a number of favourable industry dynamic and trends, including:

Industry Dynamics

- **Revenue Stability:** Seniors housing and care enjoys stable, predictable revenues, and has historically been largely insulated from economic cycles, as a result of stable occupancy, the need-driven nature of the services and favourable funding sources.

- **Barriers to Entry:** Regulatory requirements in many jurisdictions make it difficult to acquire or develop seniors housing and care properties. There are also many operational barriers to entry as a high degree of experience is required to own and operate seniors housing and care facilities, particularly as the acuity level of care increases. Additionally, the capital requirements in connection with the acquisition or development of a facility can be sizeable.

- **Cost-Effective Care Alternative:** In the face of rising healthcare costs, SNFs and LTCs provide the most cost-effective alternative for third-party pay sources, including the government and private insurance. SNFs and LTCs provide many of the same services as hospitals, at a significantly lower cost. Management estimates that in the U.S. certain post-acute care services can be provided at one-third of the cost of the next best alternative.

- **Ownership Fragmentation:** The seniors housing and care industry in the U.S. is highly fragmented, and the facilities are predominantly owned by local and regional groups. There are approximately 15,622 SNFs representing approximately 1.67 million certified beds. In Canada, seniors housing and care accommodations has also historically been characterized by a large number of small operators who provide residences in fragmented geographic areas. However, over the past several years, there has been increasing consolidation in the sector. In Canada, there are approximately 7,950 seniors housing and care facilities, representing over 390,000 suites. In the U.S., the top ten operators represent only 14.1% of the total suites managed, while in Canada, the top ten owners and managers represent only 21.1% of the total suites owned and managed.

- **Imbalance Between Supply and Demand:** A current imbalance exists in the U.S. between industry supply and demand. Although the number of seniors has grown and is anticipated to continue to grow dramatically, the number of SNFs has declined. Since 2001, the number of facilities and beds have declined by approximately 5.0% and 2.0%, respectively. In addition, since 2008, annual new construction starts have averaged approximately 4,700 units, representing 0.3% of existing supply. As a result of the declining number of facilities, lack of construction starts, and growing senior population, management believes a substantial amount of development will need to occur in order to fulfill expected demand. Accordingly, more than U.S.$400 billion in new construction, over and above existing supply, will be needed to meet future demand for seniors housing and care facilities over the next 35 years.

A similar imbalance exists in Canada, albeit for different reasons. Like the U.S., the number of seniors is increasing, and the number of facilities has not kept pace. This is in large part due to provincial licensing and reimbursement, which has resulted in limited numbers of new facilities. The number of LTCs and ALFs is expected to grow dramatically based on the expected needs of the growing senior population. Over the next 20 years, it is estimated that approximately 195,000 new LTC beds and approximately 120,000 new ALF suites will be needed to satisfy future demand in Canada.

Demand Drivers

- **Aging Population:** The number of seniors in North America, both as an absolute total and as a percentage of the total population, is increasing dramatically. While the U.S. population is expected to grow at a CAGR of approximately 1.0% between 2010 and 2031, the U.S. senior population is expected to grow at a CAGR of 2.9% during the same period. In 2010, seniors represented 13.0% of the U.S. total population and, by 2031, that figure is expected to reach almost 20.0%. While the Canadian population is expected to grow at a CAGR of 1.0% between 2010 and 2031, the Canadian senior population is expected to grow at a CAGR of approximately 3.4% during the same period. In 2010, seniors represented 14.1% of the total Canadian population and, by 2031, that figure is expected to reach almost 23.0%.
- **Increasing Life Expectancy:** Life expectancy in the U.S. and Canada has increased over the past 50 years as a result of improved standards of living, changes in lifestyle and awareness and advancements in medicine and technology. This improvement in life expectancy should increase demand for facilities as the length of time seniors stay in such facilities increases. In 1960, the average life expectancy of a U.S. and Canadian citizen was 69 and 71 years, respectively, while in 2008 it was 77 and 81 years, respectively.
- **Changing Family Dynamics:** As a result of changing family dynamics, seniors housing and care facilities have become more important as adult children are less willing or able to care for their aging parents. These dynamics include an increasing number of dual-income families, increased life expectancy, the increasing number of single parent households and the further geographic dispersion of families. All of these factors have contributed to increased demand for quality facilities.
- **Rising Healthcare Costs and Desire for Alternatives:** Rising healthcare costs and government budgetary constraints have forced payors and consumers to seek cost-effective healthcare alternatives. In 2008, the U.S. had the highest health expenditure per capita globally and Canada ranked third. SNFs and LTCs are lower cost alternatives for post-acute care.
- **Changes in Consumer Preferences:** The majority of the existing seniors housing and care properties in the U.S. and Canada are aged and inadequate to meet the preferences of today's seniors. Consumers desire newer facilities that have a more upscale and residential feel. In particular, seniors now demand larger private rooms, private in-room bathing, and restaurant-style dining. Furthermore, residents often choose facilities with improved amenities, such as cafes, theatres, chapels, fitness centers, community rooms, wellness centers, spas, in-room kitchens and laundry facilities, and beauty/barber shops.

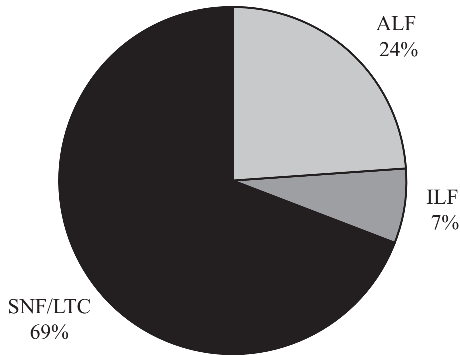
See "Characteristics of North American Seniors Housing and Care".

Overview of Initial Properties

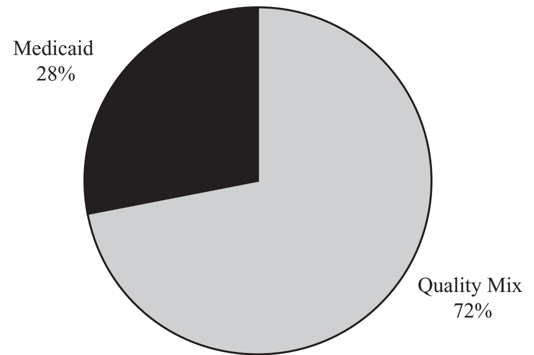
On Closing, the REIT will directly and indirectly acquire a portfolio of 15 seniors housing and care properties. The Initial Properties are located in Indiana and Illinois in the Midwestern United States and British Columbia and Alberta in Western Canada and offer services across a broad spectrum of care. Mainstreet will be the administrative services and asset manager of the REIT, giving the REIT access to Mainstreet's experienced management team and extensive network of relationships in the U.S. and Canadian seniors housing and care market.

SNF/LTC beds/suites will represent 69% of the Initial Properties. The Initial Properties are represented by a high quality occupancy payor mix (72% non-Medicaid), which consist of all payor sources other than Medicaid.

Beds/Suites by Service Type



Occupancy Payor Mix



Details of Initial Properties

Name of Facility	Location	Year Built[1]	Operator	Services Provided	SNF Beds	ALF/ ILF Suites	Total Beds/ Suites	Lease Expiration Date[2]	Lease Escalator/(Reduction) Dates and Terms
Mainstreet Senior Care Portfolio Properties:									
Alexandria Care Center	Alexandria, Indiana	1982/ 1987	Magnolia Health Systems, Inc.	SNF	70	—	70	June 30, 2024	2% annually on July 1st
Avalon Springs Health Campus	Valparaiso, Indiana	2012	Trilogy Health Services, LLC	SNF/ALF	71	61	132	March 31, 2022	3 times CPI Increase annually on May 1st[3]
Brookville Healthcare Center	Brookville, Indiana	1987	Magnolia Health Systems, Inc.	SNF/ALF	100	—	100	March 31, 2027	2% annually on April 1st
Highland Manor Health and Living	Indianapolis, Indiana	1968/ 2008	Mainstreet Senior I, LLC	SNF	52	—	52	January 21, 2027	None
Marion Rehabilitation and Assisted Living	Marion, Indiana	2012	Covenant Care, LLC	SNF/ALF	70	30	100	May 31, 2027	3% annually on May 1st
Miller's Merry Manor of Marion	Marion, Indiana	1976/ 2005	Miller's Health System	SNF/ALF	176	24	200	November 30, 2022	2% annually on Dec. 1st
Total:					**539**	**115**	**654**		

Name of Facility	Location	Year Built[1]	Operator	Services Provided	SNF Beds	ALF/ ILF Suites	Total Beds/ Suites	Lease Expiration Date[2]	Lease Escalator/(Reduction) Dates and Terms
NPR Portfolio Properties:									
Beverly Centre-Glenmore	Calgary, Alberta	1971/ 1982/ 1992	AgeCare	LTC	215	—	215	April 20, 2026	5.5% in 2016 and 2021
Beverly Centre-Lake Midnapore	Calgary, Alberta	2001/ 2004/ 2006	AgeCare	LTC/ALF	270	50	320	April 20, 2026	5.5% in 2016 and 2021
Columbia Assisted Living	Lethbridge, Alberta	2001/ 2002/ 2003	AgeCare	ALF	—	112	112	April 20, 2026	5.5% in 2016 and 2021
Harmony Court Care Centre	Burnaby, British Columbia	1970s/ 2006/ 2009	AgeCare	LTC/ ALF/ILF	57	159	216	April 20, 2026	4.65% in 2016, 4.69% in 2021 and (11.06%)[9] in 2024
Orchard Manor	Brooks, Alberta	2000	AgeCare	ALF	—	53	53	April 20, 2026	5.5% in 2016 and 2021
Valleyview Care Centre	Medicine Hat, Alberta	1999	AgeCare	LTC/ALF	30	56	86	March 31, 2026	5.5% in 2016 and 2021
Total:					**572**	**430**	**1,002**		
Pre-Leased Development Properties:									
The Bridge Care Suites	Springfield, Illinois	2013	Platinum Health Care, LLC	SNF	75	—	75	February 2028[6]	3% annually
Mishawaka, Indiana[4]	Mishawaka, Indiana	2012	Sprenger Health Systems	SNF/ALF	70	30	100	December 2022[7]	2.5% annually
Wabash, Indiana[4]	Wabash, Indiana	2012	Life Care Services, LLC /Mainstreet[5]	SNF/ALF	70	30	100	December 2022[8]	2.5% annually
Total:					**215**	**60**	**275**		
Total for all Initial Properties:					**1,326**	**605**	**1,931**		

Notes:

(1) Dates indicate year built and, if applicable, year renovated or expanded.

(2) Excludes renewal terms.

(3) The adjusted rent may not be less than 100% nor more than 103% of the prior year's annual rent. "CPI Increase" is defined in the lease as the percentage change of the applicable cost of living index annual average for the 12-month period ending the month which is two months prior to commencement of the applicable lease year, over (ii) the applicable cost of living index annual average for the 12-month period ending the month which is two months prior to commencement of the immediately prior lease year.

(4) Facility has not been named.

(5) An entity that is owned 50% by an affiliate of Life Care Services, LLC, which is the managing member, and 50% by an affiliate of Mainstreet.

(6) Estimated, based upon a construction start date of February 22, 2012 and a projected completion date of February 2013.

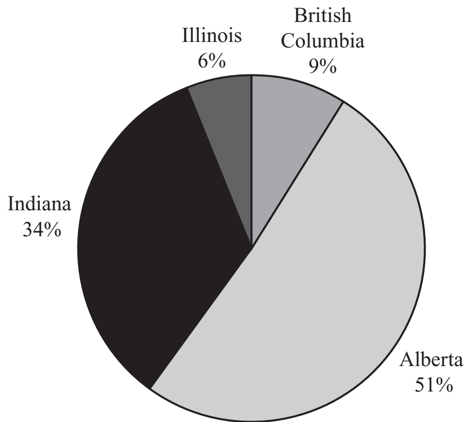
(7) Estimated, based upon a construction start date of December 5, 2011 and a projected completion date of December 2012.

(8) Estimated, based upon a construction start date of November 8, 2011 and a projected completion date of December 2012.

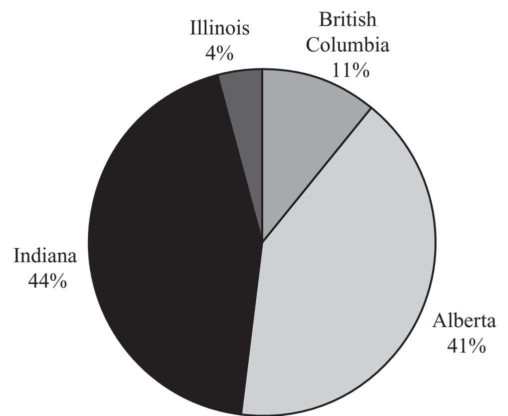
(9) Represents a reduction in lease payments. Lease term from June 2011 to February 2024 included payment for tenant improvements that the landlord undertook for the benefit of the tenant.

The Initial Properties are expected to generate approximately 60% of their rent from Canada, where 52% of total beds/suites will be located.

Rent By Geography(1)



Beds/Suites By Geography



(1) Based upon contractual rent for 2013.

The weighted average lease maturity of the Initial Properties is 13.5 years with the first lease maturities not occurring until 2022.

Lease Maturity Profile
(Percentage of Portfolio Rental Revenue Maturing in a Particular Year)(1)(2)

(1) The lease expiration percentage was calculated based on a weighted average of total rent over the life of the respective leases.

(2) Excludes renewal terms.

See "The Initial Properties".

Key Management and Board Members

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT. The Trustees of the REIT are also directors of HealthLease Canada, HealthLease U.S. and the General Partner:

Name and Municipality of Residence	Position with the REIT	Principal Occupation
DAVID W. BEIRNES[1][2] Mississauga, Ontario	Trustee	Principal of CBG Seniors Realty Advisors Inc.
JAMES BREMNER[3] Indianapolis, Indiana	Trustee	President, Healthcare of Duke Realty Corporation
NEIL LABATTE[3][6] Toronto, Ontario	Trustee	President, Global Dimension Capital, Inc. and MyWay Concierge, Inc.
MICHAEL SALTER[4] Scottsdale, Arizona	Trustee	Chief Financial Officer of Medical Facilities Corporation
AIDA TAMMER[5] Toronto, Ontario	Trustee	Corporate Director
RICHARD TURNER[1] Vancouver, British Columbia	Trustee	President and Chief Executive Officer of TitanStar Investment Group Inc.
PAUL EZEKIEL TURNER[6][7] Cicero, Indiana	Trustee and Chief Executive Officer	Chief Executive Officer of the REIT and Mainstreet

Notes:

(1) Member of the Audit Committee.

(2) Lead Trustee.

(3) Member of the Compensation, Governance and Nominating Committee.

(4) Chair of the Audit Committee.

(5) Chair of the Compensation, Governance and Nominating Committee.

(6) Appointed by Mainstreet.

(7) Chair of the Board.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
PAUL EZEKIEL TURNER Cicero, Indiana	Chief Executive Officer
ADLAI CHESTER Muncie, Indiana	Chief Financial Officer and Secretary

See "Trustees and Management of the REIT".

Arrangements with Mainstreet

On Closing, the REIT, the Partnership and Mainstreet will enter into certain agreements governing the relationships among such parties following Closing. These agreements are described below. See also "Arrangements with Mainstreet" and "Retained Interest".

Asset Management Agreement

Mainstreet will be the asset manager of the properties owned by the REIT from time to time. Pursuant to the Asset Management Agreement, Mainstreet will provide various asset management services to the REIT and the Partnership for which it will receive an annual management fee, calculated and paid in cash on a monthly basis, equal to 3% of the REIT's gross revenues.

Administrative Services Agreement

Under the Administrative Services Agreement, Mainstreet will provide the REIT with certain advisory and investment management services, including the services of the Chief Executive Officer and Chief Financial Officer, and certain management and general administrative services. Mainstreet will not receive fees for services performed under the Administrative Services Agreement.

Development Agreements

In accordance with the Development Agreements, Mainstreet will provide the REIT (with respect to Canadian development properties) and the Partnership (with respect to U.S. development properties) with a preferential right to develop internally all suitable property developments that Mainstreet proposes to undertake. If the REIT elects to participate in such a development project, the REIT will be obligated to engage Mainstreet to act as the developer for the project for which Mainstreet will be entitled to receive a development fee equal to 5% of the total project costs. If the REIT elects not to internally develop a proposed development property, Mainstreet will have the right to externally develop the property. If a contribution of the property in exchange for Class B Units, Units and/or cash with a value equal to its appraised fair market value would provide Mainstreet with a rate of return on investment agreed upon in advance, Mainstreet will be required to offer to contribute the property to the REIT or the Partnership, as applicable for such price. The REIT or the Partnership, as applicable, may accept the contribution in the discretion of the board of Trustees or the board of directors of the General Partner, as applicable.

Mainstreet Development Leases

Mainstreet has agreed, commencing on Closing, to make monthly payments to the Partnership in the amount of U.S.$56,601 in respect of MS Mishawaka, U.S.$67,808 in respect of MS Springfield and U.S.$52,443 in respect of MS Wabash until the applicable property receives a certificate of occupancy and the tenant operator takes possession of the facility. As a result of the proposed arrangements, until the applicable property receives a certificate of occupancy and the tenant operator has taken possession of the facility, Mainstreet has effectively guaranteed that the Partnership will achieve a total AFFO from the property as if such property were occupied and lease payments were being paid by the respective tenant operators. In order to provide security for such payments, Mainstreet has pledged certain of its Class B Units and/or Units having a minimum book value equal to the undiscounted future payments expected to be made pursuant to such payments. This pledge will remain in effect until such time as all amounts payable by Mainstreet to the Partnership under the Mainstreet Development Leases have been satisfied. Mainstreet has also granted a security interest in all distributions payable on such Class B Units and/or Units, provided that the security interest in respect of such distributions only becomes a right to such distributions upon and to the extent of any event of default that is continuing under a Mainstreet Development Lease. Mainstreet's payment obligation will be set forth in the Mainstreet Development Leases between Mainstreet, the Partnership and the Subsidiary of the Partnership that owns the applicable property pursuant to which Mainstreet will lease MS Mishawaka, MS Springfield and MS Wabash and make the monthly payments described above. The Partnership will offset distributions payable on Mainstreet's entire retained interest as necessary to fund Mainstreet's obligations. In the event the distributions are not sufficient to fund Mainstreet's obligations in full, Mainstreet shall pay cash to the Partnership. In the event Mainstreet fails or refuses to pay cash to the Partnership, the Partnership shall have the right to redeem a portion of Mainstreet's Class B Units or Units in an amount equal to such cash shortfall. It is currently expected that certificates of occupancy will be obtained for MS Mishawaka on or before December 31, 2012, for MS Springfield on or before February 28, 2013 and for MS Wabash on or before December 31, 2012. Assuming the certificates of occupancy are obtained on such dates and Closing occurs on June 1, 2012, the total amount of

rent to be paid by Mainstreet under the Mainstreet Development Leases would be U.S.$341,768 in the case of MS Mishawaka, U.S.$572,193 in the case of MS Springfield and U.S.$333,039 in the case of MS Wabash, for a total of U.S.$1,247,000.

Non-Competition Agreement

Pursuant to the Non-Competition Agreement, the Principals and entities beneficially owned or controlled by them will not develop, acquire or invest in senior housing properties in the United States or Canada, except as contemplated in the Development Agreements and subject to certain other exceptions, or create another real estate investment trust or other publicly-held investment vehicle which primarily invests in senior housing properties in the United States or Canada. The Non-Competition Agreement will be in effect so long as Mainstreet remains the external asset manager of the REIT. See "Arrangements with Mainstreet — Non-Competition Agreement".

Summary of Independent Appraisal of Initial Properties

The REIT retained Tellatin, Short & Hansen, Inc. and The Altus Group (collectively, the "Appraisers" and, each individually, the "Appraiser") to provide an independent estimate of the fair market value of the Initial Properties located in the United States (Tellatin Short & Hansen, Inc.) (the "U.S. Appraisals") and the Initial Properties located in Canada (The Altus Group) (the "Canadian Appraisals"). The Appraisers were not given any limiting instructions.

In the U.S. Appraisals, the U.S. Appraiser estimated the aggregate market value of the Initial Properties located in the United States as a portfolio, as at December 31, 2011, to be U.S.$102,800,000 (inclusive of excess land and other assets). The U.S. Appraisals include a portfolio premium of 5.3%. In the Canadian Appraisals, the Appraiser estimated the aggregate market value of the Initial Properties located in Canada, as of April 1, 2012, to be $162,000,000. This aggregate market value gives no consideration to a portfolio discount or premium.

The aggregate market value of the Initial Properties located in the U.S. and Canada as a portfolio is $264,800,000. This aggregate market value includes a portfolio premium of 5.3% in respect of the Initial Properties located in the United States and assumes parity between the U.S. and Canadian dollars.

See "Assessment and Valuation of the Initial Properties".

Debt Strategy and Indebtedness

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of the REIT's property. The REIT intends to target a debt level of 55% of Gross Book Value. To monitor cash flow, the REIT intends to monitor its interest coverage ratio and debt-to-EBITDA ratio. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT would be more than 60% of the Gross Book Value (65% including any convertible debentures of the REIT). At March 31, 2012 as adjusted for the Offering, the REIT estimates that its total consolidated indebtedness will be approximately $126.3 million. The REIT's total debt at March 31, 2012 as adjusted for the Offering is expected to represent approximately 52% of Gross Book Value, of which 100% is fixed rate indebtedness. The weighted average maturity and weighted average interest rate of all indebtedness of the REIT at March 31, 2012 as adjusted for the Offering are expected to be approximately 8.6 years and 5.04%, respectively.

Three of the fifteen properties included in the Initial Properties are pre-leased development properties currently under construction. The REIT's total debt once the three pre-leased development properties are complete (without taking into account principal repayment of debt at March 31, 2012), is expected to represent approximately 55% of Gross Book Value, of which 100% is expected to be fixed rate indebtedness. The weighted average maturity and weighted average interest rate of all indebtedness of the REIT once the pre-leased development properties are complete is expected to be approximately 8.1 years and 5.08%, respectively.

The following table provides additional details with respect to the debt on the Initial Properties:

Property	Principal Amount[1]	Principal at Dev. Completion[2][3]	Maturity	Rate[4]
Indianapolis, IN	$ 2,066,330[5]	$ 2,066,330	Jun-39	5.45%
Marion, IN	13,000,000	13,000,000	Jan-16	3.04%
Wabash, IN	15,500,000	15,200,000	Nov-16	3.85%
Mishawaka, IN	2,151,681	10,408,800	Dec-16	5.75%
Springfield, IL	1,041,724	10,360,000	Dec-15	5.08%
NPR Portfolio	92,556,443	92,556,443	Dec-21	5.49%
Total	$126,316,178	$143,591,573		
Less Loan Fees	(3,212,724)	(3,212,724)		
Carrying Amount	$123,103,454	$140,378,849		

Indebtedness (excluding Exchangeable Interest) as % of Gross Book Value	
At Closing[1]	52%
At development completion[2]	55%
Weighted Average Interest Rate	
At Closing[1]	5.04%
At development completion[2]	5.08%
Weighted Average Term to Maturity (Years)	
At Closing[1]	8.6
At development completion[2]	8.1

(1) Based on March 31, 2012 unaudited financial statements adjusted for the Offering.

(2) Based on March 31, 2012 unaudited financial statements adjusted for the Offering and for additional indebtedness incurred to complete the three pre-leased development properties included in the Initial Properties.

(3) Takes into account repayment of $300,000 of bridge financing, which was initially obtained to provide additional cash at the start of construction; cash from the continuing debt will be used to repay the bridge financing.

(4) All of the indebtedness presented has a fixed interest rate.

(5) This indebtedness is expected to be repaid in full shortly following Closing.

Furthermore, Mainstreet has signed a non-binding indicative term sheet with a U.S. bank pursuant to which the lender will provide the Partnership, subsequent to Closing, with a Credit Facility in the principal amount of U.S.$25 million, which will have a term of three years. Variable rate interest will be calculated and payable monthly under the Credit Facility at a rate equal to the U.S. 30-day LIBOR plus a margin of 325 basis points. The Credit Facility will be secured by first priority mortgages on four of the Initial Properties (Alexandria, Brookville, Marion-Bradner and Valparaiso).

See "Debt Strategy and Indebtedness".

Retained Interest

Following Closing, Mainstreet will hold 2,400,000 Class B Units (being all of the Class B Units outstanding on Closing) representing an approximate 17.9% interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full). Each Class B Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments), will be accompanied by one Special Voting Unit of the REIT (which provides for the same voting rights in the REIT as a Unit) and will be entitled to distributions of cash from the Partnership equal to the cash distributions paid to holders of Units by the REIT, subject to certain adjustments. Pursuant to the Declaration of Trust, Mainstreet will have the right to appoint

Trustees to the Board of the REIT (depending on the size of the Board and the level of Mainstreet's ownership interest), which Trustees will also comprise the board of directors of the General Partner. See "Retained Interest", "Declaration of Trust", "Trustees and Management of the REIT — Governance and Board of Trustees" and "The Partnership".

Financial Forecast

The financial forecast information set forth below is based upon the financial forecast prepared by management of the REIT, using assumptions with an effective date of June 6, 2012. The forecast has been prepared on the basis that the Initial Properties will be acquired at Closing and using assumptions that reflect management's intended course of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast assumes that the Over-Allotment Option is not exercised and no acquisitions are completed during the period and that the capital structure at Closing is maintained throughout the forecast period. **The assumptions used in the preparation of the forecast, although considered reasonable at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that the actual results achieved by the REIT for the forecast period will vary from the forecast results and the variations may be material. See "Forward-Looking Statements" and "Financial Forecast".**

CONSOLIDATED STATEMENTS OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Forecasted Net Income and Comprehensive Income[1]

	Three-month periods ending				Twelve-month period ending
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	June 30, 2013
Revenue	$4,599,553	$4,855,393	$5,653,954	$5,881,583	$20,990,483
Expenses					
Operating	107,857	107,857	107,857	107,857	431,428
Management fees	126,889	133,796	154,549	158,495	573,729
Finance costs:					
Net Interest and amortization	1,419,750	1,532,941	1,858,894	1,938,502	6,750,087
Distributions on exchangeable units	509,509	509,509	509,509	509,509	2,038,036
	2,164,005	2,284,103	2,630,809	2,714,363	9,793,280
Income from operations	2,435,548	2,571,290	3,023,145	3,167,220	11,197,203
Fair value loss (gain) on investment properties	(99,007)	(6,264)	352,847	431,343	678,919
Trust expenses	207,600	207,600	207,600	207,600	830,400
Net income and comprehensive income	$2,326,955	$2,369,954	$2,462,698	$2,528,277	$ 9,687,884

(1) The REIT has applied the fair value model to accounting for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the forecast does not reflect any changes in fair values of the investment properties. For purposes of the financial forecast, the change in fair values of investment properties reflects the reversal of the capitalization of straight-line rent and the accretion in fair value during the construction period.

Forecast Non-GAAP Reconciliation

The following table reconciles forecast net income to FFO and AFFO. See "Non-GAAP Measures" and "Financial Forecast".

	Three-month periods ending				Twelve-month period ending
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	June 30, 2013
Net Income for the period	$2,326,955	$2,369,954	$2,462,698	$2,528,277	$ 9,687,884
Add/(Deduct)					
Fair value adjustment on investment properties	(99,007)	(6,264)	352,847	431,343	678,919
Interest on Exchangeable Units[1]	509,509	509,509	509,509	509,509	2,038,036
FFO	$2,737,457	$2,873,199	$3,325,054	$3,469,129	$12,404,839
Add/(Deduct):					
Amortization of deferred financing costs	54,510	67,130	95,848	102,805	320,293
Straight line rent adjustment	(279,469)	(305,108)	(411,896)	(431,343)	(1,427,816)
Mainstreet Development Leases payments	551,308	461,465	76,571	—	1,089,344
Maintenance capital expenditure reserve	(31,723)	(33,449)	(38,638)	(40,199)	(144,009)
AFFO	$3,032,083	$3,063,237	$3,046,939	$3,100,392	$12,242,651
FFO/Unit[2]	$ 0.20	$ 0.22	$ 0.25	$ 0.26	$ 0.93
AFFO/Unit[2]	$ 0.22	$ 0.23	$ 0.23	$ 0.23	$ 0.91
Net Income/Unit[2]	$ 0.21	$ 0.22	$ 0.22	$ 0.23	$ 0.88

(1) The Units and Exchangeable Units are economically equivalent (subject to certain adjustments) as described under "Retained Interest". However, the Exchangeable Units differ from the Units for financial reporting purposes as they are presented as a financial liability with the related distributions and fair value adjustments being recorded in Net Income. These effects have been added back to Net Income in the determination of FFO as they do not form part of the operations of the REIT.

(2) Forecast FFO and AFFO per Unit amounts are based on 13,400,000 Units including Units issuable upon the exchange of Exchangeable Units. Forecast Net Income per Unit amounts are based on 11,000,000 Units excluding Units issuable upon exchange of the Exchangeable Units.

THE OFFERING

Offering: 11,000,000 Units.

Amount: $110,000,000.

Price: $10.00 per Unit.

Over-Allotment Option: The REIT has granted to the Underwriters an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an additional 1,100,000 Units at a price of $10.00 per Unit solely to cover over allotments, if any, and for market stabilization purposes. The proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT for working capital purposes. See "Plan of Distribution" and "Use of Proceeds".

Use of Proceeds: The REIT will directly or indirectly use (i) approximately $28.2 million of the net proceeds of the Offering to fund the subscription for the Class A Units of the Partnership, which will, in turn, use such proceeds to repay debt in respect of certain of the Initial Properties; (ii) approximately $70.2 million of the net proceeds of the Offering to fund the acquisition of the NPR Portfolio; and (iii) any remaining proceeds for working capital purposes.

The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT to repay debt and/or for working capital purposes.

Unit Attributes: The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of unitholders. See "Declaration of Trust".

Retained Interest: Following Closing, Mainstreet will hold a 17.9% interest in the REIT on a fully exchanged basis (16.6% if the Over-Allotment Option is exercised in full) through ownership of 2,400,000 Class B Units (being all of the securities of such class). Each Class B Unit will entitle the holder to cash distributions from the Partnership equal to the distributions paid to holders of Units by the REIT, subject to certain adjustments. Each Class B Unit will be accompanied by one Special Voting Unit of the REIT which provides the Class B Unit holder with the same voting rights in the REIT as a Unit. Each Class B Unit is exchangeable into one Unit (subject to customary anti-dilution adjustments). Mainstreet will have the right to appoint a certain number of Trustees to the REIT's Board depending on the size of the Board and Mainstreet's ownership interest. See "Retained Interest" and "Trustees and Management of the REIT — Governance and Board of Trustees".

Distribution Policy: The REIT initially intends to adopt a distribution policy pursuant to which the REIT will make cash distributions to Unitholders and, through the Partnership, holders of Class B Units on each monthly Distribution Date equal to, on an annual basis, approximately 93% of estimated AFFO for the period ended June 30, 2013. Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. The first distribution for the period from Closing to July 31, 2012 will be paid on August 15, 2012. The REIT intends to make subsequent monthly distributions in the estimated amount of $0.07083 per Unit commencing

August 31, 2012. Distributions will be made in cash, subject to an election by a Unitholder to have the Unitholder's distributions automatically reinvested in additional Units under the REIT's DRIP. Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions. See "Distribution Policy".

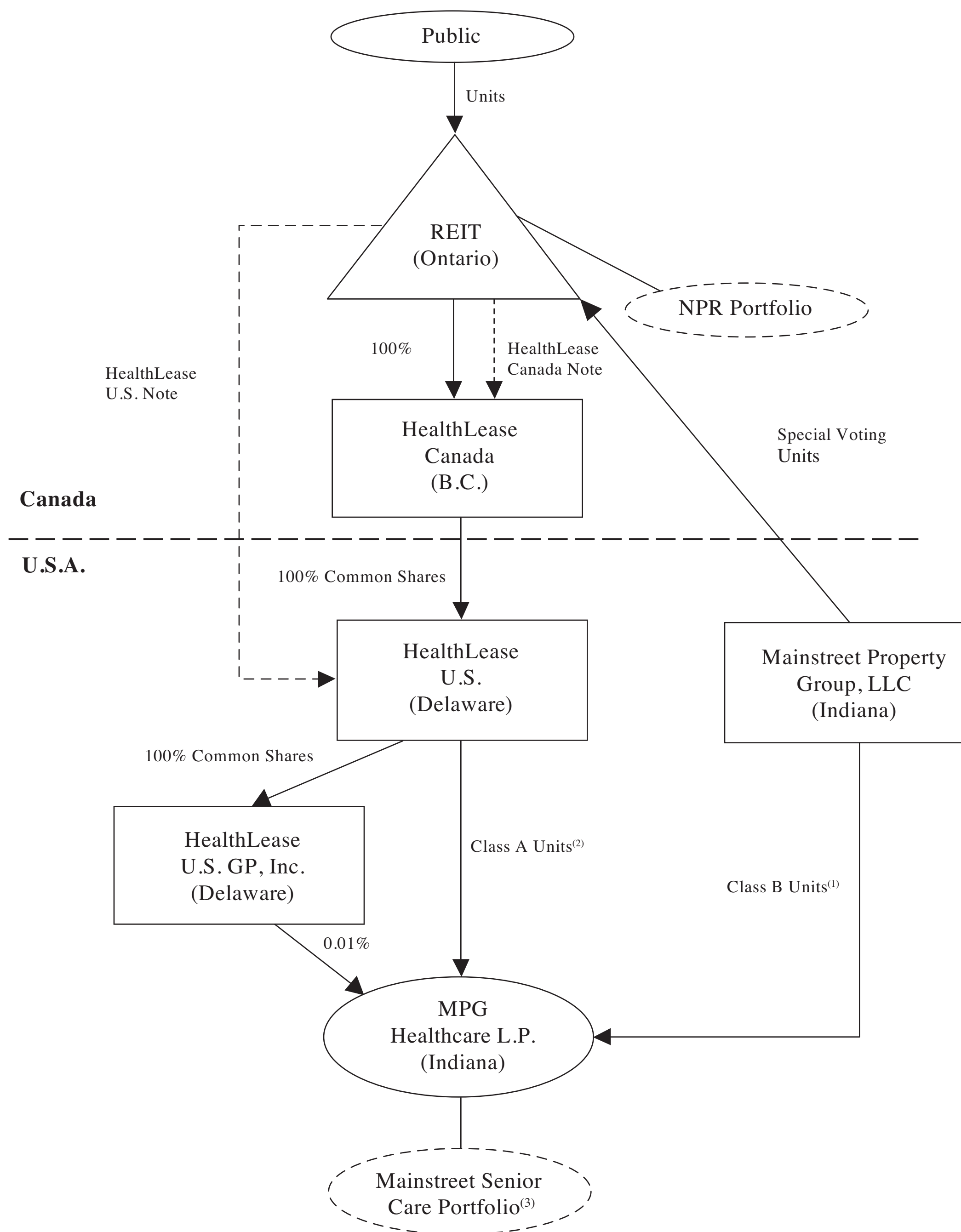
Distribution Reinvestment Plan: Following Closing, subject to regulatory approval, the REIT intends to adopt the DRIP, pursuant to which Unitholders will be entitled to elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for the Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal to 3% of each distribution that was reinvested by them. See "Distribution Policy — Distribution Reinvestment Plan".

Risk Factors: An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT's properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry, the REIT and its business and the Offering. See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

LEGAL STRUCTURE

The REIT

HealthLease Properties Real Estate Investment Trust is a newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the province of Ontario. The registered and head office of the REIT is located at 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7. In this prospectus, it is assumed that the Offering has been completed, the transactions described under "The Acquisitions" have been completed, the Initial Properties have been acquired by the REIT and the Mainstreet Development Leases have been entered into, except where the context otherwise requires.



(1) Represents approximately 17.9% of the outstanding Units on a fully-exchanged basis, in accordance with the terms of the Exchange Agreement. Represents approximately 17.9% of the outstanding limited partnership units of the Partnership, which does not reflect the economic and voting interest in the Partnership. See "Retained Interest".

(2) Represents approximately 82.1% of the outstanding units of the Partnership, which does not reflect the economic and voting interest in the Partnership. See "Retained Interest".

(3) Ownership of individual properties is held through special purpose vehicles.

On Closing, Unitholders will hold all of the outstanding Units of the REIT, which represent a 82.1% interest in the REIT and Mainstreet will hold a 17.9% interest in the REIT, each on a fully-exchanged basis. The REIT will directly own the NPR Portfolio and 100% of the outstanding shares of HealthLease Canada. HealthLease Canada will own 100% of the outstanding shares of HealthLease U.S. HealthLease U.S. will own 100% of the outstanding shares of the General Partner and 100% of the Class A Units of the Partnership. Mainstreet will own 100% of the Class B Units of the Partnership. The Partnership will indirectly own the Mainstreet Senior Care Portfolio.

BUSINESS OF THE REIT

Investment Opportunity

HealthLease Properties Real Estate Investment Trust was formed on April 17, 2012 to carry out the Offering and to use the proceeds to, among other things, acquire a portfolio consisting of income-producing and pre-leased development seniors housing and care properties offering predominately skilled nursing, long term care and assisted living programs, including short-term rehabilitation and Alzheimer's care special care units, in the Midwestern United States and Western Canada. The portfolio will be created through the acquisition of various facilities, from related and third parties, such that, upon completion of the acquisitions, the REIT will own a portfolio of 12 seniors housing and care properties located in the state of Indiana and the provinces of British Columbia and Alberta and three pre-leased development properties located in the states of Indiana and Illinois, which are currently under construction and are expected to be completed within 12 months following Closing. These three development properties will be subject to the Mainstreet Development Leases. The REIT will own the land and buildings and lease them to operators on a long-term, triple-net lease basis. The operators provide and manage the service offerings available at the facilities, deliver all care services and maintain the buildings.

The pre-leased development properties are "next generation" properties that are expected to generate a high margin for tenant operators as a result of favourable pay sources and robust occupancies. These "next generation" properties have tenant operator leases in place that commence upon completion of construction and delivery of a certificate of occupancy, subject to the satisfaction of certain conditions. In addition, it is expected that the REIT will have access to a pipeline of "next generation", pre-leased development properties, which will be targeted for future acquisitions or internal development. See "Arrangements with Mainstreet".

Management believes that certain characteristics of the North American seniors housing and care industry, including favourable demographic trends, increasing demand with stagnant supply of new facilities and the shift from hospitals for post-acute care to SNFs and LTCs due to budgetary constraints, provide for a unique investment opportunity. Management also believes that, as a result of the high quality of the REIT's properties, its triple-net leasing structure, its relationship with reputable operators and its pre-leased development model, the REIT is well-positioned to participate in the industry and capitalize on its projected growth.

On Closing, it is expected that Mainstreet will hold a 17.9% interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full) through the ownership of Class B Units, which are economically equivalent (subject to certain adjustments) to, and exchangeable for, Units. See "Retained Interest".

The REIT's goals are to deliver stable and growing income to its Unitholders while expanding its portfolio of seniors housing and care properties over time through organic growth, continued construction of "next generation", pre-leased development projects and accretive acquisitions.

INVESTMENT HIGHLIGHTS

Management believes that the REIT offers:

- ***Portfolio of High-Quality Facilities Focused on Need-Driven Care.*** The REIT will own an initial portfolio of 15 seniors housing and care properties (including three pre-leased development properties), representing 1,931 beds/suites (including 275 pre-leased development beds/suites). The Initial Properties are predominately comprised of SNF/LTC (1,326 beds/suites) and ALF (471 beds/suites), which focus on

facilitating need-driven care services. Nine of the Initial Properties are located in the Midwestern U.S. and six are located in Western Canada. The Initial Properties consist of facilities with hotel-like designs, hospitality-inspired amenities and quality construction in order to attract strong tenant operators who generate high margins from favourable payor sources and robust occupancies. The average age of the Initial Properties is approximately eight years (including major renovations), which compares very favourably to the industry average. Furthermore, approximately 70% of the beds/suites within the Initial Properties are private rooms, far above the average seen in typical seniors housing and care facilities.

- ***Triple-Net Lease Structure Providing Stable Cash Flows.*** The REIT will own the Initial Properties, which are leased to operators on a long-term, triple-net lease basis, which means the tenant operators assume all operational risk and all operating expenses associated with the property, including capital expenditures (subject to certain exceptions described under the definition of "triple-net" under "Glossary of Terms"), property taxes, utilities and insurance. Typical leases include fixed rent escalators, some of which occur on an annual basis (ranging from 2.0% to 3.0%) and others which occur every five years (ranging from 4.7% to 5.5%). The leases generally include a corporate guarantee, a personal guarantee, and/or an escrow in support of the tenant operator's obligations under the lease. The REIT believes this triple-net structure provides a significant advantage because the REIT's revenues are not affected by changes in government or third-party payor reimbursement structures, changes in occupancy or other operational events. The leases provide numerous default remedies, including rent acceleration (subject to applicable laws), tenant removal, right to collect from guarantor and transfer of all necessary tenant personal property, licenses and certifications for operations and third party payor reimbursement. In a default event, the REIT can, subject to regulatory requirements, either designate a new tenant operator or Mainstreet, as manager, could operate the facility until a more permanent tenant operator is identified. Mainstreet has on staff employees with extensive seniors housing and care operational experience, including two administrators with over 30 years experience managing and operating such facilities. Tenant financial information in respect of the operators of the Initial Portfolio are provided at regular reporting intervals. The weighted average lease term of the Initial Properties is 13.5 years (excluding renewal options), with the first lease maturities not occurring until 2022.

- ***Leading Regional Tenant Operators with High Quality Payor Sources and Robust Occupancies.*** The REIT's tenants are strong and experienced operators in the U.S. and Canada. These operators have a combined operating history of over 200 years, operate in multiple states and provinces and annually generate over $285 million of consolidated EBITDAR. During 2011, the stabilized Initial Properties generated a weighted average portfolio EBITDAR to rent coverage ratio of 2.0 times and had a weighted average occupancy of 88.4%. The REIT will focus on maintaining its established relationships with operators who have local market knowledge and proven track records, demonstrate hands-on management and emphasize high quality patient care, and seek to further diversify and grow its operator base. The Initial Properties that are stabilized currently receive a large percentage (approximately 72.2%) of their funding from high quality payor sources, including private pay and government sources (excluding Medicaid). This compares favourably with industry norms.

- ***Favourable Demographics and Industry Dynamics.*** The seniors housing and care industry in the U.S. and Canada is expected to experience significantly increasing demand as a result of growth in the senior population, increased life expectancy, changing family dynamics, evolving consumer preferences and the desire for cost efficient care alternatives as a result of rising healthcare costs. Significant barriers to entry have limited new supply, which has caused an imbalance against increasing demand, resulting in stable occupancy levels of nearly 90%. In the U.S., more than U.S.$400 billion in new construction is needed over the next 35 years to meet anticipated demand, while in Canada the required stock of LTCs and ALFs is expected to nearly double over the next 20 years, representing more than 315,000 additional beds/suites. Management believes that its investment opportunity in the seniors housing and care industry is enhanced due to compelling industry dynamics such as stable revenues that result from consistent occupancy rates, need-driven care services and favourable pay sources.

- ***Proven and De-risked Pre-leased Development Model Offering Measured Growth.*** The REIT will, internally and externally, through a development agreement with Mainstreet, construct "next generation", pre-leased seniors housing and care properties that are triple-net leased to qualified tenant operators.

Management believes it has mitigated many of the normal risks associated with development through its pre-leased development structure, which includes the use of bonded contractors, guaranteed maximum price construction contracts and binding timelines for project completion. Leases are entered into prior to the start of construction with rent commencing upon issuance of a certificate of occupancy. Mainstreet's construction process is approximately nine to twelve months from start to rent commencement. The REIT has no operational responsibility for the facility, as property level lease-up risk is borne exclusively by the tenant. Mainstreet believes its building designs provide operators with more-desirable, newer facilities that generate high profit margins and result in short stabilization periods (historically between eight and twelve months). Initial rent under the leases is typically based on a percent of total project costs, which provides a going-in yield of approximately 10%. Since 2008, Mainstreet has successfully financed, developed and leased to operators nine facilities (including five of the Initial Properties), representing approximately U.S.$130 million in total value, using its pre-leased development model. The REIT will limit internal development activity to a maximum of 20% of its Gross Book Value.

- ***Experienced and Aligned Management Team and Board.*** Initially, the REIT will be externally managed and operated by an experienced team of real estate professionals from Mainstreet. Mainstreet was founded in 2002 and its principals have over 35 years of experience in asset management, development, financing, ownership and operation of seniors housing and care properties. Specific experience includes acquiring, developing and managing such assets with a value in excess of U.S.$600 million. Mainstreet's interests will be fully aligned with the REIT's interests as a result of Mainstreet's ownership of a 17.9% interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full). The REIT will maintain strong and effective governance with a Board of Trustees comprised of a majority of Independent Trustees who have substantial experience in the U.S. and Canadian healthcare and real estate capital markets. Mainstreet has agreed to internalize the management functions of the REIT at no cost to the REIT once the REIT reaches a fully-diluted market capitalization of $500 million.
- ***Attractive Investment and Leverage Metrics.*** The REIT intends to pay stable, monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 8.5% based on an estimated AFFO payout ratio of approximately 93%. See "Distribution Policy", "Financial Forecast" and "Risk Factors". The REIT is anticipated to have a targeted debt/Gross Book Value ratio of approximately 55% (approximately 52% at March 31, 2012 adjusted for the Offering and 55% upon completion of construction of the three pre-leased development properties), a weighted average interest rate (all of which is fixed) of approximately 5.04% and a weighted debt maturity of 8.6 years.

GROWTH STRATEGIES OF THE REIT

I. Organic Growth

Management believes there are opportunities to increase the value of the REIT's portfolio through a number of internal growth initiatives designed to enhance the REIT's cash flow from operations. These include, but are not limited to:

- *Rent Step-Ups.* Each of the Partnership's leases with its tenant operators is structured as a triple-net lease, which includes (other than the lease in respect of Highland Manor Health and Living) a rent escalator (which, in some leases occurs on an annual basis and, in other leases, occurs every five years), which increases the REIT's yield periodically on each property it owns. Each lease also contains capital expenditure requirements and indemnity provisions on the part of the tenant, as well as provisions regarding the tenant's responsibility for payment of insurance, taxes, utilities and maintenance. As a result of this structure, the REIT will enjoy an annual increase in rent payments, with limited offsetting risk of increased expenditures related to each property for maintenance, capital improvements and operating costs.
- *Financing Opportunities.* The REIT's profits are derived from the spread between the rent paid by its tenant operators and the costs of any debt plus management expenses. Initially, the REIT will have a targeted debt to Gross Book Value of approximately 55% (the Declaration of Trust allows for 60% debt to Gross Book Value), which will leave capacity for on-balance sheet financing of growth opportunities. The REIT anticipates continued access to government agency funding programs, allowing it to increase its margin on individual properties through financing and refinancing of debt at preferential interest

rates. Mainstreet has successfully financed its pre-leased development properties and management believes that several avenues to finance future opportunities exist, such as traditional bank financing, U.S. government agency financing (such as the U.S. Department of Housing and Urban Development's FHA program and the U.S. Department of Agriculture's Rural Guarantee Loan Program, both of which allow for lower interest rates than conventional bank financing), Canadian government agency financings, private capital, credit enhancement by municipalities, and other public-private capital sources. Management expects that the REIT will have the opportunity to finance and refinance its facilities to take advantage of the historically low interest rates in the U.S. and Canada. Such financings and re-financings are expected to significantly reduce the REIT's borrowing costs in the future, thereby generating additional cash flow. Long-term debt continues to remain available in the U.S. and Canada, mostly through the aforementioned government agency programs.

- *Tenant Retention and Growth.* A key component to the REIT's growth strategy is its ability to form meaningful strategic relationships with successful regional operators of its core property types. The REIT's operating partners include strong regional operators with the financial wherewithal, as demonstrated by their large weighted average EBITDAR lease coverage ratio of 2.0 times on the stabilized Initial Properties, to support current lease payments as well as future growth through additional leasing opportunities. As well, given the experience of certain of the Trustees of the REIT in the Canadian seniors housing and care industry, the REIT believes that it will have the opportunity to strengthen its existing relationships and form new relationships with operators in Canada. The REIT intends to target growing operating partners in North America with the desire, financial ability and proven track record of expansion, allowing the REIT to grow its presence outside of its current geographic footprint.

II. Construction of "Next Generation", Pre-Leased Development Facilities

Management believes a significant portion of the REIT's future growth will come from the construction of additional "next generation", pre-leased development facilities. Mainstreet has an extensive pipeline of future pre-leased development opportunities, positioned around existing relationships with established operators. Many operators are interested in pursuing growth opportunities with a partner like Mainstreet in order to take advantage of Mainstreet's expertise in site location, design and construction management. As well, it allows the operator to take advantage of Mainstreet's financing capabilities and allows the operator to efficiently allocate its capital. The operators prefer these "next generation" properties because they are expected to attract a favourable payor source and maintain robust occupancies, thus realizing high tenant operator margins. Mainstreet will offer these opportunities to the REIT to develop internally or, if developed externally, they will be offered for purchase. Management expects that the REIT's pipeline will continue to grow as a result of (i) the expansion of its tenant operators' businesses and (ii) the formation of new strategic relationships with other operators.

Mainstreet's construction process reduces the normal risks associated with development. As noted above, each project is pre-leased to a qualified tenant operator prior to the commencement of construction pursuant to a lease that requires the tenant operator to begin paying rent upon the issuance of a certificate of occupancy for the project. Mainstreet constructs the projects using a third-party, bonded general contractor pursuant to a guaranteed maximum price contract. The construction contracts include binding timelines for completion. The leases with the tenant operators are structured to capture all costs associated with the project, including management fees and capitalized interest on any debt associated with the project, all of which forms the basis of the calculation of the tenant's initial rent, which is approximately 10% of the total project cost. Since 2008, Mainstreet has successfully financed, developed and leased to operators nine facilities (including five of the Initial Properties), representing approximately U.S.$130 million in total value, using its pre-leased development model.

The following summary of Mainstreet's prior construction activity demonstrates Mainstreet's history of completing development projects on-time and within budget. In 2011, the stabilized Lafayette and Noblesville assets, which Mainstreet completed in March 2010 and May 2010, respectively, generated robust weighted average EBITDAR to rent coverage ratio of approximately 2.0 times. During the same period, Lafayette and Noblesville enjoyed an occupancy average of 80%.

Property	Appraised Value (U.S.$)	Date of Completion		Cost Budget Variance ()= underbudget	Construction Timeline (Months)	Tenant EBITDAR Stabilization (Months)
		Estimated	Actual			
Lafayette, IN	12,400,000	March 2010	March 2010	(0.34)%	10	9
Noblesville, IN	12,010,000	June 2010	May 2010	(0.21)%	8	8
Lawrenceburg, IN . . .	11,920,000	April 2011	March 2011	(1.57)%	9	12
Valparaiso, IN	11,810,000	February 2012	March 2012	(1.10)%	11	N/A
Marion, IN	12,740,000	March 2012	April 2012	(0.35)%	12	N/A

Source: Management construction reports and tenant financials.

Mainstreet has successfully financed, developed and leased all of these nine facilities in the state of Indiana. Indiana meets all of Mainstreet's criteria for development given its strong fiscal standing, growing senior population and favourable regulatory environment. According to the Center of Budget and Policy Priorities and the American Legislative Exchange Council, Indiana has the ninth lowest budget deficit and the sixteenth best U.S. economic outlook rank. Indiana has over 6.5 million residents, 12.9% of which are seniors. Indiana also does not maintain a CON program, which provides ease of development for new communities with respect to regulatory issues. Furthermore, labour and material costs are relatively low in Indiana. However, federal reimbursement rates for care remain the same, providing equal revenues at a lower capital and operating cost to Indiana developers and operators.

In total, Mainstreet has identified more than ten projects for potential future external development over the next 24 months. While the majority of these identified projects are located in Indiana, Ohio and Texas, the REIT has also targeted or is reviewing opportunities in other states. The REIT initially plans to grow its portfolio throughout the Midwest, West and South Atlantic regions of the United States and in Alberta, British Columbia and Ontario in Canada. The REIT intends to target states, provinces and regions demonstrating strong fundamentals for seniors housing and care properties, with an emphasis on those regions with which the REIT is particularly familiar either through the operators of its properties or as a result of Mainstreet's existing relationships. These fundamentals may include the following: an expanding contingent of residents 65 and older; a favourable regulatory landscape for seniors housing and care development and expansion; state or province fiscal stability; strong local age and income demographics; a pro-economic development environment as demonstrated by the availability of incentives such as tax abatements or credit enhancements; and an obsolescence of existing seniors housing and care assets. States and provinces that currently fit some or all of these criteria include, but are not limited to, Arizona, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Ohio, Texas, Alberta, British Columbia and Ontario. Furthermore, wherever possible, the REIT intends to take advantage of opportunities to expand existing facilities to include other areas within the spectrum of care, which will allow the REIT to further lever its existing infrastructure.

Management will continue to identify potential pre-leased development opportunities for the REIT using investment criteria that focus on favourable market demographics, strong operating tenants and lease terms, opportunities for expansion, security of cash flows and potential for capital appreciation. It is management's intention that all new developments will be accretive to the REIT's AFFO, measured on a per-Unit basis. It is also management's intention that all of the properties developed will be leased to qualified tenant operators using the same triple-net lease structure as the REIT uses in its pre-leased development properties. The Independent Trustees will have the right to accept a proposed pre-leased development that meets these criteria, at which time the project will be developed internally, or to defer its decision as to whether to accept the project until construction is complete, in which case the project may be developed externally. If the Board determines that a project does not meet its criteria, the REIT is not obligated to purchase the project from Mainstreet. Thereafter, if Mainstreet determines either that a sale of the property to the REIT would allow it a certain pre-determined return, or if Mainstreet determines to sell the property to a third party for a lower return, Mainstreet would again be obligated to offer the property to the REIT, which may elect to purchase the property at the discretion of the Independent Trustees. See "Arrangements with Mainstreet — Development Agreements".

III. Strategic and Accretive Acquisitions

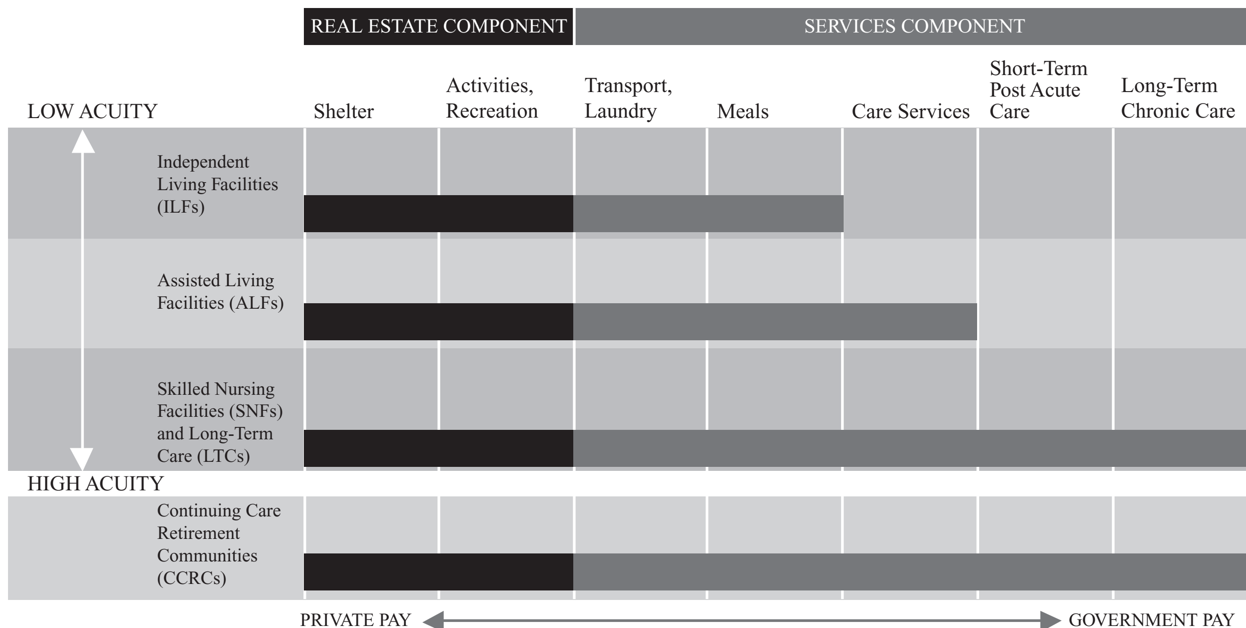
The REIT will benefit from the experience and expertise of Mainstreet and its development and leasing knowledge capabilities to identify acquisitions of seniors housing and care properties primarily focused on seniors housing and care across the United States and Canada that meet the REIT's acquisition criteria. The REIT will seek to identify potential facility and portfolio acquisitions using investment criteria that focus on the quality of the facilities, the strength of the underlying operations, the types of facilities available and services offered, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including through expansion and repositioning. It is the REIT's intention that all acquisitions will be accretive to the REIT's AFFO, measured on a per-Unit basis. It is also the REIT's intention that all of the properties purchased in such acquisitions will be leased to qualified tenant operators using the same triple-net lease structure as the REIT uses in the Initial Properties.

Proposed acquisitions will be subject to review and approval by the Independent Trustees of the REIT. Prior to any acquisition, the REIT's policy will be to obtain: (i) a report on local market conditions, including demographics, homeowner property values, average incomes and competition; (ii) third-party engineering and building assessments, which would include estimates of capital expenditures and maintenance costs required to address any deficiencies or conditions that are identified; (iii) a Phase I environmental site evaluation and, if necessary, a Phase II environmental site evaluation; and (iv) an independent third party property valuation or appraisal. Based on the findings of these reports, management will conduct a financial analysis on behalf of the Independent Trustees to ensure that the acquisition will be accretive to the REIT's AFFO measured on a per-Unit basis.

CHARACTERISTICS OF NORTH AMERICAN SENIORS HOUSING AND CARE

Industry Spectrum of Care

Seniors housing and care facilities in North America provide a full spectrum of care ranging from high-acuity (post-acute care) to low-acuity (retirement housing, which include assisted living and independent living). High-acuity facilities consist of skilled nursing facilities, inpatient rehabilitation facilities, long-term acute care hospitals and home healthcare. Low-acuity facilities consist of assisted living and independent living facilities. The level of local, state/provincial and federal regulatory oversight and control varies among the different facility categories, depending upon the nature of healthcare services provided, the setting and whether the housing and care is paid for by government programs. Seniors generally refer to people who are the age of 65 and above.



- **Skilled Nursing Facilities ("SNFs") and Long-Term Care Facilities ("LTCs"):** SNFs, as referred to in the U.S., and LTCs, as referred to in Canada, are facilities that provide a room, meals, assistance with activities of daily living and have licensed nursing staff on duty 24 hours per day. These facilities, which are also known as "nursing homes", provide the most intensive level of medical/nursing care in a residential setting for the aged and sick, typically treating residents with physical or mental impairments that prevent them from living independently. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services, but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post acute settings. This growing service segment includes services to patients requiring medical/nursing care and rehabilitation services post-hospital procedure including hip/knee replacements and cardiac surgeries. SNFs and LTCs also provide transitional care units (known as complex continuing care or interim care in Canada) and are designed for patients transitioning from hospital to home.

  SNFs and LTCs are the most common destination for post-acute care patients. They are staffed by registered nurses, therapists, pharmacists and social workers. SNFs and LTCs in North America are subject to extensive federal, state, provincial and local regulation, including licensing requirements and regulations relating to government funding. SNFs and LTCs receive revenue from private pay sources and third party pay sources, including the federal, state and provincial government and insurance companies.

- **Assisted Living Facilities ("ALFs"):** ALFs play a key role in the continuum of seniors housing and care, as they bridge the gap between independent living properties and SNFs/LTCs. ALFs provide relatively independent elderly persons with typical amenities associated with less-intensive seniors housing and care, as well as personal assistance with activities of daily living and some healthcare services. Services provided at ALFs typically include 24-hour care services for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. In addition, a growing number of ALFs offer services specifically designed for residents with Alzheimer's/memory care needs. ALFs in the U.S. are licensed and regulated by state and local governments, rather than the U.S. federal government. In Canada, ALFs are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs. ALFs receive revenue from private pay sources and third party pay sources, including the government and insurance companies.

- **Independent Living Facilities ("ILFs"):** ILFs are the least medically-intensive type of seniors housing and care property. Unlike ALFs, SNFs and LTCs, ILFs do not commonly offer nursing, rehabilitative care or therapy services and typically do not provide assistance with activities of daily living. Alternatively, ILFs are designed as a seniors housing and care option for those who are able to perform their own basic activities of daily living and need little or no medical assistance. ILFs come in many forms ranging from age-restricted apartment communities to villa homes on the campus of a retirement village or part of a continuing care retirement community. ILFs in North America are generally unregulated and unlicensed, with some exceptions for ILFs providing more extensive care services. ILFs typically receive revenue through private pay sources, such as private insurance and private funds, rather than government sources.

- **Continuing Care Retirement Communities ("CCRCs"):** Often a number of the above types of facilities are combined into one campus environment, thereby establishing a continuum of care for the residents. Residents have flexible choices of accommodations that are designed to meet their housing and care needs as these needs change over time, sometimes also referred to as 'aging in place'. Some CCRCs have a financial or contractual commitment for their independent living units, with the assisted living or nursing care offered as necessary for limited or extended periods. In addition, campus designs offer operating flexibility and competitive advantages, including attracting residents across multiple acuity levels and often generating higher margins due to improved operating efficiencies.

The REIT will own 754 SNFs and 175 ALF beds/suites in the U.S., and 572 LTC, 296 ALF and 134 ILF beds/suites in Canada. In the discussion on industry dynamics, references will be to the U.S. SNF industry and the Canadian seniors housing and care industry.

Healthcare and Seniors Housing and Care Industry

Healthcare is the single largest industry in the U.S. based on GDP and is estimated to represent 17.4% of U.S. GDP, or $2.8 trillion, in 2011. Furthermore, according to the National Health Expenditures report dated September 2010 by the U.S. Center for Medicare and Medicaid Services ("CMS"), over both the near and long-term, healthcare growth will outpace the broader economy as national health expenditures were estimated to grow 4.2% in 2011 and to reach $4.6 trillion and comprise 19.8% of GDP by 2020. According to the Canadian Institute of Health Information, in 2010, Canada spent $192.8 billion on healthcare or 11.7% of total GDP. From 2005 to 2010, the size of healthcare spending in Canada has grown dramatically from $140.5 billion to $192.8 billion, representing a CAGR of more than 6.5%.

Industry Dynamics

Management believes that the REIT will benefit from a number of favourable industry dynamic and trends, including:

- **Revenue Stability:** Seniors housing and care enjoys stable, predictable revenues, and has historically been largely insulated from economic cycles, as a result of a number of factors:
  - **Need-Driven Services:** Demand for seniors housing and care, particularly in the higher-acuity facilities, is driven by need and is not usually discretionary. As such, this demand is not generally correlated to economic cycles. For instance, according to the National Clearinghouse for Long Term Care Information, in the U.S., about 70% of people over age 65 will require some type of long-term care services during their lifetime and more than 40% will need care in a nursing home.
  - **Stable Occupancy:** Occupancies in both the U.S. and Canada have remained consistent over time. According to the American Health Care Association, from 2001 to 2010 average occupancy rates for U.S. SNF facilities ranged from 87.9% to 89.0% (with an average of 88.4%). According to the Canadian Mortgage Housing Corporation, occupancy for seniors housing in Canada has ranged from 91.3% to 90.3% from 2009 to 2011 (with an average of 90.6%).
  - **Favourable Funding Sources:** Facilities generate their revenues from stable government funding, insurance companies and private source income. Although there have been some recent changes to U.S. funding, forecast reimbursement rates are expected to remain stable and even, in some cases, grow.
- **Barriers to Entry:** Regulatory requirements in many jurisdictions often make it difficult to acquire or develop seniors housing and care properties. There are also many operational barriers to entry as a high degree of experience is required to own and operate seniors housing and care facilities, particularly as the acuity level of care delivered increases. Additionally, the capital requirements in connection with the acquisition or development of a facility can be sizeable.
  - In the U.S., for instance, in order to be eligible for Medicaid and Medicare reimbursement, a facility must be certified for participation by state and federal authorities. Many states directly regulate the operations and construction of facilities and impose various licensure requirements, such as certificate of need laws. Such certifications and licences, if available, can be difficult to obtain. Management has also targeted geographic areas for development that have local barriers to entry, such as secondary communities with limited land available for development and communities with substantial zoning restrictions and communities, which are under supplied and have a favourable competitive landscape.
  - In Canada, seniors housing and care is licensed or approved at the provincial or regional level. Most provinces or regions have general restrictions on the issuance of new licences or approvals due to funding implications. The number of licences available is generally determined based on public interest, licensed bed capacity in the area, other health facilities in the area providing nursing care, the number of applicants for nursing care, and available funds. Thus, the construction of additional seniors housing and care facilities is subject to certain restrictions on supply, including government legislated moratoriums on new capacity and a competitive proposal process to secure certificates for development. Across the provinces, there are also restrictions on the transfer or re-issuance of existing licences or approvals.

- **Cost-Effective Care Alternative:** In the face of rising healthcare costs, SNFs and LTCs provide one of the most cost-effective alternative for third-party pay sources, including the government and private insurance, and private-pay residents. SNFs and LTCs provide many of the same services as hospitals, albeit at significantly lower costs. For instance, management estimates that in the U.S. certain post-acute care services can be provided at one-third of the cost of the next best alternative.
- **Ownership Fragmentation:** The seniors housing and care industry in the United States is highly fragmented, and the facilities are owned predominantly by local and regional groups. According to the most recent U.S. Census, there were approximately 15,622 SNFs representing approximately 1.67 million certified beds in the U.S. In Canada, according to Care Planning Partners Inc., as of 2011, there were approximately 7,950 seniors housing and care facilities, representing over 390,000 units. In Canada, seniors housing and care accommodation has also historically been characterized by a large number of small operators who provide residences in fragmented geographic areas. Over the past several years, however, there has been increasing consolidation, especially in the LTC sector. In the U.S., the top ten operators represent 14.1% of the total beds managed, and in Canada, the top ten owners and managers represent 21.1% of the total beds owned and managed. The tables below illustrate the market position of the top ten providers in each of the U.S. and Canada.

Top Ten U.S. SNF Operators by Beds/Suites Managed (2011)

Company	Total Number of Beds/Suites Managed	% of Total Beds/Suites Managed	Total Number of Facilities Managed	% of Total of Facilities Managed
HCR Manor Care	38,092	2.3%	277	1.8%
Golden Living	31,143	1.9%	305	2.0%
Life Care Centres of America	29,272	1.8%	221	1.4%
Kindred Healthcare[(1)]	27,905	1.7%	226	1.4%
Genesis HealthCare Corp	26,018	1.6%	211	1.4%
Sun HealthCare Group[(1)]	22,243	1.3%	200	1.3%
Sava Senior Care	21,279	1.3%	186	1.2%
Extendicare Health Services[(1)]	16,893	1.0%	167	1.1%
Evangelical Lutheran Good	12,419	0.7%	177	1.1%
Samaritan Society	10,456	0.6%	74	0.5%
Total: Top Ten	**235,720**	**14.1%**	**2,044**	**13.1%**
Total: U.S.	**1,670,000**	**100.0%**	**15,622**	**100.0%**

Source: Provider and U.S. Census Bureau, 2011.

(1) Publicly traded entity.

Top Ten Canadian Senior Living Facility Owners by Suites Managed (2011)

Company	Total Number of Suites Managed	% of Total Suites Managed	Total Number of Facilities Managed	% of Total of Facilities Managed
Chartwell Seniors Housing REIT[(1)]	26,558	6.8%	199	2.5%
Revera Inc	20,936	5.4%	195	2.5%
Extendicare REIT[(1)]	7,439	1.9%	56	0.7%
Diversicare Management Services Inc	4,793	1.2%	38	0.5%
Leisureworld Senior Care Corporation[(1)]	4,741	1.2%	31	0.4%
Le Group Maurice	4,049	1.0%	15	0.2%
Groupe Savoie	3,949	1.0%	11	0.1%
Holiday Retirement	3,910	1.0%	34	0.4%
Good Samaritan Society	3,024	0.8%	39	0.5%
Amica Mature Lifestyles Inc[(1)]	2,950	0.8%	23	0.3%
Total: Top Ten	**82,349**	**21.1%**	**641**	**8.1%**
Total: Canada	**390,600**	**100.0%**	**7,951**	**100.0%**

Source: Care Planning Partners Inc.

(1) Publicly traded entity.

- **Imbalance Between Supply and Demand:** A current imbalance exists in the U.S. between industry supply and demand. Although the number of seniors has grown and is anticipated to continue to grow dramatically, the number of SNFs has declined. In 2001, there were over 16,500 certified SNFs in the U.S. totaling approximately 1.70 million certified beds, while in 2011 the number declined to approximately 15,622 certified SNFs and approximately 1.67 million certified beds, representing a decline of approximately 5.0% and 2.0%, respectively. In addition, since 2008, annual new construction starts have averaged approximately 4,700 units, representing 0.3% of existing supply. As a result of the declining number of facilities, lack of construction starts, and growing senior population, management believes a substantial amount of development will need to occur in order to fulfill expected demand. According to the National Investment Center for the Senior Housing and Care Industry, more than U.S.$400 billion in new construction, over and above existing supply, will be needed to meet future demand for seniors housing and care facilities over the next 35 years.

  A similar imbalance exists in Canada, albeit for different reasons. Like the U.S., the number of seniors is increasing, and the number of facilities has not kept pace. This is in large part due to provincial licensing and reimbursement, which has resulted in limited numbers of new facilities. According to the Ontario Association of Non-Profit Homes and Services for Seniors, a 20,000 bed waiting list currently exists for LTC facilities in Ontario, which represents approximately 26% of the current 76,600 bed stock. In Alberta, according to Alberta Views Magazine, a 1,700 bed waiting list currently exists for LTC facilities, which represents approximately 11% of the current 14,900 bed stock. According to Care Planning Partners Inc., the number of LTCs and ALFs is expected to grow dramatically based on the expected needs of the growing senior population. Over the next 20 years, it is estimated by Care Planning Partners Inc. that approximately 195,000 new LTC beds and approximately 120,000 new ALF suites will be needed to satisfy future demand in Canada. This means the number of units in both categories would need to nearly double over the next 20 years to meet forecasted demand.

Industry Demand Drivers

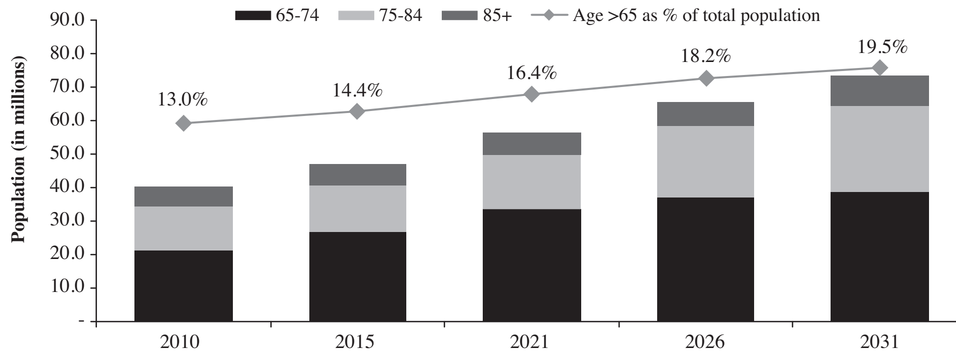
As noted above, there are many characteristics of the seniors housing and care industry that have led to significant demand. Management believes the following are some of the more significant factors contributing to this demand.

- **Aging Population:** The number of seniors, both as an absolute total and as a percentage of the total population is increasing dramatically. This growth is expected to substantially increase demand for seniors housing and care facilities, as the elderly are the most common users of such facilities.

United States

According to the U.S. Census Bureau, between 2010 and 2015 the U.S. senior population is expected to grow from 40.2 million to 46.8 million (representing a compounded annual growth rate ("CAGR") of 3.1%). The U.S. senior population is expected to grow even faster between 2015 and 2021, when it is expected to reach 56.6 million (CAGR of 3.2%). Although the U.S. population is expected to grow at a CAGR of approximately 1.0% between 2010 and 2031, the U.S. senior population is expected to grow at a CAGR of 2.9% over the same period. This substantial growth in the senior population is expected to result in seniors representing a larger proportion of the total U.S. population. In 2010, seniors represented 13.0% of the total population and, by 2031, that figure is expected to reach almost 20.0%. The chart below illustrates the rapid growth in the U.S. senior population.

Total U.S. Population that will be Aged 65 and Older

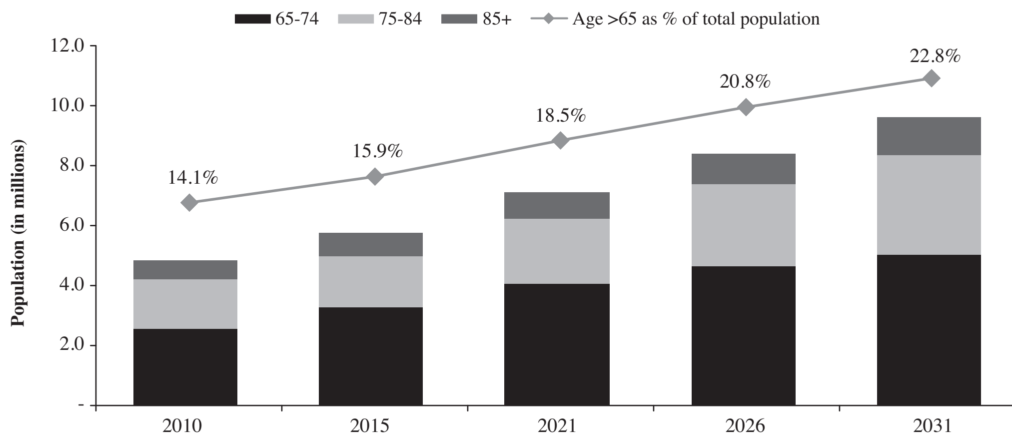


Source: U.S. Census Bureau.

Canada

According to Statistics Canada, the senior population is projected to grow over the next 20 years at an even faster pace than in the U.S. Between 2010 and 2015, the Canadian senior population is expected to grow from 4.8 million to 5.8 million (CAGR of 3.9%) and is expected to reach 7.1 million by 2021 (CAGR of 3.4% from 2015 to 2021). Although the Canadian population is expected to grow at a CAGR of 1.0% between 2010 and 2031, the Canadian senior population is expected to grow at a CAGR of approximately 3.4%. As in the U.S., this substantial growth in the senior population is expected to result in seniors representing a larger proportion of the total Canadian population. In 2010, seniors represented 14.1% of the total population and, by 2031, that figure is expected to reach almost 23.0%. The chart below illustrates the rapid growth in the Canadian senior population.

Total Canadian Population that will be Aged 65 and Older



Source: Statistics Canada.

- **Increasing Life Expectancy:** Life expectancy in the U.S. and Canada has increased over the past 50 years as a result of improved standards of living, changes in lifestyle and awareness and advancements in medicine and technology. This improvement in life expectancy should increase demand for facilities as the length of time seniors stay in such facilities also increases. In 1960, the average life expectancy of a U.S. and Canadian citizen was 69 and 71 years, respectively, while in 2008 it was 77 and 81 years, respectively.

U.S. Life Expectancy

Years	Male	Female	Average
1960	67	71	69
1970	67	72	69
1980	70	74	72
1990	72	76	74
2000	74	77	76
2008	75	78	77

Source: U.S. Census Bureau.

Canadian Life Expectancy

Years	Male	Female	Average
1960 - 1962	68	74	71
1970 - 1972	69	76	73
1980 - 1982	72	79	76
1990 - 1992	75	81	78
2000 - 2002	77	82	80
2006 - 2008	79	83	81

Source: Statistics Canada.

- **Changing Family Dynamics:** As a result of changing family dynamics, seniors housing and care facilities have become more important as adult children are less willing or able to care for their aging parents. These dynamics include an increasing number of dual-income families, increased life expectancy, the increasing number of single parent households, and the further geographic dispersion of families. All of these factors have contributed to increased demand for quality facilities.

- **Rising Healthcare Costs and Desire for Alternatives:** Rising healthcare costs and government budgetary constraints have forced payors and consumers to seek cost-effective healthcare alternatives. According to the Organization for Economic Co-operation Development, the U.S. had the highest health expenditure per capita globally in 2008 and Canada ranked third. SNFs and LTCs provide lower cost post-acute care alternatives as compared to home or hospital care. Management estimates that certain post acute care services can be provided at one-third of the cost of the next best alternative.

- **Changes in Consumer Preferences:** The majority of the existing seniors housing and care properties in the U.S. and Canada are aged and inadequate to meet the preferences of today's seniors. These facilities have an institutional feel and suffer from significant drawbacks including shared rooms, central or shared bathing, cafeteria-style dining settings, and insufficient common areas and amenities. In contrast, consumers now desire newer facilities that have a more upscale and residential feel. In particular, seniors now demand larger private rooms, private in-room bathing, and restaurant-style dining. Furthermore, residents often choose facilities with improved amenities, such as cafes, theatres, chapels, fitness centers, community rooms, wellness centers, spas, in-room kitchens and laundry facilities, and beauty/barber shops.

Regulation

- **U.S. Regulatory Environment:** Seniors housing and care in the United States is subject to varying degrees of regulation and licensing by federal, state and local health agencies, and other regulatory authorities depending principally on the level of care and types of services offered. Although requirements vary from state to state, in general, these requirements address operational and safety matters. In many states, seniors housing and care facilities also require a CON from the applicable government body before the facility can be operated. Specific regulations within each state of the United States vary significantly. The REIT currently operates in the Midwest, in the states of Indiana and Illinois. Indiana does not maintain a CON program. However, Indiana does have a moratorium until 2016 on any nursing facility beds for participation in the Medicaid program unless the state-wide nursing facility occupancy percentage is greater than 95%. Illinois does maintain a CON program and utilizes a bed need methodology when considering CON applications.

  In most states, facilities are also subject to state or local zoning requirements, building codes, fire codes and food service licensing or certification requirements. Facilities are also subject to periodic surveys or inspections by governmental authorities to assess and assure compliance with regulatory requirements. All of the Initial Properties to be acquired by the REIT that are located in the U.S. meet or exceed the

required standards and are not subject to any outstanding material deficiencies identified in recent surveys.

The funding of seniors housing and care facilities generally come from the sources described below:

- **Medicare:** Medicare is the social insurance program administered by the U.S. federal government to provide health insurance coverage to residents who have paid into the U.S. Social Security system for at least 10 years and are over the age of 65 or disabled. Medicare is divided into 2 primary parts: Part A (Hospital/Nursing Home Services) and Part B (Professional and Non-Institutional Services). Part A covers room and board for in-patient hospital or SNF care, along with the medications, supplies, equipment, nursing, and rehab therapy services incurred during an in-patient stay. Since Part A coverage is limited to higher acuity care for a limited length of stay, a patient may continue to be covered under Part B for physical, occupational, and speech therapy while in a nursing home even if the Part A coverage has expired.

  Medicare per diem reimbursement rates are determined based on acuity levels over a broad spectrum of factors. It is not a cost-reimbursement system tied to the costs incurred or fees charged by a particular facility or within a specific state. Medicare generally only covers short-term rehabilitation and therapy rather than long-term stays in a facility. Thus, Medicare rates tend to be higher on average than other forms of healthcare reimbursement. However, as a government program, the reimbursement rates paid for Medicare services, or the services covered by the program, are subject to change from time to time.

  In an effort to recapture an unintended overpayment of Medicare reimbursement in 2010 and 2011 resulting from a 2010 implementation of a new rate classification system, and to address the U.S. budget deficit, CMS announced in July 2011 an 11.1% reduction in Medicare reimbursement rates effective October 1, 2011. In further Congressional efforts to balance the U.S. Budget, an additional 2% Medicare reimbursement reduction has been passed. However, if implemented, this reduction would be mostly offset by a scheduled inflationary increase in those same rates, resulting in a net reimbursement change of −0.2%.

  Despite this reduction, Medicare rates remain high compared to other payment sources. As seen in the chart below, the American Health Care Association has projected that average Medicare daily rates will increase by approximately 2% per annum through to 2020.

Estimated Average Medicare Rates

Current System and Sequestration

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimated Average Medicare Rate Per Day (U.S.$)	457.59	465.83	474.68	484.17	495.31	506.21	517.35	528.21	538.77
Average Medicare Rate Per Day Less 2% Reduction for Sequestration (U.S.$)		456.51	465.19	474.49	485.40	496.09	507.00	517.65	527.99
Estimated Percentage Change		−0.2%	1.9%	2.0%	2.3%	2.2%	2.2%	2.1%	2.0%

Source: American Health Care Association, Research Department, September 13, 2011.

- **Medicaid:** Medicaid is a social insurance program that is administered by each respective state government, but is also significantly funded by the federal government (generally greater than 50%). There are some program variations from state to state in terms of reimbursement rate methodologies and service coverage. However, in all states qualifications are determined according to an individual's income and assets. Generally, to qualify for Medicaid coverage of nursing facility care the individual will have exhausted most of their assets, and any limited income beyond a nominal amount is paid to the nursing facility. Medicaid then pays the differential between a calculated reimbursement rate for

the facility and the limited contribution from the individual. The Medicaid reimbursement rate is intended to cover room, board, nursing, medications and therapy services, but some medications, supplies, equipment and services are not fully covered by Medicaid. Medicaid reimbursement rates tend to be lower than most other forms of payment. For example, in Indiana Medicaid rates average approximately U.S.$145 per day, which is much lower than the prevailing private insurance or Medicare rates. Medicaid reimbursement rates are also subject to change from time to time due to state and federal government budgetary considerations.

- **Private Insurance:** Private insurance is a broad category encompassing any insurance-funded payor source outside of the Medicare and Medicaid programs. This may include long-term care insurance, Medicare co-insurance or traditional medical insurance. Some residents carry long-term care insurance policies that cover all or some portion of a facility's daily rate or additional services. Long-term care policies vary as to the types and amounts of coverage, but have been increasing in prevalence over the last few years, in part due to tax incentives to encourage people to purchase the coverage in order to decrease the demands upon the Medicare and Medicaid programs. Private insurance reimbursement rates tend to be stable, without significant changes from year to year. Private per diem reimbursement rates are generally lower than Medicare reimbursement rates, and higher than Medicaid reimbursement rates, although they may be a fixed dollar amount unrelated to other rates. Private insurance rates also may be determined by negotiated agreements between nursing facilities and the insurance carriers.

- **Private Funds:** The remaining source of payment is private funds. Residents pay the full rate (for the facility's per diem charges along with any ancillary service charges) as determined by the facility according to level of care needs for the patient, the ancillary services required, and market demand.

- **Canadian Regulatory Environment:** LTCs and retirement housing (where regulated) fall under the jurisdiction of the applicable provincial government or regional governing body. In order for the LTC or funded retirement facility to be eligible for government funding it must be licensed or otherwise approved.

  LTCs, and the development thereof, are heavily regulated, and must generally be built to specified design criteria. Funding is generally tied to the level of delivery of mandated care services. Licenses for LTCs are controlled based on, among other criteria, government-perceived local demand and budget constraints.

  The terminology for seniors housing varies greatly across Canada and there are various descriptors for LTC, including nursing homes, private hospitals, high-acuity assisted living, residential care facilities and facility living.

  - **British Columbia:** In British Columbia LTC is generally referred to as residential care and is included with assisted living except in certain cases which include private hospitals. Residential care is governed by regional health authorities under the *Community Care and Assisted Living Act* (British Columbia) and such private hospitals are governed under the *Hospitals Act* (British Columbia). The cost of residential care services is shared between the province and the resident. Residents are assessed a co-payment fee, known as an accommodation fee, based on their income for room and board. Most care services are covered by subsidization from health authorities. In addition, residents receive full coverage for most prescription medication, routine medical supplies and equipment, as well as some over-the-counter drugs. This applies to all publicly subsidized residential care services, regardless of ownership. There is a separate regime for the funding of private hospitals.

    Under the *Community Care and Assisted Living Act* (British Columbia), all publicly subsidized and private-pay assisted living operators in British Columbia must register their residences with the Office of the Assisted Living Registrar ("OALR"). If a residence or a part of a residence meets the definition of an assisted living residence in such Act, the operator must register the residence before opening and beginning to operate. Before approving an application for registration, the OALR must be satisfied that housing, hospitality services and personal assistance services will be provided to residents in a way that does not jeopardize their health or safety.

In January 2010, a more equitable resident rate structure was introduced for all residents receiving residential care services to reduce the burden on low-income seniors and support ongoing improvements to the residential care system. Under this new resident rate structure, residents receiving residential care services pay up to 80% of their after-tax income toward their room and board costs.

As of February 1, 2012, the minimum resident rate is set at approximately $932 per month and the maximum resident rate is set at approximately $3,022 per month.

- **Alberta:** Alberta seniors housing and care is regulated by the Alberta Seniors and Community Supports ("ASCS"), which provides three principal categories of care to seniors:

  1. Home living: home care and support services to seniors who live in their own home or have independent living arrangements;
  2. Supportive living: accommodation services combined with other support and care to meet the needs of seniors who do not have highly complex and serious health needs; and
  3. Facility living: including LTC communities like nursing homes and auxiliary care for seniors with complex health needs.

  The Government of Alberta has established mandatory Long-Term Care Accommodation Standards to assist the province in monitoring compliance of facility living accommodations and services. The goal of these standards is to support a safe and comfortable environment that increases quality of life for LTC residents. Health services in long-term care are publicly-funded and provided through Alberta Health Services. As in BC, residents pay an accommodation fee to cover the costs of providing accommodations and services like meals, housekeeping and building maintenance. Such government funding is available through government issued contracts to support accommodations (based on room type) as well as the provision of care and programs.

  Accommodation costs vary according to the type of room a resident occupies.

  As of February 1, 2011, a ward room cost was $45.85 per day, a semi-private room cost $48.40 per day and a private room cost was $55.90 per day.

  Retirement homes generally fall into the category of supportive living. Assisted living communities are regulated by the *Supportive Living Accommodation Licensing Act* (Alberta) and the related regulations (collectively "SLALA"). SLALA requires buildings and units to be licensed and regulated, with specific criteria outlined in the application process.

  Various government funding for retirement homes offering supportive housing may be available and determined based on the level of care provided, the patient's ability to pay and/or the level of occupancy. Funding for supportive services is generally available at the higher levels of supportive living and is based on need.

  Homes that receive government funding through Alberta Health Services' Designated Assisted Living ("DAL") program are operated in partnership with Alberta Health Services and a housing provider. DAL provides accommodation spaces that typically serve residents with higher health needs (but who do not need the level of care provided in a long-term care facility). The funding is tied to occupancy and is made available as additional resources are often required in order to have professional staff on site and special physical design features.

Triple-Net Lease Structure

The REIT will own the Initial Properties and lease them to operators on a long-term, triple-net lease basis. A triple-net lease is a lease in which the tenant pays a stated rent, usually on a monthly basis and also pays all taxes (property and personal property), insurance, utilities and maintenance (including capital expenditures) that arise during the lease term, subject to certain exceptions described under the definition of "triple-net" under "Glossary of Terms". Essentially, in a triple-net lease, the tenant operators assume all operational risk and all operating expenses associated with the property. In addition to being triple-net leases, the leases for the Initial Properties also generally include fixed rent escalators, corporate and/or personal guarantees and/or cash escrows in support of the tenant operators' obligations under the lease. The REIT believes this triple-net

structure provides a significant advantage because the REIT's revenues are not affected by changes in government or third-party payor reimbursement structures, changes in occupancy or other operational events.

In the event that a tenant operator defaults under a lease, the leases provide numerous rights and remedies to the REIT. First, the leases contain standard default remedies such as rent acceleration (subject to applicable laws), the ability to remove the tenant operator from the facility (subject to existing arrangements with the health authorities, if any) and the right to collect from the guarantor or indemnitor, if any. Additionally, the REIT will have access to further remedies to ensure that the operations of the facility will continue seamlessly after the tenant is removed from the operations (subject to existing arrangements with the health authorities, if any). The typical lease states that the personal property necessary for the operations of the facility becomes the property of the landlord at the end of the lease term or upon the earlier termination of the lease or, alternatively, provides the landlord with a security interest in such personal property. In the U.S., any licenses and certifications necessary for operation and third party payor reimbursement remain with the facility and the tenant is required to cooperate in transferring such licenses to the landlord or a new tenant. In Canada, there are established procedures employed by the relevant regulators, which are designed to ensure smooth transitions between operators in the event of default. In the event the REIT finds it necessary to remove a tenant operator from a facility, the REIT can, in the U.S., either designate a new tenant operator, designate an interim tenant operator, or Mainstreet, as manager, could operate the facility until a more permanent tenant operator is identified. Mainstreet has on staff employees with extensive seniors housing and care operational experience, including two administrators with over 30 years experience managing and operating such facilities. In Canada (including with respect to the facilities comprising the NPR Portfolio), Mainstreet's current intention is to, as needed, identify appropriate replacement tenant operators through its arrangements and relationships with the health authorities and/or through the REIT's relationships in the Canadian seniors housing and care industry.

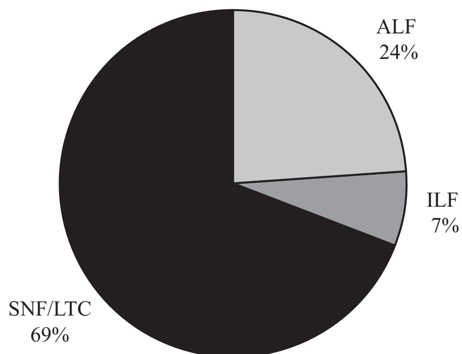
THE INITIAL PROPERTIES

On Closing, the REIT will directly and indirectly acquire a portfolio of 15 seniors housing and care properties. The Initial Properties are located in Indiana and Illinois in the Midwestern United States and British Columbia and Alberta in Western Canada and offer predominately skilled nursing, long term care and assisted living services, including short term rehabilitation and Alzheimers care special care units. Mainstreet will be the asset manager of the REIT, giving the REIT access to Mainstreet's experienced management team and extensive network of relationships in the U.S. and Canadian seniors housing and care market.

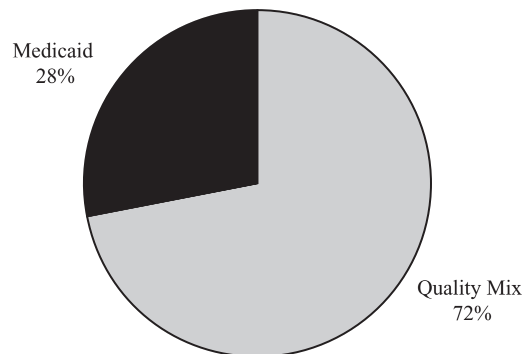
The Initial Properties include six seniors housing and care facilities that will be owned by the Partnership that are currently operational and three pre-leased properties that are currently under development, with financing completely or substantially arranged, all of which are expected to be completed within 12 months of the Closing. The Initial Properties also include the NPR Portfolio, which is comprised of six seniors housing and care facilities owned by NPR that are currently operational and that will be acquired by the REIT on the Closing.

SNF/LTC beds/suites will represent 69% of the Initial Properties. The Initial Properties are represented by a high quality occupancy payor mix (72% non-Medicaid), which consist of all payor sources other than Medicaid.

Beds/Suites by Service Type



Occupancy Payor Mix



Details of Initial Properties

Name of Facility	Location	Year Built[1]	Operator	Services Provided	SNF Beds	ALF/ ILF Suites	Total Beds/ Suites	Lease Expiration Date[2]	Lease Escalator/(Reduction) Dates and Terms
Mainstreet Senior Care Portfolio Properties:									
Alexandria Care Center	Alexandria, Indiana	1982/ 1987	Magnolia Health Systems, Inc.	SNF	70	—	70	June 30, 2024	2% annually on July 1st
Avalon Springs Health Campus	Valparaiso, Indiana	2012	Trilogy Health Services, LLC	SNF/ALF	71	61	132	March 31, 2022	3 times CPI Increase annually on May 1st[3]
Brookville Healthcare Center	Brookville, Indiana	1987	Magnolia Health Systems, Inc.	SNF/ALF	100	—	100	March 31, 2027	2% annually on April 1st
Highland Manor Health and Living	Indianapolis, Indiana	1968/ 2008	Mainstreet Senior I, LLC	SNF	52	—	52	January 21, 2027	None
Marion Rehabilitation and Assisted Living	Marion, Indiana	2012	Covenant Care, LLC	SNF/ALF	70	30	100	May 31, 2027	3% annually on May 1st
Miller's Merry Manor of Marion	Marion, Indiana	1976/ 2005	Miller's Health System	SNF/ALF	176	24	200	November 30, 2022	2% annually on Dec. 1st
Total:					**539**	**115**	**654**		
NPR Portfolio Properties:									
Beverly Centre-Glenmore	Calgary, Alberta	1971/ 1982/ 1992	AgeCare	LTC	215	—	215	April 20, 2026	5.5% in 2016 and 2021
Beverly Centre-Lake Midnapore	Calgary, Alberta	2001/ 2004/ 2006	AgeCare	LTC/ALF	270	50	320	April 20, 2026	5.5% in 2016 and 2021
Columbia Assisted Living	Lethbridge, Alberta	2001/ 2002/ 2003	AgeCare	ALF	—	112	112	April 20, 2026	5.5% in 2016 and 2021
Harmony Court Care Centre	Burnaby, British Columbia	1970s/ 2006/ 2009	AgeCare	LTC/ ALF/ILF	57	159	216	April 20, 2026	4.65% in 2016, 4.69% in 2021 and (11.06%)[9] in 2024
Orchard Manor	Brooks, Alberta	2000	AgeCare	ALF	—	53	53	April 20, 2026	5.5% in 2016 and 2021
Valleyview Care Centre	Medicine Hat, Alberta	1999	AgeCare	LTC/ALF	30	56	86	March 31, 2026	5.5% in 2016 and 2021
Total:					**572**	**430**	**1,002**		
Pre-Leased Development Properties:									
The Bridge Care Suites	Springfield, Illinois	2013	Platinum Health Care, LLC	SNF	75	—	75	February 2028[6]	3% annually
Mishawaka, Indiana[4]	Mishawaka, Indiana	2012	Sprenger Health Systems	SNF/ALF	70	30	100	December 2022[7]	2.5% annually
Wabash, Indiana[4]	Wabash, Indiana	2012	Life Care Services, LLC[5] /Mainstreet	SNF/ALF	70	30	100	December 2022[8]	2.5% annually
Total:					**215**	**60**	**275**		
Total for all Initial Properties:					**1,326**	**605**	**1,931**		

Notes:

(1) Dates indicate year built and, if applicable, year renovated or expanded.

(2) Excludes renewal terms.

(3) The adjusted rent may not be less than 100% nor more than 103% of the prior year's annual rent. "CPI Increase" is defined in the lease as the percentage change of the applicable cost of living index annual average for the 12-month period ending the month which is two months prior to commencement of the applicable lease year, over (ii) the applicable cost of living index annual average for the 12-month period ending the month which is two months prior to commencement of the immediately prior lease year.

(4) Facility has not been named.

(5) An entity that is owned 50% by an affiliate of Life Care Services, LLC, which is the managing member, and 50% by an affiliate of Mainstreet.

(6) Estimated, based upon a construction start date of February 22, 2012 and a projected completion date of February 2013.

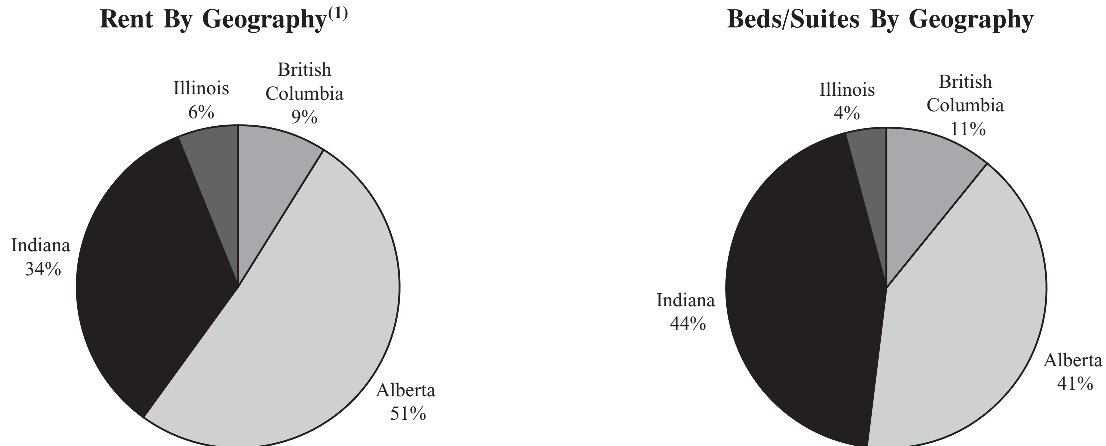
(7) Estimated, based upon a construction start date of December 5, 2011 and a projected completion date of December 2012.

(8) Estimated, based upon a construction start date of November 8, 2011 and a projected completion date of December 2012.

(9) Represents a reduction in lease payments. Lease term from June 2011 to February 2024 included payment for tenant improvements that the landlord undertook for the benefit of the tenant.

Geographic Location of Initial Properties

The Initial Properties are expected to generate approximately 60% of their rent from Canada, where 52% of total beds/suites will be located.



(1) Based upon contractual rent for 2013.

The following table sets forth contractual 2013 rent in respect of the Initial Properties based on their geographic location:

State/Province	2013 Contractual Rent[(2)]	Beds/Suites
Indiana	$ 7,238,671	854
Illinois[(1)]	$ 1,272,544	75
Alberta	$10,727,300	786
British Columbia	$ 1,776,856	216
Total	**$21,015,371**	**1,931**

(1) Represents contractual rent for 11 months in 2013 in respect of MS Springfield.

(2) Assumes that the Mainstreet Development Leases in respect of the three pre-leased development properties have terminated and leases with tenant operators have commenced.

The weighted average lease maturity of the Initial Properties is 13.5 years with no maturities until 2022.

Lease Maturity Profile
(Percentage of Portfolio Rental Revenue Maturing in a Particular Year)(1)(2)

(1) The lease expiration percentage was calculated based on a weighted average of total rent over the life of the respective leases.

(2) Excludes lease renewal terms.

Mainstreet Senior Care Portfolio Properties

The following is a description of each of the Initial Properties owned by Mainstreet.

Alexandria Care Center, 1912 S. Park Avenue, Alexandria, Indiana

The Alexandria Care Center is a 70-suite SNF (all semi-private rooms). The single-story, 23,363 square foot facility is situated on a 4.6-acre plot of land located in Alexandria, Indiana, which is located approximately 45 miles northeast of Indianapolis. The facility is operated by Magnolia Health Systems pursuant to a 20-year, triple net lease that expires in 2024, with two five-year renewal options extending the lease to 2034. Because Magnolia Health Services is not owned by a parent corporation, the lease is personally guaranteed by its owners.

The facility was constructed in 1982, and a new wing addition was constructed on the property in 1987. Mainstreet purchased the facility in July 2004. The facility provides a range of acute care, sub-acute care, rehabilitative services and therapy services. The facility is certified for Medicare and Medicaid and had an average occupancy rate for 2011 of 93.9%.

Avalon Springs Health Campus, 2420 Lilac Lane and 2402 Silhavy Road, Valparaiso, Indiana

The Avalon Springs Health Campus is a Mainstreet-developed CCRC consisting of 132 beds/suites, including 71 skilled nursing beds/suites (of which 61 are private rooms and 10 are semi-private rooms) and 61 assisted living beds/suites. The 79,530 square foot facility is located in the city of Valparaiso, approximately 40 miles southeast of Chicago, Illinois, and 45 miles southwest of South Bend, Indiana. Construction of the project was completed by Mainstreet on February 12, 2012. The facility is leased by Trilogy Health Services, LLC pursuant to a ten-year, triple-net lease that expires in 2022, with two five-year renewal options.

The lease grants Trilogy the right to purchase the facility from the REIT by giving the REIT notice of its intent to purchase during the 30 days following each anniversary date (April 1) of the lease. The purchase price is equal to a multiple of the annual rent paid by Trilogy as of the date of the notice. During the first lease year the multiple is 11.5 times, during the second lease year it is 11.0 times, during the third lease year it is 10.5 times, and thereafter it is 10.0 times. The Valparaiso lease is fully guaranteed by Trilogy's corporate parent. The property is certified for Medicare.

As is typical of existing campus development projects that Mainstreet has completed for Trilogy in recent years, the 15-acre campus is expected to offer short-term rehabilitation, transitional care, long-term care, adult day care services, respite care and the Legacy Memory Care Neighbourhood, which provides a separate building that caters to those suffering from Alzheimer's and memory loss.

Brookville Healthcare Center, 11049 State Road 101, Brookville, Indiana

Brookville Healthcare Center is a 100-suite SNF (of which 20 are private rooms and 80 are semi-private rooms) located in the town of Brookville in east central Indiana, just ten miles west of the Indiana-Ohio border and approximately 30 miles northwest of Cincinnati. The single-story, 33,691 square foot facility is operated by Magnolia Health Systems pursuant to a 20-year, triple-net lease that expires in 2027, with two 10-year renewal options extending the lease to 2047. The lease provides that in the event the Partnership decides to sell the facility to a third party it is obligated to first offer to sell the facility to the tenant operator on the same terms and conditions as offered by the third party. Neither the REIT's investment in the Partnership, nor a change in control of the REIT, will trigger this provision. Because Magnolia Health Services is not owned by a parent corporation, the lease is personally guaranteed by its owners.

The facility was constructed in 1987 and purchased by Mainstreet in April 2007. It provides a range of acute care, sub-acute care, rehabilitative services and therapy services, as well as dedicated Alzheimer's and dementia units for patients requiring memory care. The property is certified for Medicare and Medicaid and had an average occupancy rate for 2011 of 84.4%.

Highland Manor Health and Living, 2926 N. Capitol Avenue, Indianapolis, Indiana

Highland Manor Health and Living is a 52-suite SNF (of which 5 are private rooms and 47 are semi-private rooms) located in Indianapolis, Indiana, just north of the downtown area in the city's Meridian Park neighbourhood. The single-storey building, with 16,300 square feet on the first floor and an 800 square foot basement, was constructed in 1968 (with an addition in 1983) and has received several extensive renovations over the years. Mainstreet acquired the facility in 2007 and Mainstreet Senior I, LLC, an affiliate of Mainstreet, operates the SNF pursuant to a 20-year, triple-net lease that expires in 2027, with two five-year renewal options extending the lease to 2037. The REIT is currently in negotiations to lease the facility to an unrelated third-party operator for similar lease terms.

The facility offers a full array of skilled nursing, rehabilitation and therapy services to its residents. These include occupational therapy, physical therapy, speech therapy, nursing services, pharmacy services, tube feedings as well as daily meals, laundry services, weekly housekeeping, transportation, activities and more. IU Health at Methodist Hospital, the largest hospital in Indiana, is located just 1.3 miles south of the facility. The facility is certified for Medicare and Medicaid and had an average occupancy rate for 2011 of 80.4%.

Marion Rehabilitation and Assisted Living, 614 West 14th Street, Marion, Indiana

Marion Rehabilitation and Assisted Living is a Mainstreet-developed skilled nursing/assisted living combination facility that will consist of 100 beds/suites, including 70 skilled nursing beds/suites (of which 62 are private rooms and eight are semi-private rooms) and 30 assisted living beds/suites. The 65,653 square foot facility is located in the city of Marion, Indiana, approximately 55 miles north of Indianapolis, Indiana and 135 miles southeast of Chicago, Illinois. Construction of the project was completed on March 23, 2012, with a lease commencement date of May 1, 2012. The facility is leased by Covenant Care, LLC pursuant to a 15-year, triple-net lease, with three five-year renewal options. The facility will offer many services, including but not limited to short-term rehabilitation, transitional care and long-term care. Pursuant to the lease, the tenant has an option to purchase the facility at the end of the initial term in 2027 or any renewal term for a price equal to the aggregate annual rent being paid at the time of exercise of the option multiplied by 10.25. The facility will be certified for Medicare.

Miller's Merry Manor of Marion, 505 North Bradner Avenue, Marion, Indiana

Miller's Merry Manor of Marion is a SNF with 176 comprehensive care beds/suites (of which 46 are private rooms and 130 are semi-private rooms) and 24 residential care beds/suites, located in Marion, Indiana, a central Indiana city located approximately 55 miles northeast of Indianapolis. The single-storey, 71,539 square foot asset was built in phased construction between 1971 and 1976. The facility is operated by Miller's Health System pursuant to a 15-year, triple-net lease that expires in 2022, with two five-year renewal options extending the lease to 2032. The tenant has performed several capital upgrades of the asset since 2007, investing over U.S.$390,000 as part of a complete interior renovation that included upgrades to flooring, wall coverings, furniture and equipment to reposition the facility. The lease contains both a right of first discussion, pursuant to which the REIT, if it decides to sell the facility, must negotiate exclusively and in good faith a sale to Miller's Health System for 60 days, and a right of first refusal, pursuant to which the REIT, if it receives a bona fide offer from a third party purchaser, must first offer to sell the facility to Miller's Health System on the same terms and conditions. The REIT's investment in the Partnership will not trigger either of these rights.

The facility is a Medicare and Medicaid-certified rehabilitation center, offering a full range of rehabilitation services, including both short-term and long-term rehabilitation stay programs. The facility offers various amenities including religious services, beauty salon/barber shop, adult day care services, hospice care and a specialty care Alzheimer's unit. The facility had an average occupancy rate for 2011 of 74.5%.

NPR Portfolio Properties

Concurrent with the closing of the Offering, the REIT will purchase the NPR Portfolio from a subsidiary of NPR. "See The Acquisitions — NPR Purchase Agreement". The NPR Portfolio is comprised of six properties:

five in the province of Alberta and one in the province of British Columbia. The NPR Portfolio has 1,002 beds/suites, comprised of LTC, ALF and ILF services. The NPR Portfolio is leased to AgeCare under a triple-net lease structure, which expires in 2026. AgeCare is a significant owner/operator of 13 seniors housing and care properties throughout Western Canada and is well-known for its state-of-the-art approach to retirement and long term care.

Each of the six properties is operated under a separate lease. The tenant for certain of the properties is Age Care Investments Ltd., while the tenant for the other properties is Age Care Health Services Inc. Age Care Health Services Inc. has provided an indemnity in respect of the obligations of Age Care Investments Ltd. and Age Care Investments Ltd. has provided an indemnity in respect of the obligations of Age Care Health Services Inc. In addition, indemnities have been provided under each of the leases by two individuals who are directors of AgeCare Ltd., which are limited in each case to: (i) 75% of the rent if an event of default occurs between April 1, 2011 to March 31, 2016; (ii) 50% of the rent if an event of default occurs between April 1, 2016 to March 31, 2021; and (iii) 25% of the rent if an event of default occurs between April 1, 2021 to March 31, 2026.

Events of default under each of the leases with AgeCare include the following: (i) if any rent is unpaid by the tenant for three days after written notice from the landlord of such default; (ii) if any rent is unpaid by the tenant when due on more than two occasions in any calendar year; (iii) if the tenant breaches any of its covenants under the lease and such breach is not remedied within 30 days after written notice from the landlord of such default (or if such breach reasonably requires more than 30 days to remedy, such default is not remedied within such longer period of time provided that the tenant diligently commences to remedy such default within such 30-day period and thereafter diligently continues to remedy such default); (iv) if certain insolvency events in respect of the tenant should occur; (v) if the tenant abandons the premises except as a result of natural disaster; (vi) if the tenant fails to maintain all necessary permits and licenses for its business at the premises and for all services provided at the premises; (vii) if the tenant becomes ineligible for renewal or extension of its governmental contracts; and (viii) if the tenant or any directly and indirectly related entity of the tenant defaults in any of its contractual obligations with the landlord, whether contained in the applicable lease or in any other agreement.

The leases provide for customary remedies, including the right to terminate. The Alberta health authority is entitled to notice of any tenant default and has the right to cure such default as well as the right to appoint a receiver to operate the premises. Additionally, such health authority has the right to select a replacement service provider, subject to the approval of the owner as to certain matters. If the Alberta health authority does not appoint a receiver or select a replacement service provider, the owner can select a replacement service provider, subject to the health authority's approval. Management believes that the Alberta health authority would employ an established procedure upon any such defaults to ensure smooth transitions between operators and to minimize the impact on business operations, including with respect to rental payments.

The NPR Portfolio was acquired by NPR in 2006. AgeCare has been a strong tenant, making all rental payments on time since the NPR Portfolio was acquired in 2006. Furthermore, $5.1 million has been invested into the NPR Portfolio since NPR acquired the properties in 2006. As of December 31, 2011, none of the properties in the NPR Portfolio had an occupancy rate that was less than 70%.

The following is a description of each of the properties included in the NPR Portfolio:

Beverly Centre-Glenmore, 1729-90th Avenue South-West, Calgary, Alberta

Beverly Centre-Glenmore is a 215-bed long term care centre (of which 75 are private rooms and 70 are semi-private rooms, with two beds in each) built in 1971 and renovated in 1982 and 1992. The facility consists of a two-storey building of 114,774 square feet and is situated on approximately 2.9 acres of land located in Palliser community of southwest Calgary, Alberta, approximately 2.7 km from Rockyview General Hospital. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal options extending the lease to 2036. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Beverly Centre-Lake Midnapore, 500 Midpark Way South-East, Calgary, Alberta

Beverly Centre-Lake Midnapore consists of a 50-suite assisted living facility and a 270-bed long term care centre (of which 192 are private rooms and 39 are semi-private rooms, with two beds in each) built in 2001 and renovated in 2004 and 2006. The facility consists of a three-storey building of 204,187 square feet and is situated on approximately 7.1 acres of land located in the Midnapore community of southeast Calgary, Alberta, approximately 12 km from Rockyview General Hospital. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal options extending the lease to 2036. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Columbia Assisted Living, 785 Columbia Boulevard West, Lethbridge, Alberta

Columbia Assisted Living is a 112-suite seniors' assisted living facility built in two phases between 2001 and 2003. The facility consists of a two-storey building of 90,653 square feet and is situated on approximately 3.36 acres of land located in the Varsity Village neighbourhood of west Lethbridge, Alberta, approximately 7.8 km from Chinook Regional Hospital. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal options extending the lease to 2036. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Harmony Court Care Centre, 7111, 7195 and 7197 Canada Way, Burnaby, British Columbia

Harmony Court Care Centre is a 216-bed/suite seniors' retirement lodge and long term care centre (all private rooms) built in the 1970's and renovated in 2006 and 2009. The facility consists of a two-storey and a four-storey building with a combined area of 102,817 square feet and is situated on approximately 3.3 acres of land located in Burnaby, British Columbia, approximately 7.3 km from Burnaby General Hospital. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal options extending the lease to 2036. Due to landlord contributions to capital improvements, rent will be reduced slightly during the final two years of the initial term. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Orchard Manor, 951 Cassils Road West, Brooks, Alberta

Orchard Manor is a 53-suite seniors' retirement facility (all private rooms) that offers private assisted and supportive living built in 2000. The facility consists of a four-storey building of 39,308 square feet and is situated on approximately 0.7 acres of land located in Brooks, Alberta, approximately 2.1 km from Brooks Health Centre. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal options extending the lease to 2036. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Valleyview Care Centre, 65 Valleyview Drive South-West, Medicine Hat, Alberta

Valleyview Care Centre is an 86-bed/suite seniors' assisted living and long term care facility (all private rooms) built in 1999. The facility consists of a four-storey building of 60,800 square feet and is situated on approximately 1.83 acres of land located in the River Heights community of south central Medicine Hat, Alberta, immediately adjacent to Medicine Hat Regional Hospital. The facility is operated by AgeCare pursuant to a 20-year, absolute-net lease (subject to certain exceptions related to the landlord's obligation to maintain the integrity of certain structural elements, such as the roof) which will expire in 2026, with two five-year renewal

options extending the lease to 2036. An indemnity in respect of the tenant's obligations under the lease has been provided by two individuals who are directors of AgeCare and by AgeCare.

Pre-leased Development Properties

The following three pre-leased development properties are currently in the construction phase and are expected to be completed within 12 months following the Closing. Each facility is currently subject to an executed long-term, triple-net lease, the term of which commences once construction is complete and a certificate of occupancy is obtained. Financing is currently in place to complete the construction process.

In connection with these three pre-leased development properties, Mainstreet has agreed to enter into the Mainstreet Development Leases pursuant to which it will make monthly payments to the Partnership in the amount of U.S.$56,601 in respect of MS Mishawaka, U.S.$67,808 in respect of MS Springfield and U.S.$52,443 in respect of MS Wabash until the applicable property receives a certificate of occupancy and the tenant operator takes possession of the facility. In order to provide security for payments under the lease, Mainstreet has pledged certain of its Class B Units and/or Units having a minimum book value equal to the expected undiscounted future payments to be made pursuant to the Mainstreet Development Leases. This pledge will remain in effect until such time as all amounts payable by Mainstreet to the Partnership under the Mainstreet Development Leases have been satisfied. Mainstreet has also granted a security interest in all distributions payable on such Class B Units and/or Units, provided that the security interest in respect of such distributions only becomes a right to such distributions upon and to the extent of any event of default that is continuing under a Mainstreet Development Lease. The Partnership will offset distributions payable on Mainstreet's entire retained interest as necessary to fund Mainstreet's obligations. See "Arrangements with Mainstreet — Mainstreet Development Leases".

The Bridge Care Suites, 3089 Old Jacksonville Road, Springfield, Illinois

The Bridge Care Suites is a Mainstreet-developed SNF that will consist of 75 beds/suites (of which 57 are private rooms and nine are semi-private rooms). The 45,400 square foot facility is located in the city of Springfield, Illinois, approximately 83 miles northeast of St. Louis, Missouri and 178 miles southwest of Chicago, Illinois. Construction of the project commenced in February 2012 and is scheduled to be completed in February 2013. The facility will be leased to OJCC Realty, LLC, an affiliate of Platinum Health Care, LLC, pursuant to a 15-year, triple-net lease, with two five-year renewal options. Rent will increase by 3.0% annually on each anniversary of the lease commencement date. The facility will offer many services, including but not limited to short-term rehabilitation, transitional care and long-term care. In place of a guarantee, OJCC Realty, LLC, has deposited an amount with a primary lender equal to the first year's rent which deposit will remain in place during the entire term of the lease and is available to landlord in the event of a tenant default under the lease.

Mishawaka, Indiana

The Mishawaka campus is a Mainstreet-developed skilled nursing/assisted living facility that will consist of 100 beds/suites, including 70 skilled nursing beds/suites (of which 62 are private rooms and eight are semi-private rooms) and 30 assisted living beds/suites. The 66,953 square foot facility is located in the city of Mishawaka, Indiana, approximately 90 miles southeast of Chicago. Construction of the project commenced in December 2011 and is scheduled to be completed in December 2012. The facility is leased to Sprenger Health Care of Mishawaka, Inc, an affiliate of Sprenger Health Systems, pursuant to a 10-year, triple-net lease, with three five-year tenant renewal options. Rent will increase by 2.5% annually on each anniversary of the lease commencement date, and will be negotiated for each renewal term based upon previous term revenue and cost of capital. The facility will offer many services, including but not limited to short-term rehabilitation, transitional care and long-term care. The lease is guaranteed by Sprenger's corporate parent.

Wabash, Indiana

The Wabash campus is a Mainstreet-developed skilled nursing/assisted living combination facility that will consist of 100 beds/suites, including 70 skilled nursing beds/suites (of which 62 are private rooms and eight are

semi-private rooms) and 30 assisted living beds/suites. The 67,210 square foot facility is located in the city of Wabash, Indiana, on the Wabash County Medical Campus, and approximately 80 miles northeast of Indianapolis, Indiana. Construction of the project commenced in November 2011 and is scheduled to be completed in December, 2012. The facility is leased by an entity that is owned, 50% by an affiliate of Life Care Services, LLC, which is the managing member, and 50% by an affiliate of Mainstreet, pursuant to a 10-year, triple-net lease, with two five-year tenant renewal options. Rent will increase by 2.5% annually on each anniversary of the lease commencement date. The facility will offer many services, including but not limited to short-term rehabilitation, transitional care and long-term care.

The lease is initially guaranteed, as to 50% by Life Care Services, LLC and as to 50% by Mainstreet Property Group, LLC. During the first year, the guarantee will cover the amount of annual rent due during the first year. Each year thereafter, the guaranteed amount will be the amount of annual rent due during that year less the monthly rent due for one month more than was deducted the previous year. For example, the guaranteed amount for the second year will be the annual rent for the second year less one month's rent for the second year, and the guarantee amount for the third year will be the annual rent for the third year less two month's rent for the third year, and so on. No corporate guarantee will be required after the initial 10-year term. In addition, if the lease coverage ratio is equal to or exceeds 1.3 times for any four consecutive calendar quarters, then each guarantor may, at its option, either: (i) maintain its corporate guarantee until the end of the initial term, or (ii) terminate its corporate guarantee and either deposit with landlord an amount equal to two month's rent calculated at the time of the deposit as a deposit to secure the full and faithful performance by tenant of the provisions of this sublease, or provide an irrevocable standby letter of credit for the same amount for the remaining period of the initial term.

Construction Pipeline

Following Closing, the REIT will have opportunities to grow both through the development of properties internally and the purchase of properties developed externally by Mainstreet. Mainstreet will offer the REIT the opportunity to purchase those properties once construction is substantially completed and the tenant lease is set to commence. For future developments, Mainstreet will offer the REIT the opportunity to develop a pre-leased development property internally before developing it externally. See "Arrangements With Mainstreet — Development Agreements".

Mainstreet is already in various stages of development of approximately ten additional pre-leased external development properties in locations in Indiana, Ohio, and Texas. Many of these developments have identified tenant operators and lease terms, and some have executed leases with these tenant operators. Many also have identified sites and the land either under option or, in some cases, under contract for purchase. Mainstreet's current active pipeline consists of over U.S.$150 million of projects with approximately 1,000 beds/suites. Mainstreet and the REIT have agreed that these projects will be external development projects, which will be presented to the REIT for purchase following the completion of construction, which is anticipated to occur over the next 24 months in accordance with the Development Agreements. See "Arrangements with Mainstreet". Any additional projects beyond these currently under development will be presented to the REIT prior to the beginning of construction.

ASSESSMENT AND VALUATION OF THE INITIAL PROPERTIES

Independent Valuation

The REIT retained Tellatin, Short & Hansen, Inc. and The Altus Group (collectively, the "Appraisers" and, each individually, the "Appraiser") to provide an independent estimate of the fair market value of the Initial Properties located in the United States (Tellatin, Short & Hansen, Inc.) (the "U.S. Appraisals") and the Initial Properties located in Canada (The Altus Group) (the "Canadian Appraisals"). The Appraisers were not given any limiting instructions.

U.S. Appraisals

The U.S. Appraisals were prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (the "USPAP") adopted by the Appraisal Standards Board of The Appraisal Foundation (United States). The U.S. Appraisals were also prepared in accordance with Title XI of the United States Financial Institution Reform, Recovery and Enforcement Act of 1989. The USPAP defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". According to the Appraisal Institute, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In the U.S. Appraisals, the U.S. Appraiser estimated the aggregate market value of the Initial Properties located in the United States as a portfolio, as at December 31, 2011, to be U.S.$102,800,000 (inclusive of excess land and other assets). This aggregate market value includes a portfolio premium of 5.3%.

The estimated market value of the leased fee interests of the Initial Properties located in the U.S. was determined by the U.S. Appraiser using the income valuation approach, which utilized the direct income capitalization approach (overall capitalization rate method) with consideration to the discounted cash flow method. These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The U.S. Appraiser gave appropriate consideration to a forecast of income for each property in terms of market rental rates, growth levels, vacancy rates, tenant roll-overs, ground lease obligations (where applicable), operating expenses, realty commissions and capital expenditure reserves. The U.S. Appraiser visited each Initial Property located in the U.S. to assess location and physical characteristics and estimated the highest and best use for each property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information.

In determining the approximate market value of the three pre-leased development properties included in the Initial Properties, the Appraiser assumed that the facilities have been completed and that the tenant operators have commenced paying rent under each of the facilities.

In determining the approximate market value of the Initial Properties located in the U.S., the U.S. Appraiser relied on operating and financial data provided by or on behalf of the REIT, including detailed occupancy reports and posted rates with respect to vacant beds/suites, which also included data on current and historic financial information from financial statements provided by Mainstreet. The U.S. Appraiser believes that its appraisal gives appropriate consideration to projected net operating income for each property in terms of occupancy, rental rates, operating expenses, ground lease obligations (where applicable) and provisions for required capital improvements. Specifically, for each property, the U.S. Appraiser discussed with management the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the operating budgets and historical statements for their reasonableness. In addition, the U.S. Appraiser toured the respective Initial

Properties within six months of the effective date of the U.S. Appraisal. Based on its review, and other relevant facts, the U.S. Appraiser considered such data to be reasonable and supportable.

In appraising the Initial Properties, the U.S. Appraiser assumed that title to the Initial Properties is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Canadian Appraisals

The Canadian Appraisals were prepared in conformity with the requirements of the Canadian Uniform Standards of Professional Appraisal Practice (“CUSPAP”) of the Appraisal Institute of Canada. The CUSPAP defines market value as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. According to the Appraisal Institute, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In the Canadian Appraisals, the Appraiser estimated the aggregate market value of the Initial Properties located in Canada as of April 1, 2012, to be $162,000,000. This aggregate market value gives no consideration to a portfolio discount or premium.

The estimated market value of the leased fee interests of the Initial Properties located in Canada was determined by the Canadian Appraiser using the income approach to value, through the application of the Direct Capitalization Method and a Discounted Cash Flow Analysis. These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The Canadian Appraiser gave appropriate consideration to the long term leases in place relative to the land and buildings, market rent for the land and buildings, operating expenses applicable under the lease agreements, and capital expenditure reserves in accordance with the market and the lease agreements. The Appraiser visited each property to assess location and physical characteristics and estimated the highest and best use for each. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In determining the approximate market value of the Initial Properties in Canada, the Canadian Appraiser also relied on operating and financial data provided by or on behalf of the REIT, including the pertinent lease agreements, environmental reports and building condition reports. In addition, the Canadian Appraiser toured all the Initial Properties in Canada within one month of the effective date of the Canadian Appraisal. Based on its review, and other relevant facts, the Canadian Appraiser considered such data to be reasonable and supportable.

In appraising the Initial Properties, the Canadian Appraiser assumed that title to the Initial Properties is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Conclusion

Based on the forgoing, the aggregate market value of the Initial Properties located in the U.S. and Canada as a portfolio is $264,800,000. This aggregate market value includes a portfolio premium of 5.3% in respect of the Initial Properties located in the United States and assumes parity between the U.S. and Canadian dollars.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while each of the Appraiser’s forecasts for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

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. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Environmental Site Assessments

Each of the Initial Properties has been the subject of a Phase I environmental site assessment report or a Phase I environmental site assessment update report ("Phase I ESA Report") conducted by independent and experienced environmental consultants from August 2011 to January 2012. The Phase I ESA Reports were prepared in general accordance with the current (i) ASTM International Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process (for the Initial Properties located in the United States) or (ii) CSA Standard for Phase I Environmental Site Assessment Z768-01 (for the Initial Properties located in Canada). The purpose of the Phase I ESA Reports was to identify any recognized environmental conditions ("RECs") at the Initial Properties, which means the presence or likely presence of any hazardous substances or petroleum products on any Initial Property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on an Initial Property or into the ground, groundwater or surface water of an Initial Property. Intrusive sampling and analysis were not part of these Phase I environmental site assessments.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs that warranted further environmental assessment investigation at 14 of the 15 Initial Properties. At one of the Initial Properties, an independent environmental consultant recommended Phase II environmental site assessment investigations involving intrusive soil and/or groundwater sampling and analysis ("Phase II ESA Work") to assess the off-site RECs identified. The Phase II ESA Work was completed in March 2012 with the independent environmental consultant's opinion being that no further investigation is warranted at this time.

It is the REIT's operating policy to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the REIT conducts a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

Property Condition Assessments

Property condition assessment reports, or PCA Reports, were prepared for ten of the 15 Initial Properties for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems forming part of the Initial Properties, and to identify and quantify major defects in materials or systems which might significantly affect the value of any of the Initial Properties or continued operation thereof. PCA Reports were not prepared for the five Initial Properties that were either built in 2012 or are still under development. Of these five Initial Properties, Marion Rehabilitation and Assisted Living and Avalon Springs Health Campus received certificates of occupancy during the first quarter of 2012 and Avalon Springs Health Campus also received authorization from the Indiana State Department of Health to admit residents to the facility effective as of April 1, 2012. The three Initial Properties still under development have been the subject of Phase I ESA Reports for which no Phase II ESA Work was recommended and have received appropriate zoning designations.

The PCA Reports in respect of the Initial Properties located in the U.S. were prepared on acquisition or refinancing and range in date from June 2011 to September 2011. Each of the PCA Reports assessed both work required to be completed immediately (i.e., within 90 days of the audit) and work recommended to be performed during the subsequent five years in order to maintain appropriate building conditions. Based on the PCA Reports, each of the Initial Properties located in the U.S. appears to be well maintained and no capital improvement work is required to be carried out immediately on the Initial Properties. Although the PCA Reports in respect of the Initial Properties located in the U.S. do not provide an estimate of the cost of the various improvements required in respect of these properties, other than to indicate that the property in respect of Miller's Merry Manor will require work in the amount of U.S.$33,000 over the short term (i.e., one to three years), management estimates that, based on the information in these reports, capital improvement work in the amount of approximately U.S.$750,000 will be required in respect of these properties

over the next ten years. As these properties are leased by tenant operators under triple-net leases, the tenant operator will be required to pay for these improvements.

The PCA Reports in respect of the Initial Properties located in Canada were prepared in April 2012 and assess work to be performed during the subsequent ten years in order to maintain appropriate building conditions. Again, based on the PCA Reports, each of the Initial Properties located in Canada appears to be well maintained. The reports indicate that there is no immediate capital improvement work to be carried out on the Initial Properties in Canada.

The PCA Reports in respect of the Initial Properties located in Canada identify ongoing repairs, maintenance and the replacement of capital items in respect of these Initial Properties in the amount of approximately $1,260,800 over the next five years and a total of approximately $1,459,800 over the next ten years (representing $199,000 worth of capital improvements needed during the second five-year period). A large portion of this estimate, approximately $685,000, relates to the replacement of the roof at the Beverly Centre-Lake Midnapore facility. This replacement has already begun and is an obligation of the Seller under the NPR Purchase Agreement.

The REIT, as part of its annual asset review program, will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the REIT's properties remain competitive.

DESCRIPTION OF OPERATORS

A key component of the REIT's development strategy is its ability to form meaningful strategic relationships with successful operators of its core property types. The REIT's operating partners include strong regional operators with the financial resources to support current lease payments as well as future growth. The REIT's current operators have a consolidated annual EBITDAR of over $285 million and, at the property level on the stabilized Initial Properties, have a consolidated EBITDAR to rent coverage ratio of 2.0 times.

As Mainstreet has grown, it has targeted operating partners with growth ability and expansion plans. The REIT anticipates these relationships will allow the REIT to grow its presence outside of its current footprint. The following table includes information regarding the operators of the Initial Properties, organized according to their percentage contribution to total contracted annual rent of the REIT for the year ended December 31, 2013, based upon each operator's contractual rent obligations.

Operator	Year Founded	Principal Office	Number of Facilities Managed	Number of Beds/Suites Managed	Geographic Footprint	% of 2013 Contractual Rent[4]
AgeCare	1998	Calgary, Alberta	13	over 1,000	2 provinces (Western Canada)	59.5%
Life Care Services, LLC[1]	1971	Des Moines, Iowa	over 100	over 29,000	31 states (Continental U.S.)	6.7%
Sprenger Health Systems	1959	Lorain, Ohio	11	over 1,600	2 states (Midwest U.S.)	6.3%
Platinum Health Care, LLC	2001	Skokie, Illinois	29	3,335	5 states (Midwest U.S.)	6.1%
Covenant Care, LLC	1994	Aliso Viejo, California	over 50	5,787	8 states (Midwest and Western U.S.)	5.5%
Miller's Health Systems, Inc.	1964[2]	Warsaw, Indiana	32	3,369	1 state (Indiana)	5.4%
Trilogy Health Services, LLC	1997	Louisville, Kentucky	67	over 7,200	5 states (Midwest U.S.)	4.9%
Magnolia Health Systems, Inc.	2001	Indianapolis, Indiana	31	over 2,800	1 state (Indiana)	4.3%
Mainstreet Senior I, LLC[3]	2007	Cicero, Indiana	1	52	1 state (Indiana)	1.3%
Total:			**Over 334**	**Over 54,143**		**100.0%**

(1) MS Wabash is leased by an entity that is owned 50% by an affiliate of Life Care Services, LLC, which is the managing member, and 50% by an affiliate of Mainstreet.

(2) Miller's was sold to its employees through an Employee Stock Option Plan in September 2007.

(3) An affiliate of Mainstreet. The Partnership is in negotiations to lease Highland Manor Health and Living, which is currently operated by Mainstreet Senior I, LLC, to an unrelated third-party operator.

(4) Assumes that Mainstreet Development Leases in respect of the three pre-leased development properties have terminated and leases with tenant operators have commenced.

The following is a brief description of the REIT's current strategic operators:

- **AgeCare:** In 1998, Dr. Hasmukh Patel and Dr. Kabir Jivraj founded AgeCare Ltd. Dr. Patel, is currently the Chief Executive Officer of AgeCare Ltd. and Dr. Jivraj serves as its managing director. Since its formation, AgeCare Ltd. and its affiliates have grown to 13 properties (including the six properties comprising the NPR Portfolio) by continuing to acquire and build properties in Alberta and British Columbia. Following its formation, AgeCare Ltd. developed the Valleyview Assisted Living and Long Term Care Community in Medicine Hat and applied the same model to the Orchard Manor Community in Brooks a year later. Within the next three years, AgeCare Ltd. had further developed the Columbia Assisted Living Community in Lethbridge, Alberta, a 112 suite facility. In April 2003, AgeCare Ltd. completed its first acquisition, by purchasing Canada Way Care Centre and Lodge, a multi-level care community in Burnaby, BC. Following renovations in 2006 and 2009, Canada Way Care Centre and

Lodge was renamed Harmony Court Care Centre and Harmony Court Estate, a 216 bed/suite seniors' retirement lodge and long term care centre. On September 1, 2004, AgeCare concluded its second acquisition, purchasing two prominent senior care communities in Calgary, The Beverly Centre Glenmore with 215 long term care beds and The Beverly Centre-Lake Midnapore with 270 long term care beds and 50 assisted living facility suites. The level of high quality and superior seniors living in its other properties has been repeated in the design and construction of Sunrise Gardens, which opened in August, 2009 in Brooks, Alberta. Sunrise Gardens is comprised of 84 supportive living units. Sagewood Seniors Community, which opened in October 2010 in Strathmore, Alberta, features a 3 storey framework containing 102 seniors living suites. Sagewood Seniors Community also has 42 affordable living suites and 60 supportive living suites called Sagewood Estate. Also in Strathmore is Sagecourt, a community that has been created for young families, with 40 affordable family style apartments available. Sagecourt opened in August 2010. AgeCare Ltd. is currently developing Walden Heights Seniors Community in Calgary, which is expected to include a supportive living community, as well as the Walden Heights Estate, which will feature independent living and an affordable housing component. This community is expected to open in 2013.

AgeCare's continuum of care encompasses a full array of services, including ALFs, SNFs and one CCRC. AgeCare is known for quality personal and professional care services, delivered in an environment where residents feel at home. Each of AgeCare's communities has a general manager and professional, qualified teams who oversee all aspects of the resident care and services. AgeCare operates over 1,000 beds.

- **Life Care Services, LLC:** Life Care Services LLC was established in 1971. Since that time, the company has grown its portfolio to include more than 100 managed properties, the majority of which are CCRCs. Life Care's portfolio includes more than 29,000 beds. The company owns and manages properties located throughout the United States, including in Arizona, Connecticut, Florida, Illinois, Maryland, North Carolina, Tennessee, Virginia and Washington.
- **Platinum Health Care, LLC:** Platinum Health Care, LLC was formed in 2001 with the purpose of managing long term care facilities. Since that time, the company has grown its portfolio to 29 properties, with approximately 3,335 beds and 2,600 employees. Platinum Health Care LLC's continuum of care includes ALFs, SNFs and a CCRC. Platinum Health Care LLC owns and manages properties located throughout Illinois, Indiana, Missouri, Ohio and Wisconsin.
- **Sprenger Health Systems:** Based outside of Cleveland, Ohio, Sprenger Health Systems has been in existence since 1959 and owns and/or operates a portfolio of 11 facilities throughout Ohio and Indiana. Sprenger Health System's continuum of care includes ALFs, SNFs and an ILF. Sprenger Health Systems has approximately 1,600 beds or units and over 1,550 employees.
- **Covenant Care, LLC:** Founded in 1994, Covenant Care, LLC is a national operator of long-term care facilities based in southern California. The company operates a portfolio of over 50 SNFs and ALFs located in California, Illinois, Indiana, Iowa, Kentucky, Nebraska, Nevada and Ohio. Covenant Care, LLC operates 5,787 beds and employs over 8,000 employees.
- **Miller's Health Systems, Inc.:** With an extensive history dating back to 1964, Miller's Health Systems, Inc. is among the oldest providers of long-term care services operating in Indiana. Today, Miller's operates 32 SNF and ALF facilities, with 3,369 beds under management. Miller Health Systems, Inc. employs a staff of over 3,000 employees and continues to grow its services as a leader in long-term care.
- **Trilogy Health Services, LLC:** Established in 1997, Trilogy Health Services, LLC is a leading provider of senior living and long-term care services. Trilogy Health Services, LLC's continuum of care encompasses a full array of services, including ILFs, ALFs and SNFs as well as adult day care services, pharmacy and home health, among others. Based in Louisville, Kentucky, Trilogy Health Services, LLC is one of Indiana's largest long-term care companies with 67 facilities. In addition, the company continues to expand its Midwest presence with facilities located throughout Illinois, Indiana, Kentucky, Michigan and Ohio. Trilogy Health Services, LLC has over 7,200 beds under management and 9,000 employees.

- **Magnolia Health Systems, Inc.:** Formed in 2001, Magnolia Health Systems, Inc. is an Indiana-based operator of SNFs and ALFs. Magnolia Health Systems, Inc. has 31 facilities in its portfolio and approximately 2,800 beds, making it one of Indiana's largest operators in terms of total bed count.
- **Mainstreet Senior I, LLC:** Mainstreet Senior I, LLC, is an Indiana limited liability company organized in 2007. It is owned primarily by two of the principals of Mainstreet, and was formed solely for the purpose of operating Highland Manor Health and Living.

Mainstreet has also identified and is in various stages of discussions with several other potential operators for future developments in various states. Management has a well-established process to determine the creditworthiness of potential operators. With respect to creditworthiness, management analyzes the financial data and other information about the operator, such as income statements, balance sheets, net worth, cash flow, business plans, data provided by industry credit rating services, and/or other information the REIT may deem relevant. In addition, the REIT may obtain guarantees of leases by the corporate parent of the operator, in which case the REIT will analyze the creditworthiness of the guarantor. In many instances, management will also meet with the senior management to discuss the company's business plan and strategy.

Information in this prospectus regarding operators of the Initial Properties has been obtained, where available, from publicly available information, and otherwise from the relevant operator. Aggregated data regarding the operators of the Initial Properties has been derived from such information. Neither the REIT nor the Underwriters have independently verified any of such information.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of the REIT's property. The REIT intends to target a debt level of 55% of Gross Book Value. To monitor cash flow, the REIT intends to monitor its interest coverage ratio and debt-to-EBITDA ratio. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT would be more than 60% of the Gross Book Value (65% including any convertible debentures of the REIT). At March 31, 2012 as adjusted for the Offering, the REIT estimates that its total consolidated indebtedness will be approximately $123.1 million. The REIT's total debt at March 31, 2012 as adjusted for the Offering is expected to represent approximately 52% of Gross Book Value, of which 100% is fixed rate indebtedness. The weighted average maturity and weighted average interest rate of all indebtedness of the REIT at March 31, 2012 adjusted for the Offering are expected to be approximately 8.6 years and 5.04%, respectively.

The following table sets out aggregate principal payments for the next five years:

Year	Principal Payments During Period	Principal Repayments on Maturity	Total	% of Total Principal	Weighted Average Interest Rate
2012	$ 2,329,645	$ —	$ 2,329,645	1.8%	5.28%
2013	2,837,686	—	2,837,686	2.2%	5.49%
2014	3,330,621	—	3,330,621	2.6%	5.32%
2015	3,847,347	—	3,847,347	3.0%	5.20%
2016	3,338,352	30,373,402	33,711,754	26.7%	3.86%
Thereafter	21,335,312	58,923,813	80,259,125	63.5%	5.49%
Total	$37,018,963	$89,297,215	$126,316,178	100.0%	5.04%

Source: March 31, 2012 financial statements adjusted for the Offering.

Additional principal payments (not included in above table) for anticipated debt incurred in connection with the three pre-leased development properties are $357,101, $429,975 and $454,028 for 2013, 2014 and 2015, respectively.

Additional principal payments (not included in above table) on maturity for anticipated debt incurred in connection with the three pre-leased development properties are $16,334,291 for 2016.

Pre-Leased Development Properties

Three of the 15 properties included in the Initial Properties are pre-leased development properties currently under construction. The indebtedness on these three pre-leased development properties, when fully drawn, will have an aggregate principal amount of U.S.$36.0 million and have a weighted average fixed interest rate of debt of 4.8% per annum. Two of the pre-leased development properties currently under construction, Mishawaka and Springfield, have construction lines of credit that are drawn as costs are incurred. Once Mishawaka and Springfield are complete, which is estimated to be in December 2012 and February 2013, respectively, the aggregate principal amount of debt of these two properties will be U.S.$20.8 million. The REIT's total debt once the three pre-leased development properties are complete (without taking into account principal repayment of debt at the time of Closing) is expected to represent approximately 55% of Gross Book Value, of which 100% is expected to be fixed rate indebtedness. The weighted average maturity and weighted average interest rate of all indebtedness of the REIT once the pre-leased development properties are complete is expected to be approximately 8.1 years and 5.08%, respectively.

Sun Life Debt

The properties included in the NPR Portfolio are currently encumbered by the Sun Life Debt. The Sun Life Debt provides for a loan in the original principal amount of $104.5 million, which had a principal amount of $92.6 million at March 31, 2012 and has a fixed interest rate of 5.49% per annum. The Sun Life Debt matures in December 2021 and there is no further right to renew. Given the term of the Sun Life Debt, the REIT believes that the non-renewal of the Sun Life Debt would not have an impact on distributions in the foreseeable future. The Sun Life Debt includes a prohibition on the REIT making distributions if a default or event of default exists under the Sun Life Debt. The Sun Life Debt is secured by first mortgage security on each of the properties in the NPR Portfolio. The REIT intends to assume the Sun Life Debt, which will be a condition of Closing.

The Sun Life Debt includes customary events of default, including: (i) the failure to make payments when due; (ii) any representations or warranties prove to have been incorrect or incomplete in any material respect when made or deemed to have been made and are not capable of being remedied or continue unremedied for more than ten business days after the earlier of: (a) the borrower first having knowledge; or (b) the written notice by the lender; (iii) the failure to perform or observe any covenant or obligation in any loan document and, if capable of being remedied, such failure or default remains unremedied for ten business days after the earlier of: (a) written notice by the lender; and (b) the borrower first having knowledge; (iv) failure of the borrower to pay any indebtedness when due or failure to perform or observe any covenant in any other agreement or in any instrument relating to its indebtedness and, as a result of such failure, any other party to that agreement is entitled to exercise, and has not waived, the right to accelerate the maturity of any amount owing; (v) default by the borrower in the performance of material obligations under any of the material agreements (except to the extent that such default could not reasonably be expected to have a material adverse effect); (vi) any breach of certain of the borrower's agreements in respect of the AgeCare Leases; (vii) the occurrence of any specified insolvency events in respect of the borrower and other loan parties; (viii) in respect of the borrower and its property, the existence of any judgments and executions in excess of $100,000; (ix) the occurrence of any matter, event or circumstance (whether or not within the control of the borrower) that could have a material adverse effect on the business, financial condition, operations, property, assets or undertaking of the borrower or the ability of the borrower to pay and satisfy and perform its obligations under the loan documents; and (x) any change of control of the borrower. The Sun Life Debt provides for customary remedies, including acceleration (with yield maintenance) and the right of the lender to realize under any or all of its security (including the fixed mortgages on each of the six properties in the NPR Portfolio), subject in each case to applicable laws.

Property	Principal Amount[1]	Principal at Dev. Completion[2][3]	Maturity	Rate[4]
Indianapolis, IN	$ 2,066,330[5]	$ 2,066,330	Jun-39	5.45%
Marion, IN	13,000,000	13,000,000	Jan-16	3.04%
Wabash, IN	15,500,000	15,200,000	Nov-16	3.85%
Mishawaka, IN	2,151,681	10,408,800	Dec-16	5.75%
Springfield, IL	1,041,724	10,360,000	Dec-15	5.08%
NPR Portfolio	92,556,443	92,556,443	Dec-21	5.49%
Total	$126,316,178	$143,591,573		
Less Loan Fees	(3,212,724)	(3,212,724)		
Carrying Amount	$123,103,454	$140,378,849		
Indebtedness as % of Gross Book Value				
At Closing[1]	52%			
At development completion[2]	55%			
Weighted Average Interest Rate				
At Closing[1]	5.04%			
At development completion[2]	5.08%			
Weighted Average Term to Maturity (Years)				
At Closing[1]	8.6			
At development completion[2]	8.1			

(1) Based on March 31, 2012 unaudited financial statements adjusted for the Offering.

(2) Based on March 31, 2012 unaudited financial statements adjusted for the Offering and for additional indebtedness incurred to complete the three pre-leased development properties included in the Initial Properties.

(3) Takes into account repayment of $300,000 of bridge financing, which was initially obtained to provide additional cash at the start of construction; cash from the continuing debt will be used to repay the bridge financing.

(4) All of the indebtedness presented has a fixed interest rate.

(5) This indebtedness is expected to be repaid in full shortly following Closing.

Term Loan Credit Facility

Mainstreet has signed a non-binding indicative term sheet with a U.S. bank pursuant to which the lender will provide the Partnership, subsequent to Closing, with a Credit Facility in the principal amount of U.S.$25.0 million, which will have a term of three years. Variable rate interest will be calculated and payable monthly under the Credit Facility at a rate equal to the U.S. 30-day LIBOR plus a margin of 325 basis points (plus any mandatory bank regulatory cost, which is not anticipated). The Credit Facility will be secured by first priority mortgages on four of the Initial Properties (Alexandria, Brookville, Marion-Bradner, and Valparaiso). The Credit Facility will include covenants requiring the Partnership to maintain certain loan-to-value and debt service coverage ratios and requiring that the Partnership and its affiliates maintain a consolidated net worth of at least U.S.$80.0 million and have overall leverage of less than 60%.

CURRENCY HEDGING ARRANGEMENTS

Given that a portion of the REIT's investments and operations will be conducted in U.S. dollars and the REIT will pay distributions to Unitholders in Canadian dollars, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. Upon Closing or shortly thereafter, the REIT intends to enter into currency hedging arrangements with an arm's length counterparty pursuant to which the counterparty will agree to exchange U.S. dollars for Canadian dollars at an exchange rate to be agreed upon in the hedging arrangements.

The hedging arrangements will be implemented initially for a term of two years. The Board of Trustees will assess the REIT's currency hedging strategy from time to time.

THE ACQUISITIONS

The following is a summary of the principal transactions that will take place on the day of the closing of the Offering or on the day immediately following closing of the Offering:

(i) Mainstreet will contribute the nine seniors housing and care properties included in the Mainstreet Portfolio to the Partnership in exchange for partnership units that will be reclassified as Class B Units of the Partnership;

(ii) The REIT will pay approximately $70.2 million, subject to customary closing adjustments, in satisfaction of the cash purchase price owing under the NPR Purchase Agreement together with other closing costs;

(iii) In order to capitalize its Subsidiaries, the REIT will lend U.S.$12.0 million to HealthLease U.S. in exchange for HealthLease U.S. Notes having an aggregate principal amount equal to U.S.$12.0 million and will lend U.S.$14.7 million to HealthLease Canada in exchange for HealthLease Canada Notes having an aggregate principal amount equal to U.S.$14.7 million;

(iv) The REIT will use the remaining net proceeds of the Offering (less any amounts retained for working capital purposes) to subscribe for additional common shares of HealthLease Canada;

(v) HealthLease Canada will use the proceeds received from the REIT to subscribe for additional common shares of HealthLease U.S.;

(vi) Pursuant to the Mainstreet Investment Agreement, HealthLease U.S. will use the proceeds received from the REIT and HealthLease Canada (net of certain expenses) to subscribe for Class A Units of the Partnership; and

(vii) The Partnership will use approximately U.S.$27.3 million of the proceeds received from HealthLease U.S. to repay debt in respect of the following Initial Properties: MS Bradner; MS Brookville; MS Alexandria; MS Valparaiso; MS Mishawaka; and MS Springfield. Any remaining proceeds will be used to pay expenses of the Partnership or held for working capital purposes.

Mainstreet Investment Agreement

The Mainstreet Investment Agreement will contain representations and warranties, certain of which are qualified as to knowledge (after reasonable inquiry) and materiality, relating to the Partnership and the Initial Properties in the United States and related indemnities from Mainstreet Property Group, LLC in favour of the REIT and the Partnership (including representations and warranties (i) with respect to itself, as to existence, power and capacity, due authorization, no approvals, no contravention, execution, delivery and enforceability of the Mainstreet Investment Agreement, ownership of securities of the Partnership and its general partner, no options or agreements to purchase securities of the Partnership or the General Partner, no bankruptcy or insolvency, OFAC and FIRPTA; (ii) with respect to the REIT, the Partnership and their Subsidiaries, as to organization and status, power and due authorization, execution and delivery, authorized and issued capital, no approvals, no contravention, compliance with laws, litigation and regulatory matters, absence of undisclosed liabilities, financial statements, no material adverse change, tax matters, outstanding liens, outstanding indebtedness and guarantees, material agreements, insurance, no notices from regulatory authorities or insurance providers, intellectual property, condition of tangible assets, employment matters and benefits plans, no bankruptcy or insolvency, OFAC, completeness of minute books and nominee entities not having carried on business; and (iii) with respect to the Initial Properties in the United States, title to the Initial Properties in the United States, leases in good standing, lease security deposit and guarantees, no brokerage obligations, accuracy of rent rolls, status of mortgages, outstanding liens, environmental matters, regulatory and operations permits and authorizations, condition of improvements, zoning and compliance with laws).

The Mainstreet Investment Agreement will also contain a representation and warranty from Mainstreet Property Group, LLC that, to the best of its knowledge, this prospectus does not contain a misrepresentation (as defined in the *Securities Act* (Ontario)) subject to an exception for portions of the prospectus containing summaries or extracts of expert reports. The maximum liability of Mainstreet Property Group, LLC under its representations, warranties and indemnities in the Mainstreet Investment Agreement will be limited to $25 million. Such representations and warranties will survive for a period of 18 months following Closing,

provided, however, that the representations regarding formation and status, power and due authorization and title to properties and to securities shall survive indefinitely, representations regarding tax matters shall survive for the applicable limitation periods, the environmental representations shall survive for the applicable limitation periods and the prospectus representation will survive for a period of three years from Closing. No claim under the representations and warranties and indemnities may be made until the aggregate losses exceed $750,000.

There can be no assurance of recovery by the REIT or the Partnership from Mainstreet Property Group, LLC for any breach of the representations and warranties provided under the Mainstreet Investment Agreement, as there can be no assurance that the assets of Mainstreet Property Group, LLC will be sufficient to satisfy such obligations. Only the REIT or Mainstreet Property Group, LLC will be entitled to bring a claim or action for misrepresentation or breach of contract under the Mainstreet Investment Agreement and purchasers of Units under this prospectus will not have any contractual rights or remedies under the Mainstreet Investment Agreement. Purchasers will, however, have certain statutory rights against the REIT and Mainstreet Property Group, LLC, as promoter, under applicable securities laws. See “Retained Interest” and “Purchasers’ Statutory Rights”.

NPR Purchase Agreement

A wholly-owned subsidiary of Mainstreet (the “Purchaser”), and an affiliate of Northern Property Real Estate Investment Trust (the “Vendor”) are parties to a purchase and sale agreement dated March 16, 2012 (the “NPR Purchase Agreement”) pursuant to which the Purchaser has agreed to purchase the NPR Portfolio subject to third party operating leases (the “Operating Leases”) in favour of Age Care Health Services Inc. or Age Care Investments Ltd. (collectively, “AgeCare”). Prior to the Closing, the Purchaser will assign the NPR Purchase Agreement to the REIT and from and after such assignment the REIT will be deemed to be the Purchaser under the NPR Purchase Agreement and the REIT will reimburse the Purchaser for the deposits and any costs relating to the Acquisition.

Pursuant to the NPR Purchase Agreement, the Purchaser will acquire substantially all of the assets related to the six facilities, to the extent not owned by AgeCare under the Operating Leases, in exchange for (i) the assumption of the existing indebtedness in respect of the facilities in favour of Sun Life Insurance Company of Canada (“Sun Life”), having an approximate outstanding principal and accrued interest amount of $93.0 million as at March 31, 2012 (the “Sun Life Debt”) and (ii) the balance, by a cash payment in the amount of approximately $67.0 million, subject to customary closing adjustments. Sun Life has conditionally consented to the assumption of the Sun Life Debt. See “Debt Strategy and Indebtedness” for a description of the Sun Life Debt.

Under the NPR Purchase Agreement, the Purchaser was required to make two deposits of $500,000 each. The first deposit was made on March 23, 2012 and the second deposit was made on or about April 20, 2012. The NPR Purchase Agreement provided the Purchaser with a 45-day due diligence condition, which expired on April 30, 2012. On expiry, the two deposits became non-refundable, except in certain limited circumstances where the purchase and sale transaction does not close as a result of the failure of the Vendor to meet certain of the closing conditions in favour of the Purchaser contained in the NPR Purchase Agreement.

The NPR Purchase Agreement was subject to the waiver of an existing right of first refusal in favour of AgeCare. The right of first refusal was waived by AgeCare on March 20, 2012.

The NPR Purchase Agreement contains representations and warranties which are standard for the type of facilities being purchased and having operating leases of the nature of the Operating Leases, including representations related to the Vendor’s organization and authority, financial statements, land and improvements, licenses, the status of the Operating Leases, the status of the Sun Life Debt, compliance with law, insurance, expropriation, labour matters and hazardous materials. These representations and warranties will survive the closing of the purchase and sale transaction for a period of one year.

The Purchaser’s obligation to close on its purchase of the NPR Portfolio is conditioned on several matters as at the closing date, including, among others, the Vendor’s representations and warranties being correct in all material respects on the closing date, the receipt of any required governmental and lender consents or approvals and the completion of the Closing. The NPR Purchase Agreement contemplates that the closing date of the

purchase and sale transaction will occur concurrently with the Closing, provided that the foregoing closing conditions in favour of the Purchaser (including the completion of the Closing) must be satisfied on or prior to July 31, 2012, failing which, the purchase and transaction will be terminated and the two deposits will be forfeited to the Vendor as its sole remedy, subject to certain limited exceptions as set out in the NPR Purchase Agreement.

The NPR Purchase Agreement includes an indemnity by the Vendor in favour of the Purchaser, the REIT and their respective affiliates in respect of, among other things, any claims caused by or arising directly or indirectly by reason of any information or statement provided by the Vendor or its representatives and included in this prospectus containing or being alleged to contain a misrepresentation as well as the Vendor's non-compliance with any requirement of applicable securities laws in connection with the Offering. The NPR Purchase Agreement includes an indemnity by the Purchaser in favour of the Vendor and its affiliates in respect of, among other things, any claims caused by or arising directly or indirectly by reason of any information or statement included in this prospectus (other than information provided by the Vendor) containing or being alleged to contain a misrepresentation as well as the Purchaser's non-compliance with any requirement of applicable securities laws in connection with the Offering.

There can be no assurance of recovery by the REIT from the Vendor for any breach of the representations, warranties and indemnity provided under the NPR Purchase Agreement, as there can be no assurance that the assets of the Vendor will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the NPR Purchase Agreement and purchasers of Units under this prospectus will not have any contractual rights or remedies under the NPR Purchase Agreement. Purchasers will, however, have certain statutory rights against the REIT and Mainstreet, as promoter, under applicable securities laws. See "Retained Interest" and "Purchasers' Statutory Rights".

ARRANGEMENTS WITH MAINSTREET

On Closing, the REIT, the Partnership and Mainstreet will enter into certain agreements governing the relationships among such parties following Closing. These agreements are described below. See also "Retained Interest".

Administrative Services Agreement

The Administrative Services Agreement will set out the terms and conditions pursuant to which Mainstreet will provide the REIT with certain advisory and investment management services, including the services of the Chief Executive Officer and Chief Financial Officer, and certain management and general administrative services, including keeping and maintaining books and records, preparing returns, filings and documents and making determinations necessary for the discharge of the REIT's obligations and those of the Trustees. Under the Administrative Services Agreement, Mainstreet will also provide the REIT with certain administrative and support services, including providing office space, office equipment and communications services and computer systems, providing secretarial support personnel and reception and telephone answering services, installing and maintaining signage and promotional materials and providing such other administrative services as may be reasonably required from time to time.

Mainstreet will not receive fees for services performed under the Administrative Services Agreement. Instead, Mainstreet will be reimbursed for such services under the Asset Management Agreement.

The term of the Administrative Services Agreement will commence on Closing for five years and will be automatically renewed for further five-year terms provided Mainstreet is not in material default of the terms of the Administrative Services Agreement as of the applicable renewal date. Notwithstanding the foregoing, the Administrative Services Agreement shall terminate automatically upon the termination of the Asset Management Agreement. The Administrative Services Agreement will be assignable by Mainstreet to an affiliated entity as part of a corporate reorganization, provided the level of service provided by the successor does not change. The Administrative Services Agreement will also provide for the internalization of the REIT management at no additional cost to the REIT at such time as the REIT has achieved a fully-diluted market capitalization of $500 million based on the volume weighted average price of the Units on a recognized stock exchange over a 20 business day period.

Asset Management Agreement

Mainstreet will be the asset manager of the properties owned by the REIT from time to time. Pursuant to the Asset Management Agreement, Mainstreet will provide the following asset management services to the REIT and the Partnership: provide the services of a senior management team to provide advisory, consultation and investment management services and monitor the financial performance of the REIT and the Partnership; advise the Trustees and the directors of the General Partner on strategic matters, including potential acquisitions, dispositions, financings, and development; identify, evaluate, recommend and assist in the structuring of acquisition, disposition, and other transactions; advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors; make recommendations with respect to the payment of distributions; provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the REIT and the Partnership; advise with respect to risk management policies and any litigation matters; and any additional services as may from time to time be agreed to in writing by the REIT, the Partnership and Mainstreet for which Mainstreet will be compensated on terms to be agreed upon between Mainstreet and the REIT prior to the provision of such services.

Mainstreet shall receive an annual management fee, calculated and paid in cash on a monthly basis, equal to 3.0% of the REIT's gross revenues.

In addition, the REIT will reimburse Mainstreet for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Mainstreet in connection with the performance of the services described in the Asset Management Agreement or such other services which the REIT, the Partnership and Mainstreet agree in writing are to be provided from time to time by Mainstreet.

The Asset Management Agreement is for a term of five years and will renew for additional five-year terms, provided Mainstreet is not in material default on the renewal date. At such time as the REIT has achieved a fully-diluted market capitalization of $500 million based on the volume weighted average price of the Units on a recognized stock exchange over a 20 business day period, the Asset Management Agreement shall terminate and the management of the REIT shall be internalized at no additional cost to the REIT.

The REIT will have the right to terminate the Asset Management Agreement upon 30-days written notice in the event of material default (if such default is not cured within such period) or event of insolvency of Mainstreet (within the meaning of the Asset Management Agreement). An event of default is defined as Mainstreet's: (i) commission of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws; (ii) demonstration of a willful disregard of the best interests of the REIT; (iii) material breach in the performance of its obligations under the Asset Management Agreement; (iv) unlawful assignment of its interest in the Asset Management Agreement; and (v) persistent, continuing failure in the performance of its material obligations under the Asset Management Agreement. The REIT will also have the right to terminate the Asset Management Agreement at the end of a term if the Independent Trustees determine that Mainstreet has not been meeting its obligations under the Asset Management Agreement and such termination is approved by at least two-thirds of the vote cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that the REIT provides Mainstreet with at least 12 months' prior written notice of such termination and provided further that, upon such termination, Mainstreet shall be entitled to an additional amount equal to Mainstreet's aggregate annual management fees earned for the preceding 12-month period.

The Asset Management Agreement will be assignable by Mainstreet to an affiliated entity as part of a corporate reorganization, provided the level of service provided by the successor does not change.

Development Agreements

In accordance with the Development Agreements, Mainstreet will provide the REIT (with respect to Canadian development properties) and the Partnership (with respect to U.S. development properties) with a preferential right to develop internally all suitable property developments that Mainstreet proposes to undertake. Suitable property developments consist of income-producing seniors housing and care properties

focused on providing care primarily to seniors that are proposed to be owned in fee simple and long-term, triple-net leased to an identified creditworthy tenant operator.

If the REIT elects to participate in such a development project (an "Internal Development Property"), the REIT will be obligated to engage Mainstreet to act as the developer for the project, and the REIT or the Partnership, as applicable, will be afforded the opportunity to work with Mainstreet in the planning and design of and budgeting for the property. Mainstreet will then transfer to the REIT or the Partnership, as applicable, all of its interest in the Internal Development Property, and the REIT or the Partnership, as applicable, will reimburse Mainstreet for any costs and expenses incurred by Mainstreet in connection with the Internal Development Property up to the date of transfer. If the REIT elects not to internally develop a proposed development property, the REIT or the Partnership, as applicable, and Mainstreet will agree on an acceptable rate of return on Mainstreet's investment in the project, and Mainstreet will have the right to externally develop the property (an "External Development Property"). The REIT or the Partnership, as applicable, will also have the right to decline the opportunity to internally develop the property, but may instead, at Mainstreet's request, elect to finance an External Development Property. For Internal Development Properties, Mainstreet shall be entitled to a development fee equal to 5% of the total project costs.

Although the development fee will be paid in cash, one-half of such fee will be paid at the beginning of construction and the other one-half will be deferred until such time as the construction is complete and the tenant lease commences.

Once an External Development Property is approximately 90% complete (as determined by an architectural firm) and so long as such property would be accretive to the REIT, as determined by the board of Trustees of the REIT, the fair market value of the property will be determined by an independent third-party appraiser. If a contribution of the property in exchange for Class B Units, Units and/or cash with a value equal to its appraised fair market value (or, in the case of an External Development Property financed by the REIT or the Partnership, as applicable, 95% of the appraised fair market value or total project cost, whichever is greater) would provide Mainstreet with a rate of return on investment agreed upon in advance, Mainstreet will be required to offer to contribute the property to the REIT or the Partnership, as applicable for such price, which will be payable in a combination of Class B Units or Units and cash, as determined below. The board of Trustees or the board of directors of the General Partner, as applicable, will determine, in its discretion, whether to accept the property and, if accepted, Mainstreet and the REIT or the Partnership, as applicable, will consummate the contribution of the property at such time as agreed upon by Mainstreet and the REIT or the Partnership, as applicable. If a contribution of the property at the appraised value (or 95% thereof, as applicable) would not provide Mainstreet with the agreed upon return, or if the board of Trustees or the board of directors of the General Partner, as applicable, determines not to accept the contribution of the property, Mainstreet will retain the property.

If Mainstreet subsequently determines (through a new independent third-party appraisal) that a contribution of a retained property equal to its fair market value would provide Mainstreet with the agreed upon rate of return on investment, Mainstreet may offer to contribute the property to the REIT or the Partnership, as applicable, at such new price, which will be payable in a combination of Class B Units or Units and cash as determined below. The REIT or the Partnership, as applicable, may accept the contribution in the discretion of the board of Trustees or the board of directors of the General Partner, as applicable. If Mainstreet desires to sell any retained property to a third party at a price that would not provide it with the agreed upon rate of return on investment, Mainstreet must first offer the REIT or the Partnership, as applicable, the right to purchase the property on terms not less favourable to the REIT or the Partnership, as applicable, than those offered to the third party, before being entitled to sell it to the third party.

The purchase price to be paid to Mainstreet for each External Development Property shall, subject to the receipt of applicable regulatory approvals, be allocated as follows:

- A minimum number of Class B Units or Units equal to Mainstreet's pro rata ownership percentage (on a fully diluted basis) and, at Mainstreet's election, up to 40% of the purchase price;
- The remainder of the purchase price shall be paid in cash.

The Development Agreements will grant Mainstreet a first right to develop properties for the REIT or the Partnership, as applicable, on equitable commercial terms, regardless of the original source of those properties.

If the REIT or the Partnership, as applicable, internally develops properties that are sourced from an unrelated third party, the REIT or the Partnership, as applicable, shall pay Mainstreet an advisory development fee equal to 1.5% of the total project cost, and Mainstreet will act as an owner-representative on the construction project.

The initial term of the Development Agreements is for five years, with automatic five-year renewal terms; provided Mainstreet is not in material default of the applicable Development Agreement on the applicable renewal date. The Development Agreements are not transferable by Mainstreet to unaffiliated third parties unless otherwise consented to by the REIT or the Partnership, as applicable. The REIT or the Partnership, as applicable, may terminate the Development Agreement upon thirty days' written notice in the event of the material default or insolvency of Mainstreet. An event of default is defined as Mainstreet's: (i) commission of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws; (ii) demonstration of a willful disregard of the best interests of the REIT or the Partnership, as applicable; (iii) material breach in the performance of its obligations under the Development Agreement; (iv) unlawful assignment of its interest in the Development Agreement; and (v) persistent, continuing failure in the performance of its material obligations under the Development Agreement. Upon any such termination, the applicable Development Agreement will continue to apply in all respects to the development of any property in which the REIT or the Partnership, as applicable, has elected to participate prior to termination. The REIT or the Partnership, as applicable, shall be entitled to terminate the Development Agreement upon 30 days' written notice at any time if Mainsteet's ownership of Units on a fully-exchanged basis falls below 7.5% of the outstanding Units on a fully-exchanged basis.

Mainstreet Development Leases

Mainstreet has agreed, commencing on Closing, to make monthly payments to the Partnership in the amount of U.S.$56,601 in respect of MS Mishawaka, U.S.$67,808 in respect of MS Springfield and U.S.$52,443 in respect of MS Wabash until the applicable property receives a certificate of occupancy and the tenant operator takes possession of the facility. As a result of the proposed arrangements, until the applicable property receives a certificate of occupancy and the tenant operator has taken possession of the facility, Mainstreet has effectively guaranteed that the Partnership will achieve a total AFFO from the property as if such property were occupied and lease payments were being paid by the respective tenant operators. In order to provide security for such payments, Mainstreet has pledged certain of its Class B Units and/or Units having a minimum book value equal to the undiscounted future payments expected to be made pursuant to such payments. This pledge will remain in effect until such time as all amounts payable by Mainstreet to the Partnership under the Mainstreet Development Leases have been satisfied. Mainstreet has also granted a security interest in all distributions payable on such Class B Units and/or Units, provided that the security interest in respect of such distributions only becomes a right to such distributions upon and to the extent of any event of default that is continuing under a Mainstreet Development Lease. Mainstreet's payment obligation will be set forth in the Mainstreet Development Leases between Mainstreet, the Partnership and the Subsidiary of the Partnership that owns the applicable property pursuant to which Mainstreet will lease MS Mishawaka, MS Springfield and MS Wabash and make the monthly payments described above. The Partnership will offset distributions payable on Mainstreet's entire retained interest as necessary to fund Mainstreet's obligations. In the event the distributions are not sufficient to fund Mainstreet's obligations in full, Mainstreet shall pay cash to the Partnership. In the event Mainstreet fails or refuses to pay cash to the Partnership, the Partnership shall have the right to redeem a portion of Mainstreet's Class B Units or Units in an amount equal to such cash shortfall. It is currently expected that certificates of occupancy will be obtained for MS Mishawaka on or before December 31, 2012, for MS Springfield on or before February 28, 2013 and for MS Wabash on or before December 31, 2012. Assuming the certificates of occupancy are obtained on such dates and Closing occurs on June 1, 2012, the total amount of rent to be paid by Mainstreet under the Mainstreet Development Leases would be U.S.$341,768 in the case of MS Mishawaka, U.S.$572,193, in the case of MS Springfield and U.S.$333,039, in the case of MS Wabash, for a total of U.S.$1,247,000.

Non-Competition Agreement

On Closing, the Principals will enter into the Non-Competition Agreement pursuant to which the Principals will agree not to, and will cause the Principal Entities not to, (i) create another real estate investment trust or other publicly-held investment vehicle which primarily invests in senior housing properties in the United States

or Canada or (ii) develop, acquire, invest in or have an ownership interest in, directly or indirectly, senior housing properties in the United States or Canada other than in respect of:

(a) any senior housing property owned or controlled by the Principals or Principal Entities which is being developed by Mainstreet in accordance with the terms of the Development Agreement, including any such property that the REIT has been offered and has declined to invest in accordance with the terms of the Development Agreement;

(b) any senior housing property owned or controlled by the Principals or Principal Entities which is not a suitable development and/or acquisition property under the terms of the Development Agreement, provided that upon such property becoming a suitable development and/or acquisition property it is offered to the REIT in accordance with the terms of the Development Agreement;

(c) any senior housing property owned or controlled by the Principals or Principal Entities at Closing;

(d) any property that is ancillary to any development project managed or owned by the Principals or Principal Entities involving primarily non-senior housing properties;

(e) any property that is a part of a portfolio of primarily non-senior housing properties; or

(f) any investment of up to 10% of the issued and outstanding equity securities of any public issuer and investments in the REIT or the Partnership.

The Non-Competition Agreement will also provide that the Principals will not and the Principals will cause the Principal Entities to not:

(a) solicit any specific resident to vacate any REIT property in favour of a property in which the Principals or Principal Entities have an ownership or operating interest during the occupancy of such resident at such REIT property; and

(b) preferentially market or lease suites in any property in which the Principals or Principal Entities have an ownership or operating interest that is not a property of the REIT, over suites in any property of the REIT.

The Non-Competition Agreement will terminate upon the earlier of: (i) the effective date of the termination of the Asset Management Agreement, unless such termination is due to an event of default by Mainstreet under the Asset Management Agreement, in which case it shall be 12 months following the effective date of such termination; and (ii) management of the REIT being internalized in accordance with the terms of the Asset Management Agreement.

RETAINED INTEREST

Following Closing, Mainstreet will hold 2,400,000 Class B Units (being all of the Class B Units outstanding on Closing) representing an approximate 17.9% economic interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full). Each Class B Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments), will be accompanied by one Special Voting Unit of the REIT (which provides for the same voting rights in the REIT as a Unit) and will be entitled to distributions of cash from the Partnership equal to the cash distributions paid to holders of Units by the REIT, subject to certain adjustments. Pursuant to the Declaration of Trust, Mainstreet will have the right to appoint trustees to the Board of the REIT (depending on the level of Mainstreet's ownership interest), which trustees will also comprise the board of directors of the General Partner. See "Declaration of Trust", "Trustees and Management of the REIT — Governance and Board of Trustees" and "The Partnership".

Exchange Agreement

As of Closing, the REIT, HealthLease U.S., the Partnership, the General Partner and Mainstreet will enter into the Exchange Agreement. The Exchange Agreement will grant to Mainstreet the right to require the REIT to exchange each Class B Unit for one Unit (the "Exchange Right"), subject to customary anti-dilution adjustments and the adjustments described under "Declaration of Trust". Collectively, the exchange rights granted by the REIT are referred to as the "exchange rights".

The exchange procedure may be initiated at any time by the holder of a Class B Unit so long as all of the following conditions have been met:

(i) the exchange would not cause the REIT to breach the restrictions respecting non-resident ownership contained in the REIT's Declaration of Trust as described under "Declaration of Trust" or otherwise cause it to cease to be a "mutual fund trust" for purposes of the Tax Act or create a substantial risk of such cessation;

(ii) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange rights; and

(iii) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws.

The Exchange Agreement will provide that, so long as Mainstreet, together with its affiliates, hold at least a 10% ownership interest in the REIT, calculated on a fully diluted basis, Mainstreet will have pre-emptive rights to purchase Class B Units or Units to maintain its *pro rata* ownership interest in the REIT in the event that the REIT or any of its subsidiaries decides to issue equity securities, or securities convertible into or exchangeable for equity securities, to third parties, subject to certain exceptions. Upon exercise of this right, Mainstreet will be entitled to participate in the issue of such securities at the most favourable price and on the most favourable terms as such securities are offered to any third party.

The Exchange Agreement will also provide that if the REIT enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up, dissolution or termination of the REIT, or exchange of Units for securities of a third party issuer or successor issuer; and, at such time, Mainstreet and its affiliates hold in the aggregate, directly or indirectly, 10% or less of the outstanding Units on a fully-diluted basis, then Mainstreet will be obligated to, upon the written request of the REIT, exercise the Exchange Right in respect of the Class B Units then held by Mainstreet and its affiliates. In addition, in the event of an acquisition of not less than 90% of the Units (including Units issuable upon the exchange of Class B Units) by a person (including persons acting jointly or in concert with such person), the REIT will have the right, subject to applicable law, to acquire outstanding Class B Units in exchange for an equal number of Units, subject to adjustment in accordance with the Declaration of Trust.

Pursuant to the terms of the Exchange Agreement, Mainstreet will be granted demand and "piggy-back" registration rights by the REIT that will enable it to require the REIT to file a prospectus and otherwise assist with a public offering of Units for so long as Mainstreet owns at least 10% of the outstanding Units on a fully-exchanged basis, subject to certain limitations.

TRUSTEES AND MANAGEMENT OF THE REIT

Governance and Board of Trustees

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT are overseen by a Board of Trustees consisting of a minimum of one and a maximum of nine Trustees, a majority of whom are Canadian residents. The REIT must, at all times after the Offering, have a majority of Trustees who are independent within the meaning of NI 58-201 provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining

Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement.

The Board is comprised of seven Trustees. Pursuant to NI 58-201, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment. The REIT has determined that David Beirnes, Neil Labatte, Michael Salter, Aida Tammer, Richard Turner and James Bremner are independent under these standards. Paul Ezekiel Turner, as the REIT's Chief Executive Officer and as a principal and the Chief Executive Officer of Mainstreet, is not independent under these standards. All of the trusteeships and directorships of the Trustees with other public entities are disclosed in the biographical information for each Trustee set out below. Pursuant to the conflict of interest provisions in the Declaration of Trust (see "Conflicts of Interest" below), Mr. Paul Ezekiel Turner is required to disclose the nature and extent of his interest in, and is not entitled to vote on any resolution to approve, any material contract or transaction or any proposed material contract or transaction, between the REIT and Mainstreet or any of its affiliates or any other entity in which Mr. Paul Ezekiel Turner has an interest (unless the contract or transaction relates to his remuneration or an indemnity under the provisions of the Declaration of Trust on liability insurance).

The mandate of the REIT's Board is one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to unitholders; (xiii) ensuring effective and adequate communication with unitholders, other stakeholders and the public; (xiv) determining the amount and timing of distributions to unitholders; and (xv) acting for, voting on behalf of and representing the REIT as a holder of shares of HealthLease Canada and, indirectly, the shares of HealthLease U.S. and the Class A Units of the Partnership.

The Board will adopt written position descriptions for the Chairman of the Board and the Lead Trustee which will set out their respective key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and unitholder meetings, Trustee development and communicating with unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The REIT will adopt a written code of conduct (the "Code of Conduct") that applies to all Trustees, officers, and management of the REIT and its Subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on the SEDAR website at http://www.sedar.com.

The standard of care and duties of the Trustees provided in the Declaration of Trust is similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that

each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Other than Trustees appointed by Mainstreet as described below, Trustees will be elected at each annual meeting of unitholders to hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. The nominees for election of the Trustees will be determined by the Compensation, Governance and Nominating Committee in accordance with the provisions of the Declaration of Trust and will be included in the proxy-related materials to be sent to unitholders prior to each annual meeting of unitholders.

The unitholders or the Trustees will be entitled to change the number of Trustees comprising the Board. A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees, from a failure of the unitholders to elect the required number of Trustees or a vacancy in Mainstreet's appointed Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of trustees in the Declaration of Trust or from a failure of the unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of unitholders, appoint one or more additional Trustees to serve until the next annual meeting of unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of unitholders. Any Trustee may resign upon 30 days' written notice to the REIT, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of unitholders, other than a Trustee appointed pursuant to Mainstreet's appointment right described below, who will be appointed and removed at the discretion of Mainstreet.

The Declaration of Trust will grant Mainstreet the exclusive right to appoint certain Trustees of the REIT based on its voting interest in the REIT and the size of the Board at the time of appointment, as shown in the following table:

Mainstreet's Voting Interest in the REIT	Total Number of Trustees of the REIT	Number of Mainstreet Appointees
Greater than 29.99%	Greater than 10	5
	10	4
	7 to 9	3
	5 to 6	2
	Less than 5	1
10% — 29.99%	10 or greater than 10	3
	Less than 10	2
Less than 10%	Any	1

On Closing, it is anticipated that Mainstreet will have the right to appoint two of the seven trustees. Mainstreet has appointed Paul Ezekiel Turner and Neil Labatte to the Board pursuant to its appointment right.

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT. The Trustees of the REIT are also directors of HealthLease Canada, HealthLease U.S. and the General Partner:

Name and Municipality of Residence	Position with the REIT	Principal Occupation
DAVID W. BEIRNES[1][2] . . . . Mississauga, Ontario	Trustee	Principal of CBG Seniors Realty Advisors Inc.
JAMES BREMNER[3] . . . . Indianapolis, Indiana	Trustee	President, Healthcare of Duke Realty Corporation
NEIL LABATTE[3][6] . . . . Toronto, Ontario	Trustee	President, Global Dimension Capital, Inc. and MyWay Concierge, Inc.
MICHAEL SALTER[4] . . . . Scottsdale, Arizona	Trustee	Chief Financial Officer of Medical Facilities Corporation
AIDA TAMMER[5] . . . . Toronto, Ontario	Trustee	Corporate Director
RICHARD TURNER[1] . . . . Vancouver, British Columbia	Trustee	President and Chief Executive Officer of TitanStar Investment Group Inc.
PAUL EZEKIEL TURNER[6][7] . . . . Cicero, Indiana	Trustee and Chief Executive Officer	Chief Executive Officer of the REIT and Mainstreet

Notes:

(1) Member of the Audit Committee.

(2) Lead Trustee.

(3) Member of the Compensation, Governance and Nominating Committee.

(4) Chair of the Audit Committee.

(5) Chair of the Compensation, Governance and Nominating Committee.

(6) Appointed by Mainstreet.

(7) Chair of the Board.

Additional biographical information regarding the Trustees and officers of the REIT is set out below:

David W. Beirnes — Trustee

David W. Beirnes is a principal of CBG Seniors Realty Advisors Inc., a professional services firm that provides advisory and asset management services to organizations in the seniors housing sector. He co-founded the firm in April 2007. He is also Managing Director of Abacus Seniors Living Ltd., a firm that owns and operates a portfolio of long-term care and retirement homes in Ontario and Quebec, a position he has held since August 2007. Prior to this, he was the Chief Financial Officer of Retirement Residences Real Estate Investment Trust and of a predecessor entity, CPL Long-term Care Real Estate Investment Trust, starting in 2000. Prior to working in the seniors housing sector, Mr. Beirnes spent 20 years in the commercial real estate and hospitality industries. He holds a Masters of Business Administration from Ivey Business School and an undergraduate degree in Urban and Regional Planning from the University of Waterloo.

James D. Bremner — Trustee

Since 2007, Jim Bremner has been the President, Healthcare of Duke Realty, which has a healthcare portfolio that consists of 44 medical office buildings totalling nearly 4 million square feet, with five projects totalling nearly 570,000 square feet currently under development. Prior to that, he managed his pioneering healthcare real estate firm, Bremner & Wiley, later known as Bremner Healthcare Real Estate, which was acquired by Duke Realty in 2007. Prior to, and concurrent with managing his own firm, Mr. Bremner was a broker with Revel Companies, where he advanced to the position of President and Chief Operating Officer by 1987. Mr. Bremner is also on Duke Realty's Executive Committee and Investment Committee and serves as a director of Denison, Inc. Mr. Bremner holds a Bachelor of Science, Management, from Purdue University and his Indiana Real Estate Broker's License.

Neil Labatte — Trustee

In 2007, Neil Labatte founded Global Dimension Capital, Inc., a hotel real estate advisor, and MyWay Concierge, Inc., an integrated travel, concierge and relationship company, where he has been working since that time. Prior to that, he joined CP Hotels in 1997 and led the Fairmont Hotels & Resorts acquisition, development and real estate activities until 2004 when he became full-time Chief Executive Officer of Legacy Hotels. Mr. Labatte led Legacy through a privatization process, which saw the REIT sold in September 2007 in a $2.5 billion transaction. Prior to joining CP Hotels, he was a founding partner in AEW Mexico, a private equity firm in partnership with two large U.S.-based real estate public company investment managers. Prior to this, Mr. Labatte was involved in U.S.$40 billion of financing institution work-outs, loan restructuring and financial institution sales and mergers. Mr. Labatte holds a Masters of Science, Finance, and a Bachelor of Science, Finance from the University of Utah and attended Brown University.

Michael Salter — Trustee

Michael Salter is the Chief Financial Officer of Medical Facilities Corporation, a position he has held since February, 2004. Mr. Salter has held numerous financial management positions, including Risk Manager, Controller, and Chief Financial Officer in a variety of Canadian and U.S. based companies involved in the natural resource (oil and gas), manufacturing, and hospitality industries. Prior to his current position, Mr. Salter was the Corporate Controller from 1998 to 2001 for Olympus Hospitality Group, LLC, a hotel management company that had a portfolio of six destination resorts and a franchised hotel chain and also acted as an accounting and financial consultant for the U.S. subsidiaries of a Canadian based merchant banking group and a Scottsdale, Arizona based investment advisory firm. Mr. Salter is a Chartered Accountant and received his CPA certification in 1995.

Aida Tammer — Trustee

Aida Tammer was a member of the capital markets group at CIBC World Markets Inc. from 1998 until 2009, serving as Executive Director, Real Estate Investment Banking, since 2003. Prior to that, she worked for the real estate development subsidiary of CIBC. She is currently a member of the Toronto Real Estate Board

and serves on the Board of Directors of Tricon Capital Group Inc., a TSX-listed issuer. Ms Tammer received her Bachelor of Architecture and Bachelor of Environmental Studies degrees from the University of Waterloo and worked as an architect early in her career. She completed a Masters of Business Administration degree at the University of Toronto in 1990 and subsequently completed specialization in the valuation of derivative securities in 1994. She received the Chartered Financial Analyst designation in 1997. Ms Tammer is a retired member of the Ontario Association of Architects and AIMR.

Richard Turner — Trustee

Since 1995, Richard Turner has served as the President and Chief Executive Officer of TitanStar Investment Group Inc., a private company engaged in the provision of private equity capital to midmarket businesses and capital for real estate developments and acquisitions. His current public company board positions include Board Chair, President and Chief Executive Officer of TitanStar Properties Inc.; Board Chair and Trustee of Pure Industrial Real Estate Investment Trust; Trustee of WesternOne Equity Income Fund; and Director of TG Residential Value Properties Ltd. He also serves as a Director of Vancouver Fraser Port Authority and Chair of the Audit Committee; Director of Paragon Gaming BC; and Director of Sora Group Wealth Advisors Inc. Mr. Turner was also a Director of the Organizing Committee of the Vancouver 2010 Olympic and Paralympic Winter Games (VANOC) and served as Chair of the Audit Committee; he is a past Governor of the B.C. Business Council and a past Chair and Governor of the Vancouver Board of Trade. From 1988 to 2005, Mr. Turner served as a Director, President and Chief Executive Officer of the operating subsidiary of IAT Air Cargo Facilities Income Fund. Mr. Turner also served as Board Chair and Director of the British Columbia Lottery Corporation from 2001 to 2005 and Board Chair and Director of the Insurance Corporation of BC from 2003 to 2010; from 2002 until 2009, Mr. Turner served as Trustee of Sun Gro Horticultural Income Fund and from 2004 to 2007 as Trustee of Sunrise Senior Living REIT. He also serves as the Honorary Consul for the Hashemite Kingdom of Jordan. Mr. Turner holds a Bachelor of Commerce in Finance from the University of British Columbia and is a Member of the Institute of Corporate Directors.

Paul Ezekiel Turner — Trustee, Chairman and Chief Executive Officer

Paul Ezekiel "Zeke" Turner founded Mainstreet in 2002 and currently serves in the role of Chairman and Chief Executive Officer of Mainstreet. Prior to that, Mr. Turner worked for Citigroup Corporate and Investment Banking (formerly Salomon Smith Barney), where he worked in both the Health Care and Latin America groups in New York, and in Mergers & Acquisitions in São Paulo, Brazil. In the professional realm, Mr. Turner has recently served on the Board of Directors for the Indiana Health Care Association (IHCA), and as a member of the American Health Care Association (AHCA), the National Investment Center for the Seniors Housing and Care Industry (NIC) and the Urban Land Institute (ULI). Past and present community activities have included: the Board of Directors for the Indiana Family Institute, Cicero Christian Church, the Cicero, Indiana Economic Development Committee, Habitat for Humanity, Athletes in Action, and teaching in a marriage ministry through East 91st Street Christian Church. Mr. Turner has also traveled extensively around the world, visiting more than 36 countries to date, including various missions and goodwill trips to countries such as China, India, Nepal, the Philippines, Egypt and South Africa. Mr. Turner graduated cum laude from Taylor University in Upland, Indiana. During his time at Taylor, he earned a Bachelor of Arts degree in International Business with Finance and Economics concentrations and a Bachelor of Science degree in Business Administration/Systems, while also competing on Taylor's basketball and football teams.

Adlai Chester — Chief Financial Officer

Adlai Chester has been the Chief Financial Officer of Mainstreet since April 2009. From 2006 to 2009, Mr. Chester served as Chief Financial Officer for a telecom company. He began his career in public accounting as an auditor with PricewaterhouseCoopers LLP and Whitinger & Company. He also serves as faculty member in the accounting department at Ball State University. Mr Chester holds a Bachelor of Science in Accounting and a Masters of Accountancy from Ball State University. Mr. Chester is a Certified Public Accountant and a member of the AICPA and Indiana CPA society.

Immediately after Closing, the Trustees and executive officers of the REIT, as a group, will beneficially own, directly or indirectly, or exercise control or direction over 83,000 Units, representing approximately 0.62% of the

Units outstanding at that time. In addition, Mainstreet will own 2,400,000 Class B Units, representing 17.9% of the Units on a fully-exchanged basis. Mr. Paul Ezekiel Turner, the Chairman and Chief Executive Officer of the REIT, is the Chief Executive Officer and a principal of Mainstreet.

Penalties or Sanctions

None of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has, within the ten years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, is, as at the date of this prospectus, or has been within the ten years prior to the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Committees of the Board of Trustees

The Board will establish two committees: the Audit Committee and the Compensation, Governance and Nominating Committee. All members of the Audit Committee and a majority of the members of the Compensation, Governance and Nominating Committee will be persons determined by the Board to be Independent Trustees, except for temporary periods where a sufficient number of Independent Trustees are not available to form the committee and then only until such time as a new Independent Trustee is appointed. So long as there are Trustees on the Board appointed by Mainstreet and unless such right is waived by Mainstreet, at least one Trustee appointed by Mainstreet shall be appointed to the Compensation, Governance and Nominating Committee unless (i) such appointee is not permitted to be a member of such committee under applicable securities legislation, or (ii) such appointee would result in Mainstreet appointees representing more than 50% of the number of trustees on such committee.

Audit Committee

The Audit Committee will consist of at least three Trustees, all of whom will be persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of National

Instrument 52-110 — *Audit Committees*. The Audit Committee will be comprised of Michael Salter, who will act as chair of this committee, David Beirnes and Richard Turner, all of whom have been determined to be independent. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements.

Michael Salter (Chair) is a member of the Institute of Chartered Accountants of Alberta (1974) and a Certified Public Accountant (Illinois, 1995). He is currently Chief Financial Officer of Medical Facilities Corporation, where he has responsibility for financial reporting as well as disclosure controls and internal controls over financial reporting. Financial reporting for Medical Facilities Corporation's original structure involved many similarities to Canadian income trusts and REITs. Since becoming a Chartered Accountant 38 years ago, his career has spanned a variety of industries, including with both public and private companies, and has involved direct responsibility for internal control and accounting systems, policies and procedures as well as financial reporting.

David Beirnes has a Masters of Business Administration from the Richard Ivey Business School at the University of Western Ontario. He has held finance roles for 25 years, 15 years of which have been spent as the Chief Financial Officer of publicly traded entities listed on the TSX, including Retirement Residences REIT, CPL Long Term Care REIT, Unihost Corporation and its predecessor company Journeys End Corporation, and Lehndorf Canadian Properties Partnership. Accordingly, Mr. Beirnes has had responsibility for, among other things, financial reporting as well as disclosure controls and internal controls over financial reporting of a Canadian REIT. Mr. Beirnes has also attended seminars on IFRS accounting standards.

Richard Turner holds a B.Comm in Finance from the University of British Columbia and a diploma from the Canadian Securities Institute. He has served on the audit committees of numerous organizations, including as Chair of the audit committees of the Vancouver Organizing Committee for the 2010 Winter Olympic Games, the Vancouver Fraser Port Authority and TG Residential Value Properties Ltd. and as a member of the audit committees of WesternOne Equity GP Inc. and Sun Gro Horticultural Income Fund. He served as Chair of the Insurance Corporation of British Columbia and of the BC Lottery Corporation. He has been involved with four IFRS conversions. Mr. Turner currently owns and operates several private companies involved in real estate and finance and is the President and CEO of TitanStar Properties Inc., a TSX-V listed company. Earlier in his career, Mr. Turner worked for a variety of financial institutions where he learned risk assessment.

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this prospectus, which sets out the Audit Committee's responsibilities. It is expected that the Audit Committee's responsibilities will include: (i) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT's annual information form and management's discussion and analysis; (iv) assessing the REIT's financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; (vii) reviewing any significant transactions outside the REIT's ordinary course of business and any pending litigation involving the REIT (viii) overseeing the work and reviewing of the independence of the external auditors and (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The following table presents, by category, the fees accrued by KPMG LLP as external auditor of, and for other services provided to, the REIT in connection with the REIT's formation and organization, for the period indicated.

	Eight months ended March 31, 2012
Category of Fees	
Audit fees[1]	$1,125,000
Audit-related fees	$ 0
Tax fees[2]	$ 320,000
All other fees	$ 0

Notes:

(1) "Audit fees" relate to the audit of combined financial statements of Mainstreet Senior Care Portfolio for the years ended December 31, 2011, 2010, 2009 and 2008, review of interim combined financial statements of Mainstreet Senior Care Portfolio, opening financial statement audit of HealthLease Properties Real Estate Investment Trust, examination of financial forecast, procedures performed in connection with initial public offering and French translation services.

(2) "Tax fees" relates to certain tax advisory fees provided to management.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees, and will be charged with reviewing, overseeing and evaluating the compensation, governance and nominating policies of the REIT. The Compensation, Governance and Nominating Committee will be comprised of Aida Tammer, who will act as chair of this committee, Neil Labatte and James Bremner, all of whom have been determined by the REIT to be independent.

The Board will adopt a written charter for the Compensation, Governance and Nominating Committee setting out its responsibilities for: (i) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT; (iii) organizing an orientation and education program for new Trustees; (iv) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board; (vi) considering questions of management succession; (vii) administering any Unit option or purchase plan of the REIT, and any other compensation incentive programs; (viii) assessing the performance of management of the REIT; (ix) reviewing and approving the compensation paid by the REIT, if any, to the officers of the REIT; and (x) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to Trustees and officers of the REIT.

Following Closing, it is expected that the Compensation, Governance and Nominating Committee will put in place an orientation program for new Trustees under which a new Trustee will meet with the Chair of the Board, the Lead Trustee and members of the executive management team of the REIT. It is anticipated that a new Trustee will be provided with comprehensive orientation and education as to the nature and operation of the REIT and its business, the role of the Board and its committees and the Lead Trustee, and the contribution that an individual Trustee is expected to make. The Compensation, Governance and Nominating Committee will be responsible for coordinating development programs for continuing Trustees to enable the Trustees to maintain or enhance their skills and abilities as Trustees as well as ensuring that their knowledge and understanding of the REIT and its business remains current.

Remuneration of Trustees

Each non-executive Trustee of the Board of the REIT will be paid a fee of $25,000 per year as well as a fee of $1,500 per meeting of the Board or any committee thereof. Each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred. The Lead Trustee and the chair of each of the Audit Committee and the Compensation, Governance and Nominating Committee will receive an annual retainer of $5,000. The Trustees

will not receive any additional remuneration for acting as directors on the boards of the REIT's Subsidiaries, including HealthLease Canada, HealthLease U.S. and the General Partner.

Conflicts of Interest

The Declaration of Trust contains "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction relates to his or her remuneration or an indemnity under the provisions of the Declaration of Trust or liability insurance.

Senior Management

The responsibilities of the senior management of the REIT (including pursuant to the Administrative Services Agreement) will include: (i) providing the Board of Trustees with information and advice relating to the operation of the REIT's properties, acquisitions and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (iv) maintaining the books and financial records of the REIT; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes; (vi) preparing reports and other information required to be sent to unitholders and other disclosure documents; and (vii) administering or supervising the administration, on behalf of the Board of Trustees, of the payment of distributions by the REIT.

The primary functions of the Chief Executive Officer are to lead the management of the REIT's business and affairs and to lead the implementation of the resolutions and the policies of the Board. The Board will develop a written position description and mandate for the Chief Executive Officer which will set out the Chief Executive Officer's key responsibilities, including duties relating to strategic planning, operational direction, Board interaction, succession reporting and communication with unitholders.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
PAUL EZEKIEL TURNER Cicero, Indiana	Chief Executive Officer
ADLAI CHESTER Muncie, Indiana	Chief Financial Officer and Secretary

Additional biographical information regarding the senior management of the REIT, including a description of each individual's principal occupation within the past five years, is provided under "— Governance and Board of Trustees".

Trustees' and Officers' Liability Insurance

The REIT intends to carry trustees' and officers' liability insurance. Under this insurance coverage, the REIT will be reimbursed for insured claims where payments have been made under indemnity provisions on

behalf of the REIT's Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by the REIT. Individual Trustees and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by the REIT. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. In addition, the REIT will enter into indemnity agreements with each of its Trustees and officers.

EXECUTIVE COMPENSATION

Introduction

Our senior management team will consist of individuals employed by Mainstreet. Mainstreet will provide advisory and investment management advisory services to us pursuant to the Administrative Services Agreement and will be the asset manager of the REIT's properties pursuant to the Asset Management Agreement, for which the REIT will pay certain fees. See "Arrangements with Mainstreet — Administrative Services Agreement" and "Arrangements with Mainstreet — Asset Management Agreement".

The REIT will not have any employment agreements with members of senior management and the REIT will not pay any cash compensation to any individuals serving as the REIT's officers, directly or indirectly. Rather, those individuals will be compensated by Mainstreet. A portion of the compensation paid to certain employees of Mainstreet will be attributable to time spent on the REIT's activities.

Our officers named in the "Summary Compensation Table Expected for Fiscal 2012" below are employees of Mainstreet. These officers are referred to herein as the "named executive officers".

Mainstreet will have sole responsibility for determining the compensation of the named executive officers. As a private entity, Mainstreet is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

As the REIT's senior management team will be employed by Mainstreet, the REIT will only be obligated to pay a fixed amount to Mainstreet pursuant to the Asset Management Agreement. Any variability in cash compensation to be paid by Mainstreet to the named executive officers will not impact the REIT's financial obligations.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on the REIT's activities, and supplements the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follow.

Principal Elements of Compensation

The compensation of the named executive officers will include two major elements: (a) base salary, and (b) an annual cash bonus. Mainstreet's process for determining executive compensation is relatively straightforward, involving evaluation by executive officers. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by Mainstreet for determining how one element of compensation fits into the overall compensation objectives in respect of the REIT's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the executive officers of Mainstreet.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

The two principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the named executive officers and competitive industry pay practices for other real estate investment trusts and

corporations of comparable size. Mainstreet does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of Mainstreet.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards, and reward the REIT's performance or the named executive officer individually. The determination of the REIT's performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as unit price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

Summary Compensation Table Expected for Fiscal 2012

The following table sets out information concerning the expected compensation to be paid by Mainstreet to the named executive officers in fiscal 2012.

Name and principal position	Year	Salary[(1)(2)]	Unit-based awards	Non-equity incentive plan compensation (Bonus)[(3)]	All other compensation	Total compensation
Paul Ezekiel Turner	2012	U.S.$150,000	—	—	—	U.S.$150,000
Adlai Chester	2012	U.S.$100,000	—	—	—	U.S.$100,000

(1) Represents the portion of salary anticipated to be paid by Mainstreet attributable to time expected to be spent on the REIT's activities.

(2) Annualized base salary.

(3) As this amount is discretionary, it has not been determined as of the date of this prospectus.

The REIT may, following Closing, consider the adoption of a form of equity incentive plan intended to align the interests of certain parties with those of the REIT. Such plan could involve the issuance of securities of the REIT, the Partnership or another entity and could include as participants, the executive officers of the REIT, the officers and employees of the Partnership and the officers and employees of Mainstreet.

PRO FORMA CAPITALIZATION OF THE REIT

The following table sets forth the pro forma consolidated capitalization of the REIT as at March 31, 2012 after giving effect to the Offering and use of proceeds therefrom, including the transactions described under "The Acquisitions", but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with the *pro forma* financial statements and notes of the REIT thereto contained in this prospectus. See "Index to the Financial Statements".

	As at March 31, 2012 After giving effect to the Offering and the use of proceeds
Indebtedness	
Assumed mortgages payable, net of financing costs of $2,377,067	$ 95,739,110
Development bonds, net of financing costs of $835,657	$ 27,364,343
Exchangeable Units[1]	$ 24,000,000
Unitholders' Equity	
Units	
(Authorized — unlimited; Issued — 11,000,000)[1]	$ 93,188,963
Special Voting Units	
(Authorized — unlimited; Issued — 2,400,000)[1]	$ 0
	$240,292,416

(1) Sufficient Units will be reserved for issuance to satisfy the REIT's obligations to issue Units in connection with the exchange rights granted to the holders of Class B Units pursuant to, and as contemplated by, the Exchange Agreement. Upon the exchange of Class B Units for Units, a corresponding number of Special Voting Units will be cancelled. See "Retained Interest — Exchange Agreement".

FINANCIAL FORECAST

The following financial forecast was prepared by management of the REIT, using assumptions with an effective date of June 6, 2012, and was approved by the Trustees of the REIT on June 8, 2012. Pursuant to applicable securities policies, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with the measurement, presentation and disclosure of financial forecasts established in Part 4A and 4B of National Instrument 51-102, Continuous Disclosure Obligations. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing occurred on or about June 20, 2012.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation by the REIT that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements".

The financial forecast should be read in conjunction with the unaudited pro forma condensed consolidated financial statements of the REIT, the audited opening financial statements of the REIT, the audited combined financial statements relating to the Mainstreet Senior Care Portfolio and the audited carve out financial statements relating to the NPR Portfolio, which are contained in this prospectus. See "Index to Financial Statements".

INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATED FINANCIAL FORECAST

To the Board of Trustees of
HealthLease Properties Real Estate Investment Trust

The accompanying financial forecast of HealthLease Properties Real Estate Investment Trust, consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 and the twelve-month period ending June 30, 2013, has been prepared by management using assumptions with an effective date of June 6, 2012. We have examined the support provided by management for the assumptions, and the preparation and presentation of this financial forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of HealthLease Properties Real Estate Investment Trust, and provide a reasonable basis for the financial forecast;

- this financial forecast reflects such assumptions; and

- the financial forecast complies with the presentation and disclosure standards for future oriented financial information established in Part 4A and 4B of National Instrument 51-102, Continuous Disclosure Obligations.

Since this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
June 8, 2012

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Forecasted Net Income and Comprehensive Income

	Three-month periods ending				Twelve-month period ending
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	June 30, 2013
Revenue	$4,599,553	$4,855,393	$5,653,954	$5,881,583	$20,990,483
Expenses					
Operating	107,857	107,857	107,857	107,857	431,428
Management fees	126,889	133,796	154,549	158,495	573,729
Finance costs:					
Net Interest and amortization (note 4(e))	1,419,750	1,532,941	1,858,894	1,938,502	6,750,087
Distributions on exchangeable units	509,509	509,509	509,509	509,509	2,038,036
	2,164,005	2,284,103	2,630,809	2,714,363	9,793,280
Income from operations	2,435,548	2,571,290	3,023,145	3,167,220	11,197,203
Fair value loss (gain) on investment properties	(99,007)	(6,264)	352,847	431,343	678,919
Trust expenses	207,600	207,600	207,600	207,600	830,400
Net income and comprehensive income	$2,326,955	$2,369,954	$2,462,698	$2,528,277	$ 9,687,884

See accompanying notes to consolidated statements of forecasted net income and comprehensive income.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED STATEMENTS OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME

Three-month periods ending September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 and twelve-month period ending June 30, 2013

1. PURPOSE OF THE FINANCIAL FORECAST:

This financial forecast has been prepared by management of Mainstreet Property Group, LLC ("Mainstreet Properties") on behalf of HealthLease Properties Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose. Going forward, the REIT's financial reporting year end will be December 31.

2. BASIS OF PRESENTATION OF FINANCIAL FORECAST:

The REIT is a recently created unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust where 11,000,000 units will be issued for cash of $110,000,000. The REIT was established under the laws of the province of Ontario. The REIT has been formed to directly acquire six seniors housing and care assets in Canada from Northern Property REIT and indirectly acquire nine senior-care housing facilities which are located in Indiana and Illinois (the 15 facilities are the "Initial Properties"). The Initial Properties are comprised of a portfolio of 12 seniors housing and care properties and three properties which are currently under development and will be subject to lease agreements with Mainstreet Properties. The facilities are, in most cases, leased on a long-term basis to non-related operators.

The financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the REIT for the three-month periods ending September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 and for the twelve-month period ending June 30, 2013. The financial forecast has been prepared by management of Mainstreet Properties on behalf of the REIT using assumptions with an effective date of June 6, 2012 and reflects the assumptions described in note 4.

The financial forecast has been prepared using assumptions that reflect management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be discussed in future filings. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material.

3. SIGNIFICANT ACCOUNTING POLICIES:

The financial forecast has been prepared using the following policies in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and incorporate the principal accounting polices expected to be used to prepare the REIT's financial statements.

(a) Principles of consolidation:

Subsidiaries are entities controlled by the REIT. The financial statements of subsidiaries including special purposes entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions have been eliminated on consolidation.

(b) Foreign currency translation:

The functional and presentation currency of the REIT is the Canadian dollar. The functional currency of MPG Healthcare L.P. (the "Partnership"), a subsidiary, is the U.S. dollar. Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the income statement, or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, is included in other comprehensive income.

(c) Revenue recognition:

Revenue includes rent earned from tenants under triple-net lease agreements, realty taxes recoveries on certain properties where the REIT is the primary obligor 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.

The REIT applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

The REIT accounts for tax increment financing under the income approach and recognizes the amounts received from government authorities in net income or loss of the period in which the REIT becomes qualified to receive it.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Amounts receivable under lease agreements with Mainstreet have been recognized as a financial asset, and payments received are recorded as a reduction in the asset.

(d) Finance costs:

Finance costs are comprised of interest expense on borrowings, distributions on exchangeable units classified as liabilities and gain (loss) on change in fair value of exchangeable units.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

(e) Derivative financial instruments

The REIT uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

Management uses foreign currency forward contracts to limit the exposure of converting U.S. cash flow into Canadian dollars. These are not designated as fair-value or cash-flow hedges for accounting purposes; therefore, gains or losses arising from the change in fair values are recognized in net income.

(f) Financial liabilities measured at fair value through net income:

A financial liability is classified at fair value through net income if it is classified as held for trading or is designated as such upon initial recognition. Pursuant to the Exchange Agreement, the Class B units of the Partnership (“Exchangeable Units”) shall be exchangeable at the option of the holder into Units, subject to customary anti-dilution adjustments. The Exchangeable Units represent a financial liability and were designated at fair value through net income upon initial recognition. Any gains or losses arising on remeasurement are recognized in net income.

(g) Investment properties:

Income properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the REIT’s income properties and properties under development are investment properties.

On acquisition, investment properties are initially recorded at cost. Subsequent to initial recognition, the REIT uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

Investment properties under development are accounted for as investment property, and accordingly are initially recorded at cost and subsequently recorded at fair value. The cost of properties under development includes direct development costs, realty taxes and borrowing costs that are directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of borrowing costs capitalized is determined first by reference to borrowing specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

(h) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

For the Canadian and U.S. corporate subsidiaries of the REIT, income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) REIT units:

Under IAS 32, Financial Instruments: Presentation (“IAS 32”), puttable instruments, such as the REIT units (“Units”), are classified as financial liabilities unless the exemption criteria are met for equity classification. The REIT meets the exemption criteria under IAS 32 for equity classification.

(j) Use of estimates and judgements:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant assumptions are outlined in note 4.

(k) Use of estimates:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(i) Fair value of investment properties

(ii) Fair value of financial instruments

(l) Use of judgements:

The critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these unaudited condensed consolidated interim financial statements are as follows:

(i) Leases:

The REIT’s policy for property rental revenue recognition is described in note 3(c). The REIT makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms and long-term ground leases where the REIT is the lessor, are operating or finance leases. The REIT has determined that all of its leases are operating leases.

(ii) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT is a real estate investment trust if it meets prescribed conditions under the *Income Tax Act* (Canada) relating to the nature of its assets and revenue (the “REIT Conditions”). The REIT has reviewed the REIT Conditions and has assessed its interpretation and application to the REIT’s assets and revenue, and it has determined that it qualifies as a real estate investment trust pursuant to the *Income Tax Act* (Canada) for the year.

4. SIGNIFICANT ASSUMPTIONS:

(a) Initial transactions:

The financial forecast assumes that on or about June 20, 2012, the REIT will raise gross proceeds of $110,000,000 pursuant to an initial public offering (the "Offering") through the issuance of 11,000,000 Units at $10 per Unit (excluding any over-allotment option). Costs relating to the Offering, including underwriters' fees, are forecast to be $11,554,530 and will be charged directly to unitholders' equity.

For purposes of the financial forecast, it is assumed that the closing (the "Closing") of the transactions contemplated by this prospectus will occur on or about June 20, 2012.

Prior to closing, Mainstreet Property Group, LLC ("Mainstreet") will be transferring the Mainstreet business, including six income producing properties and three properties under development, to the Partnership. Mainstreet will retain an interest in the Partnership which upon closing will consist of Exchangeable Units with a fair value of $24,000,000. The Exchangeable Units are economically equivalent to REIT units. As such, the fair value of the Exchangeable Units is $10 per unit for each of the 2,400,000 Exchangeable Units issued to Mainstreet.

The transfer of the properties has been recorded at Mainstreet's carrying value using continuity of interest accounting. The fair value of the Mainstreet business, as reflected in the value of the Exchangeable Units, exceeds the carrying value of the portfolio as a number of items that create value for the REIT are not recognized in Mainstreet's carrying value. In particular, the fair value of the business includes a portfolio premium. Under IFRS, the fair value of investment property is measured based on the individual properties and does not include value derived from the creation of a portfolio of properties in different locations. The fair value of the Mainstreet business includes a premium over the fair value of the individual properties as a result of risk reduction due to tenant and geographic diversification, and to transaction cost economies. The fair value of the business also includes the value of current and future opportunities that will be available to the REIT through Mainstreet's existing relationships provided in the development agreement, which is not recognized in the carrying value of the portfolio. The REIT will participate in the additional value created from participation in new development opportunities that Mainstreet will present to the REIT under the development and non-compete agreements. In addition there is value in various government assistance programs associated with certain properties that will not be recorded until the applicable financial reporting recognition criteria are met. Under continuity of interests accounting these intangible assets are not recognized, and the resulting difference between the carrying value of the portfolio and the fair value of the Exchangeable Units issued of $5,257,007 has been charged to equity.

As part of the initial transactions, the REIT subscribed for Class A LP units of the Partnership for cash of approximately $28.2 million and thereby acquired control of the Partnership previously controlled by Mainstreet Property Group, LLC. The Partnership will use the proceeds to repay mortgages and other debt on Mainstreet properties which at March 31, 2012 were $26,753,435.

The REIT will then acquire six additional income properties from Northern Property REIT ("NPR"), an unrelated party, for cash consideration of $67,024,874 plus assumption of a mortgage note payable including accrued interest of $92,975,126 for a total purchase price of $160,000,000. There is an estimated $455,000 in land transfer tax and $1,846,755 in debt cost associated with this transaction.

(i) Acquisitions:

The carrying value of initial net assets of the Partnership as at March 31, 2012 and the fair value of the NPR assets acquired assuming the acquisition occurred on March 31, 2012 are as follows assuming a Canadian/U.S. dollar exchange rate of $1.00:

	Mainstreet	NPR	Total
Investment properties:			
Income producing	$ 23,570,000	$160,455,000	$ 184,025,000
Properties under development	42,207,991	—	42,207,991
Total	65,777,991	160,455,000	226,232,991
Cash and cash equivalents	315,358	—	315,358
Restricted cash	12,060,994	—	12,060,994
Lease with Mainstreet receivable	1,247,000	—	1,247,000
Other assets	2,663,408	—	2,663,408
Mortgages and development bonds	(32,393,763)	(90,709,690)	(123,103,453)
Accounts payable and accrued liabilities	(4,174,560)	(418,681)	(4,593,241)
Net assets	45,496,428	$ 69,326,629	$ 114,823,057

4. SIGNIFICANT ASSUMPTIONS: (Continued)

Consideration given indirectly by the REIT consists of the following:

Exchangeable Units	$ 24,000,000
Cash payment for Northern Property portfolio (including transaction costs)	69,326,629
Repayment of mortgages and other debt	26,753,435
Excess of fair value over carrying value of the Mainstreet portfolio	(5,257,007)
Consideration given by the REIT	$114,823,057

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Initial public offering of units, net of issue costs	$ 98,445,970
Cash payment to vendor for the purchase of Northern Properties Portfolio (including payment of transaction costs)	(69,326,629)
Repayment of mortgages and other debt	(26,753,435)
Cash added to working capital of the REIT	$ 2,365,906

The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(ii) Mortgages payable:

On Closing, the REIT assumes it will repay $27,213,670 (U.S.$) of mortgages and other debt related to the Mainstreet properties. Following this repayment, the REIT will retain assumed first and second mortgage loans on the Initial Properties in the carrying amount of $126,316,176, bearing interest at a weighted average of 5.04%. The mortgages will be secured by first and second charges on the Initial Properties. It is assumed during the forecasted period that the REIT will draw on additional construction financing of approximately U.S. $17,275,395 for the properties currently under development.

The REIT will finance the periodic repayment of principal through non-distributed cash generated from operations or working capital.

The Partnership is also expected to have in place, subsequent to Closing, a new U.S. $25,000,000 credit facility (the "Credit Facility"). The Credit Facility will be secured by 4 of the Initial Properties and will have a term of three years from Closing. Variable rate interest will be calculated and payable monthly under the Credit Facility at a rate equal to the U.S. 30-day LIBOR plus a margin of 325 basis points (plus any mandatory bank regulatory cost, which is not anticipated). The REIT assumes that on average U.S.$2,700,000 will be drawn on this facility during the forecast period. No amortization of principal under the Credit Facility is required.

(b) Foreign currency translation:

The financial forecast assumes that the exchange rate between Canadian dollar and the U.S. dollar is 1.02094, which is the 20-day average noon rate of exchange posted by the Bank of Canada for the period ending June 6, 2012. A one cent change in the exchange rate will have approximately a $500,000 impact on net assets with an offsetting adjustment to other comprehensive income and an approximate $32,000 impact on net income.

Foreign currency hedge:

On Closing, the REIT will implement an active hedging program to minimize the currency risk for two years of cash flows of approximately $5.5 million per annum to be received from the REIT's U.S. subsidiary in U.S. dollars. The foreign currency arrangements will economically hedge distributions paid to Unitholders; however, because the arrangement does not meet the criteria for applying hedge accounting, changes in the fair value of the foreign currency derivative is recognized in net income. The forecast assumes that there is no change in the value of the foreign currency derivative. As of June 7, 2012, the average of the forward exchange rates for the twelve months that can effectively be locked in for the forecast period for the purposes of hedging distributions to Unitholders is approximately $1.02 Canadian dollars for one U.S. dollar. For illustrative purposes, a one cent change to the average of the forward exchange rates would result in a change in a gain or loss of $110,000.

4. SIGNIFICANT ASSUMPTIONS: (Continued)

(c) Rental revenue:

Forecast revenue from income properties is based on rents from existing leases on income-producing properties and properties under construction (“Properties under Development”). Revenues from the NPR Portfolio are based on the lease agreement assumed in conjunction with the purchase of those assets. Rental revenue includes all rental income receivable, including minimum rent and all other miscellaneous income paid by the operators under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing operators fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period. The financial forecast also reflects historical levels of miscellaneous income.

There are three properties currently under construction. It is assumed that the three properties will be completed during the forecasted period and rent will commence on December 1, 2012 for two properties, and on February 1, 2013 for the other property.

During the forecast period, 65% of the revenues are generated from one operator who leases six income properties from the REIT. Once all of the properties currently under construction are completed, the six properties will represent approximately 58% of total revenues.

During the forecast period, it is assumed that the REIT will obtain net proceeds of approximately $76,571 in tax increment financing from the City of Marion, Indiana in connection with the financing of the Marion Rehabilitation and Assisted Living facility.

(d) Operating costs and management fee:

Operating costs of the investment properties have been forecast with reference to the operating plans and budgets. The financial forecast reflects historical data adjusted for changes in costs due to inflationary and other market trends and anticipated changes. These properties are triple-net leased by the operators. As such, all tenant operating expenses are the responsibility of the tenant/operator. The major component of the REIT’s operating expenses is a 3% management fee that will be paid to the real estate management company (Mainstreet Asset Management, Inc.) pursuant to the management agreement to be entered into at Closing.

(e) Finance costs:

Finance costs include interest expense on long-term debt, amortization associated with loan fees, distributions on Exchangeable Units and gain or loss on the change in fair value of financial liabilities designated as at fair value through profit or loss upon including Exchangeable Units. The Exchangeable Units are entitled to distributions of cash from the Partnership equal to the distributions declared and paid to holders of Units by the REIT, subject to certain adjustments. The distributions on Exchangeable Units are based on the assumption that annual distributions will be made based on 93% of forecasted annual adjusted funds from operations as defined of $12,242,651 for the twelve month period ending June 30, 2013, and that the Exchangeable Units represent approximately a 17.9% interest in the REIT on a fully-exchanged basis. Net interest and amortization consists of:

	Three-month periods ending				Twelve-month period ending
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	June 30, 2013
Interest expense	$1,365,240	$1,465,811	$1,763,046	$1,835,697	$6,429,794
Amortization of loan fees	54,510	67,130	95,848	102,805	320,293
	$1,419,750	$1,532,941	$1,858,894	$1,938,502	$6,750,087

The amount of financing costs capitalized to properties under development during the forecast period is estimated to be $878,476.

(f) Trust expenses:

Trust expenses reflect management’s best estimate of professional fees, annual report costs, transfer agent fees, insurance costs, salaries, board of trustee fees and benefits of $830,400 per annum.

(g) Acquisitions and dispositions of income properties:

This financial forecast does not reflect any potential sales or acquisitions of income properties other than the acquisition discussed in note 4(a)(i). However, it is possible that the REIT will make purchases and sales of income properties during the forecast

4. SIGNIFICANT ASSUMPTIONS: (Continued)

period, which will only be undertaken on a basis considered by management to be advantageous to the REIT and as approved by the Trustees of the REIT.

(h) Fair value change on investment properties:

The REIT has applied the fair value model to accounting for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the forecast does not reflect any changes in fair values of the investment properties. For purposes of the financial forecast, the change in fair values of investment properties reflects the reversal of the capitalization of straight-line rent and the accretion in fair value during the construction period. For illustrative purposes, assuming all other variables remain constant, a 25 basis point decrease in the overall capitalization rate of the investment properties, upon completion of assets currently under construction, would result in a fair value increase of approximately $6.8 million. A 25 basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $6.5 million.

(i) Exchangeable Units:

The Exchangeable Units are accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the Exchangeable Units. For illustrative purposes, a 10% change in the market value of a Unit of the REIT, into which Exchangeable Units may be exchanged, would result in a fair value change of approximately $2,400,000.

(j) Income taxes:

The REIT intends to meet the REIT Conditions and will therefore not be subject to the specified investment flow-through (“SIFT”) tax regime.

Accordingly, in the financial forecast, the REIT has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the REIT. This exemption does not extend to corporate subsidiaries of the REIT that are subject to income tax. The corporate subsidiaries are assumed to have deferred tax assets during the forecast period that will not be recognized as it is not probable that there will be sufficient taxable profits available to utilize the benefits.

(k) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. RELATED PARTY TRANSACTIONS:

Mainstreet Properties and Mainstreet Asset Management, Inc. (“MAMI”) are controlled by key management personnel of the REIT. The Exchangeable Units in the Partnership are held by Mainstreet Properties.

The consolidated financial statements include the following related party transactions:

(a) Initial transactions:

Nine of the Initial Properties will be indirectly acquired from Mainstreet Properties.

(b) Management fees:

Management fees of $573,729 will be paid to MAMI pursuant to an agreement establishing management fees at 3% of gross revenues.

(c) Development fees:

Development fees will be paid to MAMI for properties under development. Development fees are capitalized to the cost of the property.

(d) Lease revenue:

Lease revenue of $1,188,255 will be earned pursuant to lease agreements with companies controlled or jointly controlled by key management personnel of the REIT that operate one of the income properties and will operate one of the properties under development.

5. RELATED PARTY TRANSACTIONS: (Continued)

(e) Lease with Mainstreet Properties:

The REIT has assumed that it will enter into a lease with Mainstreet Properties for the three properties that are currently under development until such properties receive a certificate of occupancy. During the forecasted period, the REIT will receive $1,089,344 of cash which is not included in this forecast.

(f) Exchangeable units:

Distributions on Exchangeable Units are paid to Mainstreet Properties, a related party of the REIT.

6. COMMITMENTS:

The REIT has ongoing commitments related to the construction of properties under development incurred in the ordinary course of business. As at March 31, 2012, the REIT had ongoing commitments of U.S.$30,612,304 related to the construction of properties under development incurred in the ordinary course of business.

FORECAST NON-GAAP RECONCILIATION

The following table reconciles forecast net income to FFO and AFFO (See "Non-GAAP Measures" and "Financial Forecast").

	Three-month periods ending				Twelve-month period ending
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	June 30, 2013
Net Income for the period	$2,326,955	$2,369,954	$2,462,698	$2,528,277	$ 9,687,884
Add/(Deduct)					
Fair value adjustment on investment properties	(99,007)	(6,264)	352,847	431,343	678,919
Distributions on Exchangeable Units[1]	509,509	509,509	509,509	509,509	2,038,036
FFO	$2,737,457	$2,873,199	$3,325,054	$3,469,129	$12,404,839
Add/(Deduct):					
Amortization of deferred financing costs	54,510	67,130	95,848	102,805	320,293
Straight line rent adjustment	(279,469)	(305,108)	(411,896)	(431,343)	(1,427,816)
Mainstreet Development Leases payments	551,308	461,465	76,571	—	1,089,344
Maintenance capital expenditure reserve	(31,723)	(33,449)	(38,638)	(40,199)	(144,009)
AFFO	$3,032,083	$3,063,237	$3,046,939	$3,100,392	$12,242,651
FFO/Unit[2]	$ 0.20	$ 0.22	$ 0.25	$ 0.26	$ 0.93
AFFO/Unit[2]	$ 0.22	$ 0.23	$ 0.23	$ 0.23	$ 0.91
Net Income/Unit[2]	$ 0.21	$ 0.22	$ 0.22	$ 0.23	$ 0.88

(1) The Units and Exchangeable Units are economically equivalent as described under "Retained Interest", subject to certain adjustments. However, the Exchangeable Units differ from the Units for financial reporting purposes as they are presented as a financial liability with the related distributions and fair value adjustments being recorded in Net Income. These effects have been added back to Net Income in the determination of FFO as they do not form part of the operations of the REIT.

(2) Forecast FFO and AFFO per Unit amounts are based on 13,400,000 Units including Units issuable upon the exchange of Exchangeable Units. Forecast Net Income per Unit amounts are based on 11,000,000 Units excluding Units issuable upon exchange of the Exchangeable Units.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations covers the historical performance of the Mainstreet Senior Care Portfolio and the Western Senior Care Portfolio. In addition, there is some discussion and analysis on forward looking information as it relates to the REIT.

Mainstreet Senior Care Portfolio — for the years ended December 31, 2011, 2010 and 2009

Overview

Following the Closing, the Partnership will own six fully-constructed seniors housing and care assets and three assets currently under construction (referred to as the "Mainstreet Senior Care Portfolio"), which will be contributed to the Partnership by Mainstreet. All of the properties, including the three properties under construction, are leased to operators. Each operator will begin making rent payments to the Partnership upon the issuance of a certificate of occupancy.

The following discusses the historical financial condition and results of operations of the Mainstreet Senior Care Portfolio for the years ended December 31, 2011, 2010, and 2009. This information should be read in conjunction with the Mainstreet Senior Care Portfolio audited combined financial statements as at and for the years ended December 31, 2011, and 2010 prepared under IFRS and the audited combined financial statements as at and for the years ended December 31, 2010 and 2009 prepared under U.S. GAAP and reconciled to Canadian GAAP. Where differences exist due to the transition from U.S. GAAP to IFRS, management has identified and discussed them below.

The Mainstreet Senior Care Portfolio, which is not a legal entity, is comprised of investment properties that are leased to operators. The financial statements for the portfolio have been prepared for the purpose of this prospectus as a method of presenting historical property information relating thereto. The Mainstreet Senior Care Portfolio statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these investment properties.

The Mainstreet Senior Care Portfolio's functional and reporting currency is the U.S. Dollar. The audited financial statements for 2010 and 2011 were prepared under IFRS. For fiscal periods beginning on or after January 1, 2011 Canadian public companies were required to adopt IFRS as issued by the International Accounting Standards Board. In accordance with IFRS, the Partnership elected to treat income properties and properties under development as investment property at fair market value. As stated above, the 2010 and 2009 statements were prepared under U.S. GAAP and reconciled to Canadian GAAP.

The objective of this discussion is to provide a prospective purchaser of Units with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the Mainstreet Senior Care Portfolio for the above-mentioned periods. Less emphasis has been placed on analyzing the historical capital structure of the Mainstreet Senior Care Portfolio as the REIT's future capital structure will be significantly different. Our unaudited *pro forma* consolidated financial statements and the financial forecast included in this prospectus reflect the impact of financial leverage and income tax status on a going-forward basis.

With respect to certain forward-looking statements contained herein, see the "Forward-Looking Statements" section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the Mainstreet Senior Care Portfolio will be affected by certain risk factors described elsewhere in this prospectus. See "Risk Factors".

Significant Events

The following data represents transactions and events that have had a material effect on the Mainstreet Senior Care Portfolio and are expected to affect the results into the future.

The following details the real estate assets that comprise the Mainstreet Senior Care Portfolio:

Performing Assets at 12/31/11:

Location	Building Type	Lease Commencement	Square Feet	Number of Beds/Suites
Alexandria, Indiana	Skilled and Memory Care	2004	23,940	70
Marion, Indiana	Skilled and Assisted	2007	72,232	200
Brookville, Indiana	Skilled	2007	33,691	100
Indianapolis, Indiana	Skilled	2007	16,903	52
				422

Assets Under Construction at 12/31/11:

Location	Building Type	Lease Commencement	Square Feet	Number of Beds/Suites
Valparaiso, Indiana	Campus	April 2012	79,530	132
Marion, Indiana	Skilled and Assisted	May 2012	65,150	100
Springfield, Illinois	Skilled	February 2013	45,000	75
Wabash, Indiana	Skilled and Assisted	December 2012	65,500	100
Mishawaka, Indiana	Skilled and Assisted	December 2012	65,500	100
				507

The portfolio detailed above (inclusive of assets under construction) consists of 929 beds/suites.

Selected Financial Information

(Unless otherwise stated, all amounts are in U.S. $ '000s)

	Year Ended December 31			
	2011-IFRS	2010-IFRS	2010-U.S. GAAP	2009-U.S. GAAP
Total Revenue	$ 2,351	$ 2,347	$ 2,349	$ 2,376
EBITDA (See "Reconciliation of Non-GAAP Measures")	$ 2,158	$ 2,147	$ 2,149	$ 2,153
Net Earnings	$ 6,639	$ 2,655	$ 453	$ 393
Total Assets	$76,105	$26,941	$19,710	$18,998
Total Liabilities	$58,069	$16,785	$16,933	$18,895

Financial Position — As at December 31, 2011 Compared to December 31, 2010

Total assets increased by $49 million due primarily to $24 million of construction costs on properties under development, $5 million increase in the fair value adjustment on properties under development, $17 million of restricted cash primarily from the development bonds, and $3 million increase in other assets. The construction costs were primarily in relation to the Valparaiso, Indiana and Marion, Indiana facilities.

Total liabilities increased by $41 million due primarily to the issuance of $27 million of development bonds, an increase in mortgages payable and line of credit of $10 million and construction and other payables of $3 million. The liabilities were incurred to fund the construction of properties under development.

Results of Operations — Year Ended December 31, 2011 Compared to December 31, 2010

(*Unless otherwise stated, all tabular amounts are in U.S. $ '000s*)

Property Operating Income

	December 31, 2011	December 31, 2010	$ Variance	% Variance
Lease Revenue	$2,351	$2,347	$ 4	0.2%
Operating Expenses	$ 193	$ 200	$(7)	(3.5%)
EBITDA	$2,158	$2,147	$11	0.5%

During the year ended December 31, 2011, as compared to the year ended December 31, 2010, lease revenue increased by U.S.$4,000 (0.2%). The increase in lease revenue was primarily due to rent escalators in some of the property's leases that are tied to the consumer price index.

Operating expenses decreased by U.S.$7,000 (3.5%).

EBITDA increased by U.S.$11,000 primarily as a result of an increase in lease revenue and a slight decrease in operating expenses as discussed above. EBITDA as a percentage of lease revenue was 92% at December 31, 2011 and 91% at December 31, 2010.

Finance Cost, net

	December 31, 2011	December 31, 2010	U.S.$ Variance	% Variance
Finance Cost, net	U.S.$871	U.S.$1,115	(U.S.$244)	21.9%

Interest expense for the year ended December 31, 2011, decreased by U.S.$0.24 million (22%), from the interest expense for the same period in 2010 primarily as a result of an interest rate swap on the MS Bradner facility. This swap has been closed out as of December 31, 2011. Interest rates that are swapped are marked to fair value at each reporting period, and the change is recognized as interest expense.

Fair value adjustment

	December 31, 2011	December 31, 2010	U.S.$ Variance	% Variance
Fair value adjustment	U.S.$5,353	U.S.$1,623	U.S.$3,730	229.8%

The fair value adjustment relates to the increase in value associated with income properties and properties under development. The large increase in 2011 compared to 2010 relates to five projects beginning construction in 2011. Projects under construction increase in value when leases are signed and as the discount during the construction period unwinds.

Cash provided from Operating Activities

Cash provided from operating activities for the year ended December 31, 2011 was U.S.$2.2 million compared to U.S.$1.3 million for the same period a year earlier. The increase is mainly due to the timing of payments of short-term liabilities.

Cash used in Investing Activities

Total cash used in investing activities for the year ended December 31, 2011 was U.S.$38.0 million. The majority of the U.S.$38.0 million related to investment in the construction of the Valparaiso, Indiana and Marion, Indiana facilities that are now operational. In addition, a smaller portion of the investment was for the Wabash, Indiana, Springfield, Illinois, and Mishawaka, Indiana projects. Funds used in investing activities for

2010 were U.S.$1.2 million, and related primarily to the purchase of land for the Valparaiso and Marion, Indiana projects.

Cash provided from Financing Activities

Total cash provided from financing activities for the year ended December 31, 2011 and 2010 were U.S.$35.8 million and U.S.$0.3 million, respectively. The majority of the 2011 funds came from draws on the construction loans for the corresponding projects under construction. These draws were offset by principal payments on existing mortgages on the completed operating projects and preferred equity distributions. The 2010 funds were the net of investor contributions offset by ordinary principal and dividend payments.

Results of Operations — Year Ended December 31, 2010 Compared to December 31, 2009

(*Unless otherwise stated, all tabular amounts are in U.S. $ '000s*)

Property operating income

	December 31, 2010	December 31, 2009	$ Variance	% Variance
Lease Revenue	$2,349	$2,376	$(27)	(1.1%)
Operating Expenses	$ 200	$ 223	$(23)	(10.3%)
EBITDA	$2,149	$2,153	$ (4)	(0.2%)

During the year ended December 31, 2010, compared to the year ended December 31, 2009, lease revenue decreased by U.S.$27,000 (1.1%). The decrease was due to miscellaneous lease-related income recognized in 2009, which was not recognized in 2010.

Operating expenses decreased by U.S.$23,000 period over period primarily due to two factors: an increase in accounting fees, marketing fees and other facility costs in 2010 versus 2009 and a larger decrease in insurance expense in 2010 versus 2009. There will be no marketing expenses allocated to these entities post Closing.

EBITDA decreased slightly by U.S.$4,000 primarily as a result of a decrease in lease revenue and a decrease in operating expenses as discussed above. EBITDA as a percentage of lease revenue increased slightly from 90.6% to 91.5%.

Interest Expense

	December 31, 2010	December 31, 2009	U.S.$ Variance	% Variance
Interest Expense	U.S.$1,067	U.S.$1,076	(U.S.$9)	(.8%)

Interest expense decreased by U.S.$9,000, or 0.8%, primarily due to the increase in the principal being paid as part of monthly loan payments along with the related decrease in the interest portion of those payments.

Depreciation and Amortization Expense

	December 31, 2010	December 31, 2009	U.S.$ Variance	% Variance
Depreciation and Amortization	U.S.$629	U.S.$683	(U.S.$54)	(7.9%)

Depreciation and amortization expense decreased by U.S.$54,000 (7.9%), primarily due to 5 year equipment associated with the Alexandria, Indiana property being fully depreciated in 2009.

Cash provided from Operating Activities

Cash provided from operating activities for the year ended December 31, 2010 equalled U.S.$1.3 million compared to U.S.$0.5 million for the same period a year earlier. The increase is related to cash receipts against accounts receivable — trade and related party receivables.

Cash used in Investing Activities

Total funds used in investing activities for the year ended December 31, 2010 equalled U.S.$1.2 million, and related primarily to investments in the construction of facilities in Marion, Indiana and Valparaiso, Indiana. The funds used in investing activities for the same period in 2009 were U.S.$0.

Cash provided from (used in) Financing Activities

Total funds provided from (used in) financing activities for the year ended December 31, 2010 equalled U.S.$278,000, compared to (U.S.$422,000) for the same period in the prior year. For 2010, the majority of these funds came from common and preferred capital contributions, which were used to fund pre-construction costs for the corresponding projects. These contributions were offset by principal payments on existing mortgages and common and preferred distributions. For 2009, the funds came in the form of loan proceeds from refinanced mortgages. The loan proceeds were offset by principal payments on existing mortgages as well as distributions to investors and shareholders.

Summary of Quarterly Results

In accordance with item 1.5 of Form 51-102F1 — *Management's Discussion & Analysis,* quarterly information has not been presented as the Mainstreet Senior Care Portfolio did not previously prepare financial statements on a quarterly basis. Due to the nature of Mainstreet's business, and the contractual lease arrangements, there is no seasonality to Mainstreet's financial performance.

Contractual Obligations

The Mainstreet Senior Care Portfolio material contractual obligations as at December 31, 2011 were as follows (in U.S.$ '000s)

	Total	2012	2013	2014	2015	2016	Thereafter
Mortgages and Bonds Payable (Inclusive of interest)	$73,418	$6,733	$5,210	$4,413	$2,085	$38,332	$16,645

In addition, Mainstreet has five projects under construction at December 31, 2011. These projects are located in Valparaiso, Indiana, Marion, Indiana, Springfield, Illinois, Mishawaka, Indiana, and Wabash, Indiana. Mainstreet is contractually obligated to complete these projects as defined by the lease. The estimated cost to complete these projects is U.S.$39.0 million. At completion, these projects will account for annual rental payments equal to U.S.$6.2 million and have outstanding mortgages of U.S.$49.0 million. The timing of each of these projects being completed and commencement of rental payments from the tenant operator are estimated as follows:

Valparaiso, Indiana:	April, 2012
Marion, Indiana:	May, 2012
Mishawaka, Indiana:	December, 2012
Wabash, Indiana:	December, 2012
Springfield, Illinois:	February, 2012

Financial Instruments and Other Instruments

To manage interest rate risk, management of the Mainstreet Senior Care Portfolio entered into an interest rate swap on the MS Bradner facility. In the swap agreement, management agreed to exchange, at specified intervals, the difference between the fixed and variable rate interest amount calculated by reference to an agreed-upon notional principal amount. Management refinanced the loan and eliminated the swap agreement in December 2011. The combined income statements for the years ended December 31, 2011 and 2010 reflected (income) expense of U.S.$147,300) and U.S.$99,264, respectively. The fair value of the interest rate swap at December 31, 2011 and 2010 was approximately U.S.$0 and U.S.$265,800.

Related Party Transactions

During the fiscal years 2009, 2010, and 2011 the following related party transactions occurred.

Management of the Mainstreet Senior Care Portfolio, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions have been carried out on the basis of agreed-upon terms. The significant transactions were with Mainstreet Asset Management for management and development fees. The amounts for these services were as follows:

(Unless otherwise stated, all amounts are in $ '000s)

	2011	2010	2009
Management Fees (See Note Below)	$ 108	$107	$92
Development Fees (See Note Below)	$1,445	$ 0	$ 0

Management Fee

Pursuant to a management agreement and in consideration of the management services rendered by Mainstreet to the Mainstreet Senior Care Portfolio, Mainstreet was entitled to receive a management fee equal to 5% of cash rent collections due for a period.

Development Fee

In line with standard industry practices, the Mainstreet Senior Care Portfolio regularly pays a developer fee on its development projects. In many cases, Mainstreet serves in the developer capacity. There were development fees paid to Mainstreet of U.S.$1,444,855 during the year ended December 31, 2011 that have been capitalized in income properties on the balance sheet.

Rental Income

An income property is leased to Mainstreet Senior I, LLC, a related party, and earned rental revenue of U.S.$260,016 for the year ended December 31, 2011.

Loans

The Companies have amounts due to and from related parties as a result of payments made on the

Companies behalf, development fees payable, and other working capital transactions between entities. The due from balances are classified in other assets and the due to balances are classified in accounts payable and accrued liabilities.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 1 of the audited combined financial statements for the years ended December 31, 2011 and 2010 for the Mainstreet Senior Care Portfolio. These statements were prepared under IFRS, under which management elected to account for the investment properties at fair market value. An explanation of the transition from U.S. GAAP to IFRS is in Note 16.

Under IAS 40, Investment Properties, the Companies may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost model. The Companies have elected the fair value model to account for their investment properties. Under the fair value model, investment properties are carried on the combined balance sheets at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in the combined statements of comprehensive income in the period in which they occur. Under U.S. GAAP, the Companies' income-producing properties, properties under development and certain intangibles were carried on the combined balance sheets at cost less accumulated depreciation and amortization.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates, and assumptions are described in note 1 of the audited combined financial statements for the years ended December 31, 2011, 2010, and 2009 for the Mainstreet Senior Care Portfolio.

The fair value of income properties and properties under development, in accordance with IFRS, are the significant estimates used in the preparation of the statements. These properties are valued by management with the assistance of qualified external valuation professionals using the net operating income approach. The stabilized net income is divided by an overall capitalization rate. The fair values are most sensitive to changes in capitalization rates that were derived in part from a combination of third-party appraisals and industry trends.

Changes in fair value of income properties and properties under development are recognized in the combined statements of comprehensive income in the period in which they occur. The fair value adjustment of $5.3 million in 2011 relates to the increase in value of projects under construction when leases are signed and the discount during the construction period unwinds. The fair value adjustment does not impact EBITDA or cash flow.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Mainstreet Senior Care Portfolio. See "Risk Factors".

Reconciliation of Non-GAAP Measures (2011, 2010 and 2009):
(all amounts are in U.S. $ '000s)

EBITDA is defined as earnings before interest, taxes, depreciation and amortization and fair value adjustment. EBITDA is not an alternative for IFRS and is used to show the results of operations regardless of capital structure. Furthermore, EBITDA may not be comparable to EBITDA disclosed by other entities. A reconciliation of EBITDA to Net Earnings and Comprehensive Earnings is provided below.

	IFRS 2011	IFRS 2010	U.S. GAAP 2009
Total Revenue	U.S.$2,351	U.S.$2,347	U.S.$2,376
Operating Expenses	193	200	223
EBITDA	**U.S.$2,158**	**U.S.$2,147**	**U.S.$2,153**
Finance cost, net	(871)	(1,115)	(1,076)
Fair Value Adjustment	5,353	1,623	—
Depreciation	—	—	(683)
Net Earnings and Comprehensive Earnings	U.S.$6,640	U.S.$2,655	U.S.$ 394

"FFO" is defined as net earnings in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus on gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on exchangeable units; and (vi) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties. FFO has been prepared consistently with the Real Property Association of Canada ("REALpac") definition for all periods presented. For 2009 FFO has been reconciled to net earnings in accordance with U.S. GAAP consistent with the REALpac definition for when the historical cost policy has been selected to account for Investment Properties. FFO is not an alternative for IFRS and is used to show the results of operations regardless of capital structure. Furthermore, FFO may not

be comparable to other entities. A reconciliation of FFO to Net Earnings and Comprehensive Earnings is provided below.

	IFRS 2011	IFRS 2010	U.S. GAAP 2009
Total Revenue	U.S.$2,351	U.S.$2,347	U.S.$2,376
Operating Expenses	193	200	223
EBITDA	U.S.$2,158	U.S.$2,147	U.S.$2,153
Interest Expense	(871)	(1,115)	(1,076)
FFO	**U.S.$1,287**	**U.S.$1,032**	**U.S.$1,077**
Fair Value Adjustment	U.S.$5,353	U.S.$1,623	—
Depreciation	—	—	(683)
Net Earnings and Comprehensive Earnings	U.S.$6,640	U.S.$2,655	U.S.$ 394

Mainstreet Senior Care Portfolio — for the three months ended March 31, 2012 and 2011

Overview

Following the Closing, the Partnership will own six fully-constructed senior care assets and three assets currently under construction (referred to as the "Mainstreet Senior Care Portfolio"), which will be contributed to the Partnership by Mainstreet. All of the properties, including the three properties under construction, are leased to third party operators. Each operator of the properties under construction will begin making rent payments to the Partnership upon the issuance of a certificate of occupancy.

The following discusses the historical financial condition and results of operations of the Mainstreet Senior Care Portfolio for the three months ended March 31, 2012 and 2011. This information should be read in conjunction with the Mainstreet Senior Care Portfolio unaudited combined financial statements as at and for the three months ended March 31, 2012 and 2011 prepared in accordance with IAS 34 — Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The Mainstreet Senior Care Portfolio, which is not a legal entity, is comprised of investment properties that are leased to operators. The financial statements for the portfolio have been prepared for the purpose of this prospectus as a method of presenting historical property information relating thereto. The Mainstreet Senior Care Portfolio statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these investment properties.

The Mainstreet Senior Care Portfolio's functional and reporting currency is the U.S. Dollar. Amounts are stated in thousands of U.S. Dollars, unless otherwise stated. The unaudited financial statements for March 31, 2012 and 2011 were prepared under IFRS.

The objective of this discussion is to provide a prospective purchaser of Units with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the Mainstreet Senior Care Portfolio for the above-mentioned periods. Less emphasis has been placed on analyzing the historical capital structure of the Mainstreet Senior Care Portfolio as the REIT's future capital structure will be significantly different. The unaudited *pro forma* consolidated financial statements and the financial forecast included in this prospectus reflect the impact of financial leverage and income tax status on a going-forward basis.

With respect to certain forward-looking statements contained herein, see the "Special Note Regarding Forward Looking Statements" section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the Mainstreet Senior Care Portfolio will be affected by certain risk factors described elsewhere in this prospectus. See "Risk Factors".

Significant Events

The following data represents transactions and events that have had a material effect on the Mainstreet Senior Care Portfolio and are expected to affect the results into the future.

Mainstreet Senior Care Portfolio:

The following details the real estate assets that comprise the Mainstreet Senior Care Portfolio:

Performing Assets at 3/31/12:

Location	Building Type	Lease Commencement	Square Feet	Number of Beds
Alexandria, Indiana	Skilled and Memory Care	2004	23,940	70
Marion, Indiana	Skilled and Assisted	2007	72,232	176
Brookville, Indiana	Skilled	2007	33,691	100
Indianapolis, Indiana	Skilled	2007	16,903	52
				398

Assets Under Construction at 3/31/12:

Location	Building Type	Lease Commencement	Square Feet	Number of Beds
Valparaiso, Indiana	Campus	April 2012	79,530	132
Marion, Indiana	Skilled and Assisted	May 2012	65,150	100
Springfield, Illinois	Skilled	February 2013	45,000	75
Wabash, Indiana	Skilled and Assisted	December 2012	65,500	100
Mishawaka, Indiana	Skilled and Assisted	December 2012	65,500	100
				507

The portfolio detailed above (inclusive of assets under construction) consists of 905 beds.

Selected Financial Information

(Unless otherwise stated, all amounts are in U.S. $ '000s)

	March 31, 2012- IFRS	March 31, 2011- IFRS
Total Revenue	$ 589	$ 587
EBITDA (See "Reconciliation of Non-GAAP Measures")	$ 558	$ 547
Net Earnings	$ 2,211	$ 840

Financial Position — As at March 31, 2012 Compared to December 31, 2011

Total assets increased by $7 million due primarily to $5 million of construction costs on properties under development and $2 million increase in the fair value adjustment on properties under development. The construction costs were primarily in relation to Wabash, Indiana, Springfield, Illinois and Mishawaka, Indiana facilities.

Total liabilities increased by $5 million due primarily to increases in lines of credit and subordinated debt to fund the construction of properties under development.

	March 31, 2012- IFRS	December 31, 2011- IFRS
Total Assets	$82,717	$76,105
Total Liabilities	$63,322	$58,069

Results of Operations — Three Months Ended March 31, 2012 Compared to March 31, 2011

(Unless otherwise stated, all tabular amounts are in U.S. $ '000s)

Property Operating Income

	March 31, 2012	March 31, 2011	$ Variance	% Variance
Lease Revenue	$589	$587	$ 2	0.3%
Operating Expenses	$ 31	$ 40	($9)	(22.5%)
EBITDA	$558	$547	$11	2.0%

During the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, lease revenue increased by $2,000 (.3%). The increase in lease revenue was primarily due to miscellaneous income generated by the properties.

Operating expenses decreased by $9,000 (22.5%). The decrease is primarily due to a decrease in marketing and advertising expenses that were allocated to the properties in 2011.

EBITDA increased by $11,000 primarily as a result of a slight increase in lease revenue and a decrease in operating expenses as discussed above. EBITDA as a percentage of lease revenue was 94.7% at March 31, 2012 and 93.2% at March 31, 2011.

Finance Cost, net

	March 31, 2012	March 31, 2011	$ Variance	% Variance
Finance Cost, net	$237	$181	$56	30.9%

Interest expense for the three months ended March 31, 2012, increased by $56,000, or 30.9%, from the interest expense for the same period in 2011 primarily as a result of an interest rate swap on the MS Bradner facility. The swap was closed out as of December 31, 2011. Interest rate swaps are marked to fair value at each reporting period, and the change is recognized as interest expense or income.

Fair value adjustment

	March 31, 2012	March 31, 2011	$ Variance	% Variance
Fair value adjustment	$1,890	$474	$1,416	298.7%

The fair value adjustment relates to the increase in value associated with income properties and properties under development. The large increase for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 relates to five projects, which began construction subsequent to March 31, 2011 and remain under construction as of March 31, 2012. Projects under construction increase in value when leases are signed and as the discount during the construction period unwinds.

Cash provided from Operating Activities

Cash provided from operating activities for the three months ended March 31, 2012 was $0.3 million compared to $0.2 million for the same period a year earlier. The increase is mainly due to the timing of the receipt of payments of current assets.

Cash used in Investing Activities

Total cash used in investing activities for the three months ended March 31, 2012 was $5.3 million. The majority of the $5.3 million related to investment in the construction of the Wabash, Indiana, Springfield, Illinois, and Mishawaka, Indiana facilities. In addition, a smaller portion of the investment was for the Valparaiso, Indiana and Marion, Indiana projects. Funds used in investing activities for the three months ended March 31, 2011 were $13.1 million, and related primarily to the investment in the construction of the Valparaiso,

Indiana and Marion, Indiana projects as well as receipt of development bond proceeds related to the Marion, Indiana project.

Cash provided from Financing Activities

Total cash provided from financing activities for the three months ended March 31, 2012 and 2011 were $12.6 million and $4.9 million, respectively. The majority of the funds for the three months ended March 31, 2012 came from draws on the construction loans for the corresponding projects under construction and subordinated debt proceeds. These draws were offset by principal payments on existing mortgages on the completed operating projects, common equity redemptions and common equity distributions. The funds for the three months ended March 31, 2011 were the net of development bond proceeds and investor contributions offset by principal payments on existing mortgages and common and preferred equity payments.

Contractual Obligations

The Mainstreet Senior Care Portfolio material contractual obligations as at March 31, 2012 were as follows (in U.S. $ '000s)

	Total	2012	2013	2014	2015	2016	Thereafter
Mortgages and Bonds Payable (Inclusive of interest)	$82,303	$6,403	$5,557	$4,760	$2,431	$41,618	$21,534

In addition, Mainstreet has five projects under construction at March 31, 2012. These projects are located in Valparaiso, Indiana, Marion, Indiana, Springfield, Illinois, Mishawaka, Indiana, and Wabash, Indiana. Mainstreet is contractually obligated to complete these projects as defined by the lease. The estimated cost to complete these projects is $30.6 million. At completion, these projects will account for annual rental payments equal to $6.2 million and have outstanding mortgages of $49.0 million. The timing of these projects being completed and commencing rental payments, from the tenant, are estimated as follows:

Valparaiso, Indiana:	April, 2012
Marion, Indiana:	May, 2012
Mishawaka, Indiana:	December, 2012
Wabash, Indiana:	December, 2012
Springfield, Illinois:	February, 2013

Financial Instruments and Other Instruments

To manage interest rate risk, management of the Mainstreet Senior Care Portfolio entered into an interest rate swap on the MS Bradner facility. In the swap agreement, management agreed to exchange, at specified intervals, the difference between the fixed and variable rate interest amount calculated by reference to an agreed-upon notional principal amount. Management refinanced the loan and eliminated the swap agreement in December 2011. The combined income statements for the three months ended March 31, 2012 and 2011 reflected (income) expense of $0 and ($58,164), respectively. The fair value of the interest rate swap at March 31, 2012 and December 31, 2011 was $0 and $0.

Related Party Transactions

During the three months ended March 31, 2012 and 2011 the following related party transactions occurred.

Management of the Mainstreet Senior Care Portfolio, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions

have been carried out on the basis of agreed-upon terms. The significant transactions were with Mainstreet Asset Management for management and development fees. The amounts for these services were as follows:

(Unless otherwise stated, all amounts are in $ '000s)

	2012	2011
Management Fees (See Note Below)	$ 27	$ 27
Development Fees (See Note Below)	$782	$361

Management Fee

Pursuant to a management agreement and in consideration of the management services rendered by Mainstreet to the Mainstreet Senior Care Portfolio, Mainstreet was entitled to receive a management fee equal to 5% of cash rent collections due for a given period.

Development Fee

In line with standard industry practices, the Mainstreet Senior Care Portfolio regularly pays a developer fee on its development projects. In many cases, Mainstreet serves in the developer capacity. There were development fees paid to Mainstreet of $782,322 and $361,110 during the three months ended March 31, 2012 and 2011, respectively, which have been capitalized in income properties on the balance sheet.

Rental Income

An income property is leased to Mainstreet Senior I, LLC, a related party, and earned rental revenue of $65,004 for the three months ended March 31, 2012 and 2011.

Loans

The Companies have amounts due to and from related parties as a result of payments made on the Companies' behalf, development fees payable and other working capital transactions between entities. The due from balances are classified in other assets and the due to balances are classified in accounts payable and accrued liabilities.

Significant Accounting Policies and Changes in Accounting Policies

Under IAS 40, Investment Properties, the Companies may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost mode. The Companies have elected the fair value model to account for their investment properties. Under the fair value model, investment properties are carried on the combined balance sheets at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in the combined statements of comprehensive income in the period in which they occur.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates, and assumptions are described in note 1 of the unaudited combined financial statements for the three months ended March 31, 2012 and 2011 for the Mainstreet Senior Care Portfolio.

The fair value of income properties and properties under development, in accordance with IFRS, are the significant estimates used in the preparation of the statements. These properties are valued by management with the assistance of qualified external valuation professionals using the net operating income approach. The stabilized net income is divided by an overall capitalization rate. The fair values are most sensitive to changes in capitalization rates that were derived in part from a combination of third-party appraisals and industry trends.

Changes in fair value of income properties and properties under development are recognized in the combined statements of comprehensive income in the period in which they occur. The fair value adjustment of $1.9 million for the three months ended March 31, 2012 relates to the increase in value of projects under construction when leases are signed and the discount during the construction period unwinds. The fair value adjustment does not impact EBITDA or cash flow.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Mainstreet Senior Care Portfolio. See "Risk Factors".

Reconciliation of Non-GAAP Measures (March 31, 2012 and 2011):
(all amounts are in U.S. $ '000s)

EBITDA is defined as earnings before interest, taxes, depreciation and amortization and fair value adjustment. EBITDA is not an alternative for IFRS and is used to show the results of operations regardless of capital structure. Furthermore, EBITDA may not be comparable to EBITDA disclosed by other entities. A reconciliation of EBITDA to Net Earnings and Comprehensive Earnings is provided below.

	IFRS 2012	IFRS 2011
Total Revenue	$ 589	$ 587
Operating Expenses	31	40
EBITDA	**$ 558**	**$ 547**
Finance cost, net	(237)	(181)
Fair Value Adjustment	$1,890	$ 474
Net Earnings and Comprehensive Earnings	$2,211	$ 840

"FFO" is defined as net earnings in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus on gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination (v) plus distributions on exchangeable units; and (vi) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties. FFO has been prepared consistently with Real Property Association of Canada ("Realpac") definition for all periods presented. FFO is not an alternative for IFRS and is used to show the results of operations regardless of capital structure. Furthermore, FFO may not be comparable to other entities. A reconciliation of FFO to Net Earnings and Comprehensive Earnings is provided below.

	IFRS 2012	IFRS 2011
Total Revenue	$ 589	$ 587
Operating Expenses	31	40
EBITDA	$ 558	$ 547
Interest Expense	(237)	(181)
FFO	**$ 321**	**$ 366**
Fair Value Adjustment	$1,890	$ 474
Net Earnings and Comprehensive Earnings	$2,211	$ 840

Western Canada Senior Care Portfolio — for the years ended December 31, 2011 and 2010

Overview

The following discusses the financial condition and results of operations of the historical information relating to the Western Canada Senior Care Portfolio ("WCSCP" or "the Portfolio") for the years ended December 31, 2011 and 2010. This information should be read in conjunction with the WCSCP audited carve out statements of financial position, carve out statements of net earnings and comprehensive earnings, carve out statements of changes in net equity in portfolio, and carve out statements of cash flows for the years ended December 31, 2011 and 2010.

The Portfolio, which is not a legal entity, is comprised of five senior care properties located in Alberta totaling 746 beds and one property in Burnaby, British Columbia with 214 beds. The six properties are leased to a single tenant on a triple net basis under long-term leases that expire in 2026. The leases have an additional renewal term of five years at market rents at the option of the tenant.

The audited carve out financial statements for the Portfolio have been prepared for the purpose of a prospectus as a method of presenting historical property information relating thereto. The Portfolio statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these rental properties.

WCSCP's functional and reporting currency is the Canadian Dollar. Amounts are stated in Canadian Dollars, unless otherwise stated. The audited carve out financial statements for the years ended December 31, 2011 and 2010 were prepared under International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board of Canada.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the Portfolio for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the "Forward-Looking Statements" section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the Portfolio will be affected by certain risk factors described elsewhere in this prospectus. See "Risk Factors".

Significant Events

The following data represents transactions and events that have had a material effect on the Portfolio and are expected to affect the results into the future.

Selected Financial Information
(Unless otherwise stated, all amounts are in Canadian Dollars)

	Year ended December 31	
	2011	2010
Rental revenue from investment properties	12,890,756	12,819,338
Other revenue	361,718	372,064
Net earnings and total comprehensive earnings	7,764,117	6,982,798
Total Assets	155,031,931	153,522,928
Total Liabilities	88,578,900	90,851,816

Results of Operations — Year Ended December 31, 2011 and December 31, 2010
(Unless otherwise stated, all amounts are in Canadian Dollars)

Western Canada Senior Care Portfolio:

	Year ended December 31	
	2011	2010
Rental revenue from investment properties	12,890,756	12,819,338
Other revenue	361,718	372,064
Property operating expenses	372,797	383,440

Rental revenue from investment properties for the year ended December 31, 2011 was $12.9 million compared to $12.8 million for the year ended December 31, 2010. Rental revenue from investment properties is comprised of monthly rent payments and straight-line rent. Other revenue is comprised of property tax recoveries which are the responsibility of the tenant.

Property operating expenses for the year ended December 31, 2011 were $372,797 compared to $383,440 for the year ended December 31, 2010. Property operating expenses are comprised of property taxes and insurance.

Interest on mortgage

Interest on mortgage for the year ended December 31, 2011 was $5.5 million compared to $5.6 million for the year ended December 31, 2010.

Summary of Quarterly Results

In accordance with item 1.5 of Form 51-102F1 — *Management's Discussion & Analysis,* quarterly information has not been presented as the Portfolio did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

WCSCP expects to have sufficient funds to meet all of its obligations as they become due. The Portfolio expects to have sufficient liquidity as a result of cash flow from operating activities.

Contractual Obligations

The Portfolio's material contractual obligations relates solely to the mortgage payable. The mortgage bears interest at a rate of 5.49% and matures December 2021. The material contractual obligations as at December 31, 2011 were as follows:

	Total	0 - 6 mos	6 - 12 mos	1 - 5 years	Over 5 years
Mortgage payable	135,410,021	3,824,311	3,824,311	30,594,485	97,166,914

Off-Balance Sheet Arrangements

None.

Financial Instruments and Other Instruments

WCSCP's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in Note 2 of the audited carve out financial statements for the years ended December 31, 2011 and 2010 for the Portfolio. These statements were prepared under IFRS, under which Management elected to account for the investment properties at fair market value. An explanation of the transition from Canadian GAAP to IFRS is in Note 10 of the audited carve out financial statements for the years ended December 31, 2011 and 2010 for the Portfolio.

Under IAS 40 — Investment Property ("IAS 40"), WCSCP may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost model. WCSCP has elected to use the fair value model to account for investment properties. Under the fair value model, investment properties are carried on the carve out statements of financial position at fair value. The properties are not depreciated and changes in fair value of the properties are recognized in the carve out statements of net earnings and comprehensive earnings in the period in which they occur. Under previous GAAP, WCSCP's rental properties and capital and leasehold improvements were carried on the combined balance sheets at cost less accumulated amortization.

Future Accounting Changes

IFRS 7 — Financial Instruments: Disclosures (“IFRS 7”)

IFRS 7 which was amended in 2011, enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity’s continuing involvement in derecognized financial assets. WCSCP does not expect the amendments to IFRS 7 to have a material impact on the financial statements because of the nature of the Portfolio and the types of financial assets that it holds.

IFRS 10 — Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It eliminates the risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. IFRS 10 supersedes IAS 27 — Consolidated and Separate Financial Statements and SIC — 12 Consolidation — Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP’s financial statements.

IFRS 11 — Joint Ventures (“IFRS 11”) and IAS 28 — Investment in Associates (“IAS 28”)

IAS 28 which was amended in 2011 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. It is expected this standard will have no impact on WCSCP’s financial statements.

IFRS 12 — Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements is required. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP’s financial statements.

IFRS 13 — Fair Value Measurement (“IFRS 13”)

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP’s financial statements.

IAS 1 — Presentation of Financial Statements

On June 16, 2011, the IASB released amendments to IAS 1 related primarily to the presentation of Other Comprehensive Income. The changes are effective for annual periods beginning July 1, 2012, early adoption permitted. WSP does not expect the amendments to IAS 1 to have a significant impact on its financial statements.

IAS 19 — Employee Benefits (“IAS 19”)

The amendments to IAS 19 relate to defined benefit assets and liabilities and related disclosures and to the accounting for termination benefits, as well as miscellaneous other matters. The changes to IAS 19 are effective on a modified retrospective basis for annual periods beginning January 1, 2013, early adoption permitted. WSP does not expect the amendments to IAS 19 to have a significant impact on its financial statements.

IAS 32 — Financial Instruments Presentation (“IAS 32”)

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The

changes to IAS 32 are effective for annual periods beginning January 1, 2014, early adoption permitted. WCSCP is presently evaluating the impact of this amendment on its financial statements.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates, and assumptions are described in Note 2 of the audited carve out financial statements for the years ended December 31, 2011 and 2010 for the Portfolio. Management believes the policies which are most subject to estimation and management's judgment are those outlined below.

Values of investment properties

WCSCP carries its investment properties at fair value. While investment properties are recorded at fair value on an annual basis, not every property is independently appraised every year. Significant judgment is applied in arriving at these fair values. Changes in the value of the rental properties affect income.

Accrued liabilities

Entities must estimate accrued liabilities when invoices have not been received in order to ensure all expenditures have been recognized. If future expenditures differ from estimates, future income would be affected.

Capital adequacy

Management prepares estimated cash flow projections on a regular basis to ensure there will be adequate liquidity to maintain operating, capital and investment activities and uses these estimates to assess capital adequacy. Management reviews the current financial results and the annual business plan in determining appropriate capital adequacy.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Portfolio. See "Risk Factors".

Subsequent Event

On May 1, 2012 NPR announced it had entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

Western Canada Senior Care Portfolio — for the years ended December 31, 2010 and 2009

Overview

The following discusses the financial condition and results of operations of the historical information relating to the Western Canada Senior Care Portfolio ("WCSCP" or "the Portfolio") for the years ended December 31, 2010 and 2009. This information should be read in conjunction with the WCSCP audited combined balance sheets, combined statements of net earnings and comprehensive earnings, combined statements of changes in net equity in portfolio, and combined statements of cash flows for the years ended December 31, 2010 and 2009.

The Portfolio, which is not a legal entity, is comprised of five senior care properties located in Alberta totaling 746 beds and one property in Burnaby, British Columbia with 214 beds. The six properties are leased to a single tenant on a triple net basis under long-term leases that expire in 2026. The leases have an additional renewal term of five years at market rents at the option of the tenant.

The combined financial statements for the Portfolio have been prepared for the purpose of a prospectus as a method of presenting historical property information relating thereto. The Portfolio statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these rental properties.

WCSCP's functional and reporting currency is the Canadian Dollar. Amounts are stated in Canadian Dollars, unless otherwise stated. The audited combined financial statements for the years ended December 31, 2010 and 2009 were prepared under Canadian generally accepted accounting principles ("GAAP").

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the Portfolio for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the "Forward-Looking Statements" section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the Portfolio will be affected by certain risk factors described elsewhere in this prospectus. See "Risk Factors".

Significant Events

The following data represents transactions and events that have had a material effect on the Portfolio and are expected to affect the results into the future.

Selected Financial Information
(Unless otherwise stated, all amounts are in Canadian Dollars)

	Year ended December 31	
	2010	2009
Rental revenue from income properties	12,819,338	12,801,381
Other revenue	372,064	286,970
Net earnings and total comprehensive earnings	3,813,848	3,722,065
Total Assets	135,523,198	137,875,775
Total Liabilities	90,851,816	92,760,458

Results of Operations — Year Ended December 31, 2010 and December 31, 2009
(Unless otherwise stated, all amounts are in Canadian Dollars)

Western Canada Senior Care Portfolio:

	Year ended December 31	
	2010	2009
Rental revenue from income properties	12,819,338	12,801,381
Other revenue	372,064	286,970
Property operating expenses	383,440	299,146

Rental revenue from income properties for the year ended December 31, 2010 was $12.8 million compared to $12.8 million for the year ended December 31, 2009. Rental revenue from income properties is comprised of monthly rent payments and straight-line rent. Other revenue is comprised of property tax recoveries which are the responsibility of the tenant.

Property operating expenses for the year ended December 31, 2010 were $383,440 compared to $299,146 for the year ended December 31, 2009. Property operating expenses are comprised of property taxes and insurance.

Interest on mortgage

Interest on mortgage for the year ended December 31, 2010 was $5.6 million compared to $5.7 million for the year ended December 31, 2009.

Summary of Quarterly Results

In accordance with item 1.5 of Form 51-102F1 — *Management's Discussion & Analysis,* quarterly information has not been presented as the Portfolio did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

WCSCP expects to have sufficient funds to meet all of its obligations as they become due. The Portfolio expects to have sufficient liquidity as a result of cash flow from operating activities.

Contractual Obligations

The Portfolio's material contractual obligations relates solely to the mortgage payable. The mortgage bears interest at a rate of 5.49% and matures December 2021. The material contractual obligations as at December 31, 2010 were as follows:

	Total	2011	2012	2013	2014	2015	Thereafter
Mortgage principal	95,721,251	2,514,590	2,654,536	2,802,270	2,958,227	3,122,862	81,668,766

Off-Balance Sheet Arrangements

None.

Financial Instruments and Other Instruments

WCSCP's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in Note 2 of the audited combined financial statements for the years ended December 31, 2010 and 2009 for the Portfolio. All of these statements were prepared in accordance with Canadian GAAP.

Future Accounting Changes

The CICA has issued a new accounting framework applicable to Canadian private enterprises. Effective for fiscal years beginning on January 1, 2011, private enterprises will have to choose between International Financial Reporting Standards ("IFRS") and Accounting Standards for Private Enterprises. WCSCP will adopt IFRS commencing on January 1, 2011.

Critical Accounting Estimates

A summary of significant accounting policies and changes in accounting policies are described in Note 2 of the audited combined financial statements for the years ended December 31, 2010 and 2009 for the Portfolio. All of these statements were prepared in accordance with Canadian GAAP. Management believes the policies which are most subject to estimation and management's judgment are those outlined below.

Amortization

Amortization is recorded on buildings on a straight-line basis. A significant portion of the acquisition cost of each rental property is allocated to building. The allocation of the acquisition cost to building and the determination of the useful life are based upon estimates by management. In the event the allocation to building is inappropriate or the estimated useful life of buildings proves incorrect, the computation of amortization will not be appropriately reflected over future periods.

Property Acquisitions

In accordance with the Canadian Institute of Chartered Accountants ("CICA") 1581 Business Combinations and CICA 3063 Impairment of Long-term Assets, Management is required to perform procedures to determine the fair value of the acquisition and the intangible value of above and below-market leases, as well as the identifiable direct benefits of tenant relationships on a discounted basis. The procedures associated with CICA 1581 and CICA 3062 are subject to estimation and management's judgment. Management allocates acquisition costs to land, building and intangible assets and liabilities based upon the best information available at the time of preparation of the financial statements. Any adjustments to these allocations will be reflected prospectively in subsequent financial statements.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Portfolio. See "Risk Factors".

Subsequent Event

On May 1, 2012 NPR announced it had entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

Western Canada Senior Care Portfolio — for the three months ended March 31, 2012 and 2011

Overview

The following discusses the financial condition and results of operations of the historical information relating to the Western Canada Senior Care Portfolio ("WCSCP" or "the Portfolio") for the three months ended March 31, 2012 and 2011. This information should be read in conjunction with the WCSCP unaudited condensed carve out statement of financial position, unaudited condensed carve out statement of net earnings and total comprehensive earnings, unaudited condensed carve out statement of changes in net equity in portfolio, and unaudited condensed carve out statement of cash flows for the three months ended March 31, 2012 and 2011.

The Portfolio, which is not a legal entity, is comprised of five senior care properties located in Alberta totaling 746 beds and one property in Burnaby, British Columbia with 214 beds. The six properties are leased to a single tenant on a triple net basis under long-term leases that expire in 2026. The leases have an additional renewal term of five years at market rents at the option of the tenant.

The unaudited condensed carve out financial statements for the Portfolio have been prepared for the purpose of a prospectus as a method of presenting historical property information relating thereto. The Portfolio statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these rental properties.

WCSCP's functional and reporting currency is the Canadian Dollar. Amounts are stated in Canadian Dollars, unless otherwise stated. The unaudited condensed carve out financial statements for the three months ended March 31, 2012 and 2011 were prepared in accordance with IAS 34 — Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the Portfolio for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the "Forward Looking Statements" section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the Portfolio will be affected by certain risk factors described elsewhere in this prospectus. See "Risk Factors".

Significant Events

The following data represents transactions and events that have had a material effect on the Portfolio and are expected to affect the results into the future.

Selected Financial Information

(Unless otherwise stated, all amounts are in Canadian Dollars)

	March 31, 2012	December 31, 2011
Total Assets	155,142,840	155,031,931
Total Liabilities	88,023,440	88,578,900

Results of Operations — Three Months Ended March 31, 2012 and March 31, 2011

(Unless otherwise stated, all amounts are in Canadian Dollars)

Western Canada Senior Care Portfolio:

	Three months ended March 31	
	2012	2011
Rental revenue from investment properties	3,219,654	3,204,831
Other revenue	90,430	90,430
Property operating expenses	93,136	93,244

Rental revenue from investment properties for the three months ended March 31, 2012 was $3.2 million compared to $3.2 million for the three months ended March 31, 2011. Rental revenue from investment properties is comprised of monthly rent payments and straight-line rent. Other revenue is comprised of property tax recoveries which are the responsibility of the tenant.

Property operating expenses for the three months ended March 31, 2012 were $93,136 compared to $93,244 for the three months ended March 31, 2011. Property operating expenses are comprised of property taxes and insurance.

Interest on mortgage

Interest on mortgage for the three months ended March 31, 2012 was $1.4 million compared to $1.4 million for the three months ended March 31, 2011.

Summary of Quarterly Results

In accordance with item 1.5 of Form 51-102F1 — *Management's Discussion & Analysis,* quarterly information has not been presented as the Portfolio did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

WCSCP expects to have sufficient funds to meet all of its obligations as they become due. The Portfolio expects to have sufficient liquidity as a result of cash flow from operating activities.

Contractual Obligations

The Portfolio's material contractual obligations relates solely to the mortgage payable. The mortgage bears interest at a rate of 5.49% and matures December 2021. The material contractual obligations as at March 31, 2012 were as follows:

	Total	0 - 6 mos	6 - 12 mos	1 - 5 years	Over 5 years
Mortgage payable	133,497,866	3,824,311	3,824,311	30,594,485	95,254,759

Off-Balance Sheet Arrangements

None.

Financial Instruments and Other Instruments

WCSCP's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in Note 2 of the unaudited condensed carve out financial statements for the three months ended March 31, 2012 and 2011

for the Portfolio. All of these statements were prepared in accordance with IAS 34 — Interim Financial Reporting ("IAS 34").

Future Accounting Changes

IFRS 10 — Consolidated Financial Statements; IFRS 11 — Joint Ventures ("IFRS 11") and IAS 28 — Investment in Associates ("IAS 28"); IFRS 12 — Disclosure of Interests in Other Entities ("IFRS 12"); IFRS 13 — Fair Value Measurement ("IFRS 13"); IAS 1 — Presentation of Financial Statements ("IAS 1"); IAS 19 — Employee Benefits ("IAS 19"); IAS 27 — Separate Financial Statements ("IAS 27"); IAS 32 — Financial Statements: Presentation ("IAS 32"); and IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") have been released by the IASB. WCSCP is evaluating the impact of these standards on the condensed carve out financial statements, which is not expected to be significant.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates, and assumptions are described in Note 2 of the unaudited condensed carve out financial statements for the three months ended March 31, 2012 and 2011 for the Portfolio. Management believes the policies which are most subject to estimation and management's judgment are those outlined below.

Values of investment properties

WCSCP carries its investment properties at fair value. While investment properties are recorded at fair value on an annual basis, not every property is independently appraised every year. Significant judgment is applied in arriving at these fair values. Changes in the value of the rental properties affect income.

Accrued liabilities

Entities must estimate accrued liabilities when invoices have not been received in order to ensure all expenditures have been recognized. If future expenditures differ from estimates, future income would be affected.

Capital adequacy

Management prepares estimated cash flow projections on a regular basis to ensure there will be adequate liquidity to maintain operating, capital and investment activities and uses these estimates to assess capital adequacy. Management reviews the current financial results and the annual business plan in determining appropriate capital adequacy.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Portfolio. See "Risk Factors".

Subsequent Event

On May 1, 2012 NPR announced it had entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

HealthLease Properties Real Estate Investment Trust

The following discusses the financial condition relating to the combined Western Canada Senior Care Portfolio and Mainstreet Senior Care Portfolio on a go forward basis. These two portfolios are being combined as part of a public offering. The following information relates to this combined portfolio, also known as Healthlease Properties Real Estate Investment Trust (the "REIT").

Significant Assets and Liabilities

The pro forma consolidated financial position of the REIT, giving effect to the transactions as if they had occurred on March 31, 2012, is presented in the unaudited pro forma condensed consolidated financial statements. Significant changes to the total assets reflected in the historical financial statements include:

- $5 million increase in the carrying value of the Western Canada Senior Care Portfolio based on the purchase price to be paid.

Significant changes to the total liabilities reflected in the historical financial statements include:

- Net reduction of $25 million of mortgages payable and subordinated debt primarily from debt repayment; and
- Recognition of $24 million fair value liability of Exchangeable Units.

Liquidity and Capital Resources

The REIT expects to have sufficient funds to meet all of its obligations as they become due. The REIT expects to have sufficient liquidity as a result of the following sources: (i) cash flow from operating activities (ii) financing availability through the Partnership's new credit facility (subject to lender approval) (iii) financing already in place on construction assets and (iv) the ability to issue new equity.

The Partnership is expected to have in place, subsequent to Closing, a new U.S.$25,000,000 credit facility (the "Credit Facility"). The Credit Facility will be used to repay principal amounts outstanding and cover capital expenditures.

The estimated cost to complete the construction of properties under development over the next twelve months is U.S.$30.6 million. The construction costs will be funded from restricted cash balances and existing construction financing in the form of lines of credit and mortgages payable.

Giving effect to the transactions as if they had occurred on March 31, 2012, the REIT would have $123.1 million of debt. In the short term, principal payments will be funded from cash flows from operating activities and financing available through the Credit Facility. The first debt maturities do not occur until 2016, at which time the REIT will seek replacement financing.

The REIT plans to use a portion of the proceeds of the Offering for working capital purposes, although the operations of the REIT do not require significant working capital. These funds will be used as necessary to fund operating expenses. Due to the triple net lease structure, the operating expenses of the REIT are consistently a small percentage of revenue.

Due to the REIT's triple-net lease structure, the REIT is only responsible for structural repairs in respect of its properties. For the Initial Properties located in the United States, this represents the foundation and exterior walls of the building. For the Initial Properties located in Canada, this represents the foundation, exterior walls and roof. The REIT has deducted $143,000 from AFFO over the next 12 months for potential capital expenditures.

The REIT, due to the triple net lease structure, does not anticipate any significant fluctuation in liquidity from operating activities. In the event there is a significant fluctuation in liquidity, the REIT will have the ability to access the aforementioned Credit Facility.

The REIT intends to target a debt level of 55% of Gross Book Value. At March 31, 2012, adjusted for Closing, it is anticipated that indebtedness as a percentage of Gross Book Value will be 52%. This ratio will increase to 55% at construction completion as a result of the additional construction financing.

Through a development agreement, the REIT has the option to participate, internally or externally, in the construction of additional pre-leased seniors housing and care properties. Such developments will be financed through construction financing, the issuance of new equity, or a combination of both. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT would be more than 60% of the Gross Book Value (65% including any convertible debentures of the REIT).

REIT Distributions

The REIT intends to distribute approximately 93% of its AFFO to Unitholders and, through the Partnership, holders of Exchangeable Units, subject to approval by the Board of Trustees. It is anticipated that all distributions will be funded by cash flows from operating activities, as cash flows from operating activities will approximate AFFO. The cash flow retained by the REIT is intended to fund principal loan repayments, cash reserves, and value-enhancing capital expenditures.

Significant Assets and Liabilities

The REIT, at March 31, 2012 adjusted for Closing, will have 15 properties. Twelve of the properties will be completed and earning rental income and three will be under construction. At March 31, 2012, the pro forma value of these assets was approximately $226 million. Once all the development properties are complete, the value will be approximately $260 million. In addition to these properties, at March 31, 2012 the REIT had restricted cash of approximately $12 million.

The REIT, at March 31, 2012 adjusted for Closing, will have five mortgages totalling approximately $123.1 million. In addition to these mortgages, there will be Exchangeable Units that are classified as liabilities. The value of these Exchangeable Units are estimated at $24.0 million.

Future Accounting Changes

IFRS 7 — Financial Instruments: Disclosures (“IFRS 7”)

IFRS 7 which was amended in 2011, enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity’s continuing involvement in derecognized financial assets. The REIT does not expect the amendments to IFRS 7 to have a material impact on the financial statements because of the nature of the Portfolio and the types of financial assets that it holds.

IFRS 10 — Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It eliminates the risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. IFRS 10 supersedes IAS 27 — Consolidated and Separate Financial Statements and SIC — 12 Consolidation — Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on the REIT’s financial statements.

IFRS 11 — Joint Ventures (“IFRS 11”) and IAS 28 — Investment in Associates (“IAS 28”)

IAS 28 which was amended in 2011 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. The REIT is presently evaluating the impact of this amendment on its financial statements.

IFRS 12 — Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements is required. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The REIT is presently evaluating the impact of this amendment on its financial statements.

IFRS 13 — Fair Value Measurement (“IFRS 13”)

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on the REIT’s financial statements.

IAS 1 — Presentation of Financial Statements

On June 16, 2011, the IASB released amendments to IAS 1 related primarily to the presentation of Other Comprehensive Income. The changes are effective for annual periods beginning July 1, 2012, early adoption permitted. The REIT does not expect the amendments to IAS 1 to have a significant impact on its financial statements.

IAS 19 — Employee Benefits (“IAS 19”)

The amendments to IAS 19 relate to defined benefit assets and liabilities and related disclosures and to the accounting for termination benefits, as well as miscellaneous other matters. The changes to IAS 19 are effective on a modified retrospective basis for annual periods beginning January 1, 2013, early adoption permitted. The REIT does not expect the amendments to IAS 19 to have a significant impact on its financial statements.

IAS 32 — Financial Instruments Presentation (“IAS 32”)

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The changes to IAS 32 are effective for annual periods beginning January 1, 2014, early adoption permitted. The REIT is presently evaluating the impact of this amendment on its financial statements.

Risk and Uncertainties

There are business and other risks associated with the ownership of the Units, and thereby ownership of the two portfolios. See “Risk Factors”.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT after Closing may be invested directly or indirectly only in accordance with the following restrictions:

(a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in (i) seniors’ housing facilities and other healthcare related properties, including without limitation vacant land, located in the United States and Canada, (ii) seniors’ housing and other healthcare related operations and the development of such facilities and (iii) properties and assets ancillary thereto necessary for the operation of such facilities, properties and operations and such other activities as are consistent with the other investment guidelines of the REIT;

(b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;

(c) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the Trust and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a “joint venture arrangement” is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

(d) except for temporary investments held in cash, deposits with a Canadian chartered bank, credit union or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than

to the extent such securities would constitute an investment in real property (as determined by the Trustees); provided that, notwithstanding anything contained in the Declaration of Trust to the contrary, but subject to paragraph (b) above, the REIT may acquire securities of other real estate investment trusts, a majority of the assets of which are assets in which the REIT could invest, directly or indirectly, pursuant to paragraph (a) above;

(e) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(f) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages but excluding financing described in (h) below) and similar instruments where:

  (i) the real property which is security therefor is an income producing seniors' housing facility or other healthcare related property which otherwise meets the other investment guidelines of the REIT adopted by the Trustees from time to time in accordance with the Declaration of Trust and the restrictions set out therein; and

  (ii) the aggregate book value of the investments of the REIT in such mortgages and mortgage bonds, after giving effect to the proposed investment, will not exceed 20% of Gross Book Value of the REIT calculated at the time of such investment;

(g) the REIT shall not invest in raw land for development, except (i) raw land forming part of the Initial Properties, (ii) raw land for the development of new properties and (iii) raw land for the renovation and/or expansion of existing properties;

(h) the REIT may invest in properties under development, including raw land for development, development financing, mortgage financing and mezzanine financing, provided that the aggregate value of the investments of the REIT in such development properties, after giving effect to the proposed investment, will not exceed 20% of Gross Book Value of the REIT; and

(i) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of Gross Book Value of the REIT in investments which do not comply with one or more of paragraphs (a), (d), (f), (g) and (h), provided that such investment complies with paragraph (b) above.

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT after Closing shall be conducted in accordance with the following policies:

(a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 — *Mutual Funds*;

(b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

  (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation,

  shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(c) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 60% of the

Gross Book Value of the REIT, excluding convertible debentures (or 65% of the Gross Book Value, including the entire principal amount of indebtedness pursuant to outstanding convertible debentures);

(d) the REIT shall not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by the REIT directly, would not cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required, but shall use its reasonable best efforts, to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(e) the REIT shall, directly or indirectly, obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties; and

(f) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant, and as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property. In addition, the term "indebtedness" means (without duplication) on a consolidated basis:

(a) any obligation of the REIT for borrowed money (excluding any premium in respect of indebtedness assumed by the REIT for which the REIT has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy);

(b) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

(c) any obligation of the REIT issued or assumed as the deferred purchase price of property;

(d) any capital lease obligation of the REIT; and

(e) any obligation of the type referred to in clauses (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable,

provided that (A) for the purposes of (a) through (d), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (B) obligations referred to in clauses (a) through (c) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; and (C) exchangeable units issued by subsidiaries of the REIT shall not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in paragraphs (a), (d), (e) and (f) set out under the heading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by unitholders of the REIT at a meeting of unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by unitholders at a meeting called for such purpose.

DECLARATION OF TRUST

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the unitholders. The Units and Special Voting Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units and Special Voting Units are not shares in the REIT and holders do not have statutory rights of shareholders of a corporation incorporated under either the OBCA or the CBCA including, for example, the right to bring "oppression" or "derivative" actions.

Units

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, as described below under "Redemption Right". Except as set out in "Retained Interest — Exchange Agreement", the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Special Voting Units

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Voting Unit at any meeting of the unitholders. Special Voting Units may only be issued in connection with or in relation to Class B Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with the Class B Units to which they relate, and will be evidenced only by the certificates representing such Class B Units. Special Voting Units will not be transferable separately from the Class B Units to which they are attached and will be automatically transferred upon the transfer of such Class B Units. Upon the exchange or surrender of a Class B Unit for a Unit, the Special Voting Unit attached to such Class B Unit will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Except as set out in "Retained Interest — Exchange Agreement", Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution. The REIT may create and issue rights, warrants or options or other instruments or securities to subscribe for

fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the Trustees may determine.

The REIT may also issue new Units (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, or (ii) pursuant to any incentive or option plan established by the REIT from time to time.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Meetings of Unitholders

The Declaration of Trust provides that meetings of unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "Amendments to Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually, for the election of the Trustees (other than the Trustees appointed by Mainstreet) and the appointment of the auditors of the REIT. All meetings of unitholders must be held in Canada.

A meeting of unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5% of the Units and Special Voting Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those that apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of unitholders either in person or by proxy. Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of unitholders. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 10% of the total number of outstanding Units and Special Voting Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the unitholders present either in person or by proxy will be deemed to constitute a quorum.

Pursuant to the Declaration of Trust, a resolution in writing executed by unitholders holding a proportion of the outstanding Units and Special Voting Units equal to the proportion required to vote in favour thereof at a meeting of unitholders to approve that resolution is valid as if it had been passed at a meeting of unitholders.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to CDS. Upon receipt of the redemption notice by the Transfer Agent

and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(i) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and

(ii) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "Market Price" of a Unit as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "Closing Market Price" of a Unit for the purpose of the foregoing calculations, as at any date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on such date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange on the specified date if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on such date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange on the specified date, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on such date; or

(iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange on the specified date, if there was no trading on such date.

If the Units are not listed or quoted for trading on a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (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) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market that, in the sole discretion of the Trustees, provides representative fair market value prices for the Units; (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the limitations above, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming Unitholder shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT makes a distribution *in specie* on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units.

Purchases of Units by the REIT

The REIT may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

The Declaration of Trust and the Exchange Agreement will provide that if a non-exempt take-over bid from a person acting at arm's length to holders of Partnership Units (or any associate or affiliate thereof) is made for the Units and such take-over bid is not structured such that holders of Class B Units can exchange into Units conditional on take-up, then, provided that not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid, from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold the Class B Units held by persons other than the REIT will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Class B Units will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the exchange right is actually exercised.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable,

will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Limitation on Non-Resident Ownership

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, at no time may Non-Residents be the beneficial owners of more than 49% of the Units (determined on a basic or fully diluted basis) and the Trustees will inform the transfer agent and registrar of this restriction. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units (determined on a basic or fully diluted basis) then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and the Transfer Agent will not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (determined on a basic or fully diluted basis) are held by Non-Residents, the Trustees may send a notice to Non-Resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may, on behalf of such Unitholders sell such Units and, in the interim, must suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be holders of Units and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Trustees which is unpaid and owing to such Unitholders. The Trustees will have no liability for the amount received provided that they act in good faith.

Information and Reports

The REIT will furnish to unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of unitholders, the Trustees will provide the unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast by unitholders at a meeting called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast by unitholders at a meeting called for such purpose.

The following actions and/or amendments, among others, require the approval of two-thirds of the votes cast by unitholders at a meeting called for such purpose:

(a) an exchange, reclassification or cancellation of all or a portion of the Units or Special Voting Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;

(c) any change to the existing constraints on the issue, transfer or ownership of the Units or Special Voting Units;

(d) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees);

(e) the termination of the REIT;

(f) the combination, amalgamation or arrangement of any of the REIT or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees); and

(g) the amendment of the Investment Guidelines of the REIT set out under the heading "Investment Guidelines" and the operating policies of the REIT contained in paragraphs (a), (d), (e) and (f) set out under the heading "Operating Policies". See "Investment Guidelines and Operating Policies — Amendments to Investment Guidelines and Operating Policies".

Notwithstanding the foregoing, the Trustees may (upon the approval of a majority of the Trustees present in person or by phone at a meeting of the Board), without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or the REIT; (ii) the status of the REIT as a "mutual fund trust" under the Tax Act; or (iii) the distribution of Units;

(b) which, in the opinion of the Trustees, provide additional protection for the unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the unitholders;

(f) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS; or (ii) to ensure the Units qualify as equity for purposes of IFRS;

(g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(h) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of "real estate investment trust" in the Tax Act or to otherwise prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Rules;

(i) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(j) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to unitholders and is necessary or desirable.

Any amendment to the Declaration of Trust which directly or indirectly adds, changes or removes any of the rights, privileges, restrictions or conditions in respect of the Special Voting Units shall require the approval of a majority of the votes cast by all holders of Special Voting Units at a meeting of unitholders (or by written resolution in lieu thereof).

HEALTHLEASE CANADA

HealthLease Canada Properties Inc. ("HealthLease Canada") is a corporation established under the laws of the province of British Columbia. Upon completion of this Offering and related transactions, HealthLease Canada will own all of the common shares of HealthLease U.S.

The authorized share capital of HealthLease Canada will consist of an unlimited number of common shares. Upon Closing, all of the issued and outstanding common shares of HealthLease Canada will be held by the REIT. Holders of common shares of HealthLease Canada will be entitled to receive dividends as and when declared by the board of directors and are entitled to one vote per common share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of HealthLease Canada, the holders of common shares of HealthLease Canada are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

HEALTHLEASE U.S.

HealthLease U.S., Inc. ("HealthLease U.S.") is a corporation established under the laws of the state of Delaware. Upon completion of this Offering and related transactions, HealthLease U.S. will own all of the outstanding Class A Units of the Partnership.

The authorized share capital of HealthLease U.S. will consist of 1,000 common shares. Upon Closing, all of the issued and outstanding common shares of HealthLease U.S. will be held by HealthLease Canada. Holders of common shares of HealthLease U.S. will be entitled to receive dividends as and when declared by the board of directors and are entitled to one vote per common share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of HealthLease U.S., the holders of common shares of HealthLease U.S. are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

THE PARTNERSHIP

General

MPG Healthcare L.P. is an Indiana limited partnership and will be governed by the Partnership Agreement. The general partner of the Partnership will be HealthLease U.S. GP, Inc., a company that will be incorporated under the laws of the state of Delaware prior to Closing. The limited partners of the Partnership will be HealthLease U.S. and Mainstreet.

Directors of the General Partner

Initially, the board of directors of the General Partner will be comprised of seven persons. The Articles of Incorporation of the General Partner will provide that the board of directors of the General Partner shall be comprised of the same individuals as the Board of Trustees of the REIT.

Partnership Units

Upon Closing, the Partnership will have outstanding general partnership units, all of which will be held by the General Partner, Class A Units, all of which will be held by HealthLease U.S., and Class B Units, all of which will be held by Mainstreet. Holders of Class A Units will be entitled to notice of, and to attend and vote at, all meetings of holders of the units of the Partnership. The Class B Units will be non-voting.

Exchange of Units

The Class B Units will, in all material respects, be economically equivalent to the Units on a per unit basis, subject to certain adjustments in respect of U.S. corporate income taxes payable by HealthLease U.S. and foreign currency hedging arrangements entered into by the REIT. Under the Exchange Agreement, the Class B

Units will be exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Tax Act. See "Retained Interest — Exchange Agreement".

Operation

The business and affairs of the Partnership will be managed and controlled exclusively by the General Partner, subject to the terms of the Partnership Agreement.

Restrictions on Transfer

Except as specifically provided in the Partnership Agreement, neither Mainstreet nor HealthLease U.S. will be permitted to transfer their respective interest in the Partnership to a third party. The Partnership Agreement will provide that Mainstreet may transfer Class B Units to affiliated entities or to directors, officers or employees, provided that, in respect of the transfers to directors, officers or employees (i) such transfer would not require the transferee to make an offer to holders of Units to acquire Units on the same terms and conditions under applicable securities laws if such Class B Units, and all other outstanding Class B Units, were converted into Units at the then current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer; or (ii) the transferee acquiring such Class B Units makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and does not acquire such Class B Units unless the transferee also acquires a proportionate number of Units actually tendered to such identical offer, and provided further that the transfers to directors, officers or employees contain similar restrictions on transfer and an obligation for such officers or employees to exchange the Class B Units into Units at such time as they no longer provide services to Mainstreet.

Amendments

The Partnership Agreement may only be amended with the affirmative vote of HealthLease U.S. and, so long as it continues to hold Class B Units, Mainstreet.

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts actually distributable will be made in the sole discretion of the Trustees.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make *pro rata* monthly cash distributions to Unitholders and, through the Partnership, holders of Class B Units initially equal to, on an annual basis, approximately 93% of estimated AFFO for the period ended June 30, 2013. Management of the REIT believes that the 93% payout ratio initially set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT, and for the Partnership to make distributions to holders of Class B Units, as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. See "Declaration of Trust — Issuance of Units" and "Certain Canadian Federal Income Tax Considerations".

The first distribution will be for the period from Closing to July 31, 2012 and will be paid on August 15, 2012, in the amount of $0.0978 per Unit assuming Closing occurs on June 20, 2012. The REIT intends to make subsequent monthly distributions in the estimated amount of $0.07083 per Unit commencing August 31, 2012.

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 and restrictions on payment of distributions thereunder (including under the Sun Life Debt) on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the operators of the REIT's properties and any capital expenditure requirements.

See "Risk Factors".

Distribution Reinvestment Plan

Following Closing, the REIT intends to implement, subject to regulatory approval, the DRIP pursuant to which Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the closing price of Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal in value to 3% of each distribution that was reinvested by the Unitholder. Holders of Class B Units will be entitled to participate in the DRIP and may elect to have all cash distributions of the Partnership automatically reinvested in additional Class B Units or Units on the same terms available to holders of Units.

No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all administrative costs will be borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada (other than holders of Class B Units or Units acquired on the exchange of Class B Units) will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

Further administrative details, including the date of the first distribution of income for which Unitholders will be entitled to elect to have distributions reinvested under the DRIP, and enrolment documents regarding the DRIP will be forwarded to beneficial owners of Units prior to the fourth Distribution Date.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Davies Ward Phillips & Vineberg LLP, Canadian counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires Units pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the REIT and holds the Units as capital property (in this section of the prospectus, referred to as a "Holder"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a "financial institution" subject to the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) that is a partnership; (iv) an interest in which would be a "tax shelter investment"; or (v) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules, all within the meaning of the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and

disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof ("Proposed Amendments"), counsel's understanding of the current published administrative policies and assessing practices of the CRA, and a certificate as to certain factual matters from an executive officer of the REIT. Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province or territory in which the purchaser resides or carries on business. This summary is not intended to be, nor should it construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to (i) the REIT is a reference to HealthLease Properties Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors, and (ii) a reference to a Unitholder is a reference to a holder of Units and not a holder of Special Voting Units.

Status of the REIT

This summary assumes the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering and at all times thereafter, and to file the necessary election so that the REIT will qualify as a mutual fund trust throughout its first taxation year. **If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations would be materially and adversely different from those described below.**

Qualification as a Real Estate Investment Trust

This summary is based on the assumption that the REIT qualifies, and will continue to qualify at all relevant times as a "real estate investment trust", as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the "SIFT Rules"). If such assumption is not accurate, certain of the income tax considerations described below would, in some respects, be materially and adversely different.

SIFT Rules and the REIT Exception

The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed

dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it qualifies as a "real estate investment trust", as defined in the Tax Act, throughout the year (the "REIT Exception"). The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. Based on the advice of its external tax advisor, management has advised counsel that the REIT will qualify for the REIT Exception as currently structured and that management of the REIT expects the REIT will qualify for the REIT Exception throughout 2012 and each subsequent year. However, there can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception. The REIT Exception is applied on an annual basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular taxation year, it may be able to so qualify in a subsequent taxation year.

If the REIT is subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders.

On December 16, 2010, the Department of Finance announced proposed amendments to the REIT Exception, proposed to be effective as of January 1, 2011. The REIT has advised counsel that it expects to be able to qualify for the REIT Exception under these proposed rules throughout 2012 and each subsequent year.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, dividends received from HealthLease Canada, interest on the HealthLease Canada Note and the HealthLease U.S. Note that accrues to the REIT to the end of the year, or that becomes receivable or is received by it before the end of the year (except to the extent that such interest was included in computing its income for a preceding taxation year), and net realized taxable capital gains (including any portion thereof arising from foreign currency gains on the repayment of the HealthLease U.S. Note).
The REIT may deduct from its taxable income amounts which are paid or become payable by it to Holders in such year. An amount will be considered to be payable in a taxation year if it is paid to a Holder in the year by the REIT or if a Holder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Holders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT will make one or more in-kind distributions in the form of additional Units. Income of the REIT payable to the Unitholders in the form of additional Units will generally be deductible to the REIT in computing its taxable income.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Units generally may be deducted by the REIT on a five-year, straight-line basis.

Amounts received by the REIT from HealthLease Canada as a return of paid-up capital (within the meaning of the Tax Act) on the common shares of HealthLease Canada generally will not be taxable to the REIT. However, the adjusted cost base of the common shares of HealthLease Canada held by the REIT will be reduced by any such distributions received. If at any time the adjusted cost base of the common shares of HealthLease Canada held by the REIT would become a negative amount, the REIT will be deemed to have realized a capital gain equal to such amount.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains) and will be deductible by the REIT in computing its income.

Taxation of HealthLease Canada

HealthLease Canada will be subject to tax under the Tax Act and its taxation year will be the calendar year. HealthLease Canada's income for purposes of the Tax Act will include any "foreign accrual property income" ("FAPI") realized by a "controlled foreign affiliate" (a "CFA") of HealthLease Canada and any dividends received, as further described below. In computing its income, HealthLease Canada generally will be able to deduct any interest paid in the year or payable in respect of the year to the REIT pursuant to the HealthLease Canada Note and reasonable current administrative and other expenses incurred to earn income.

For purposes of the Tax Act, HealthLease U.S. is a "foreign affiliate" and CFA of HealthLease Canada. It is expected that income earned by HealthLease U.S. from the Initial Properties (including income allocated to HealthLease U.S. by its underlying partnership subsidiaries) will be FAPI. Any FAPI earned by HealthLease U.S. must be included in computing HealthLease Canada's income for the taxation year of HealthLease Canada in which the taxation year of HealthLease U.S. ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, whether or not HealthLease Canada actually receives a distribution of FAPI in the taxation year. The adjusted cost base to HealthLease Canada of the common shares of HealthLease U.S. will be increased by the net amount so included in the income of HealthLease Canada. At such time as HealthLease Canada receives a dividend of amounts that were previously included in its income as FAPI, that dividend effectively will not be taxable to HealthLease Canada and there will be a corresponding reduction in the adjusted cost base to HealthLease Canada of the common shares of HealthLease U.S.

HealthLease Canada will be required to include in computing its income dividends received from HealthLease U.S., subject to certain deductions (including that described above in respect of FAPI). Because of such deductions, dividends from HealthLease U.S. out of its FAPI will not generally be subject to additional tax under the Tax Act, but will result in a reduction in the adjusted cost base to HealthLease Canada of the common shares of HealthLease U.S. to the extent such adjusted cost base was increased as a result of such FAPI. To the extent that dividends are prescribed to have been paid out of HealthLease U.S.'s exempt surplus or pre-acquisition surplus, HealthLease Canada will be entitled to a deduction equal to such dividends. The adjusted cost base to HealthLease Canada of the common shares in HealthLease U.S. will be reduced to the extent that dividends paid by HealthLease U.S. are considered to have been paid out of pre-acquisition surplus. If the adjusted cost base to HealthLease Canada of the common shares in HealthLease U.S. would become a negative amount, HealthLease Canada will be deemed to realize a capital gain equal to such amount for that year. Pursuant to Proposed Amendments, HealthLease Canada also generally will be entitled to a deduction equal to one-half of the portion of such dividends prescribed to have been paid out of HealthLease U.S.'s hybrid surplus, plus an additional amount in respect of the other half of those dividends to reflect the portion of HealthLease U.S.'s income that is subject to foreign tax at an equivalent rate to that applicable in Canada.

HealthLease Canada generally will be entitled to designate taxable dividends paid by it to the REIT as eligible dividends for purposes of the Tax Act to the extent it is entitled to a deduction from income with respect to dividends received from HealthLease U.S. and which have been paid from exempt surplus, taxable surplus or

pre-acquisition surplus (or, pursuant to Proposed Amendments, hybrid surplus) each to the extent of the deductions described above.

Taxation of Taxable Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, taxable dividends received (or deemed to be received) from HealthLease Canada and net taxable capital gains and foreign source income realized by the REIT that are paid or become payable to a Holder will retain their character as taxable dividends, taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act. Amounts that are designated as taxable dividends paid or payable to a Holder will be subject to the normal dividend gross up and tax credit rules with respect to Holders who are individuals (other than certain trusts). In addition, where HealthLease Canada has designated such dividends as eligible dividends, Holders that are individuals (other than certain trusts) will benefit from the enhanced gross-up and dividend tax credit available in respect of eligible dividends. A Holder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including private corporations or subject corporations (as such terms are defined in the Tax Act), may be liable to pay a refundable tax at the rate of 33⅓% of such dividends to the extent that such dividends are deductible in computing taxable income.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year generally should not be included in the Holder's income for the year. However, such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units be increased by the amount of such deemed capital gain.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. The cost of Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Unitholder's Units as a result of the receipt of the further distribution reinvested in Units under the DRIP; however, the adjusted cost base per Unit will be reduced.

A redemption of Units in consideration for cash or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital

loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gain realized by the REIT in connection with the distribution of property *in specie* on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an ''allowable capital loss'') realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Where a Holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Holder's capital loss from the disposition generally will be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the Holder, to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Refundable Tax

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax of 6⅔% in respect of its aggregate investment income for the year, which will include all or substantially all income and capital gains distributed to the Holder by the REIT and capital gains realized on a disposition of Units.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

U.S. FEDERAL INCOME TAXATION OF THE REIT, HEALTHLEASE CANADA, HEALTHLEASE U.S. AND THE PARTNERSHIP

Circular 230

TO COMPLY WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS.

The following is a summary of certain U.S. federal income tax considerations applicable to the REIT, HealthLease Canada, HealthLease U.S. and the Partnership that was prepared by Krieg DeVault LLP, special

counsel to the REIT and the Partnership, and reviewed by Davies Ward Phillips & Vineberg LLP, counsel to the underwriters. This summary does not address any U.S. federal tax considerations applicable to a Unitholder. No rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax issues discussed in this summary. As a result, there can be no assurance that the IRS will not successfully challenge the conclusions reached in this summary. U.S. federal income tax treatment that is different from this summary could negatively impact cash flows, the cash flow available for distribution to the Unitholders, and the value of the Units.

This summary is not exhaustive of all possible U.S. federal income tax considerations applicable to the REIT, HealthLease Canada, HealthLease U.S. and the Partnership. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units.

This summary is based on the Code, Treasury Regulations, IRS rulings and official pronouncements, judicial decisions and the Treaty, all as in effect on the date of this prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the statements and conclusions set forth below.

U.S. Federal Income Taxation of the REIT

The REIT should be treated for U.S. federal tax purposes as a foreign corporation. Because the REIT will have substantial business activities in Canada, it is not expected that the anti-inversion rules of Section 7874 of the Code will apply to the REIT. Rules with respect to whether a foreign corporation will be considered to have substantial business activities in a foreign country have been provided in regulations to Section 7874. On June 7, 2012, the previous temporary regulations in respect of this determination were withdrawn and replaced with new temporary regulations applicable to certain transactions completed on or after such date. The REIT will receive an opinion from Krieg DeVault LLP that the anti-inversion rules of Section 7874 of the Code should not apply to the REIT.

The REIT should be a resident of Canada for purposes of the Treaty. The REIT should be eligible for benefits under the Treaty as long as the Units are primarily and regularly traded on a Canadian stock exchange. The REIT expects that the Units will be primarily and regularly traded on the Toronto Stock Exchange and the discussion herein assumes that the REIT will be eligible for benefits under the Treaty, but there can be no assurance that this will be the case. The REIT does not expect to be engaged in a U.S. trade or business or have a permanent establishment in the United States for purposes of the Treaty; however, if it were to engage in a U.S. trade or business through a permanent establishment in the United States, then the REIT would be subject to U.S. federal income tax with respect to its net taxable income attributable to the U.S. permanent establishment at regular U.S. federal corporate income tax rates and may be subject to a secondary U.S. branch profits tax at a rate of 5%. As set forth below, the HealthLease U.S. Notes should be treated as indebtedness for U.S. federal income purposes. Assuming that characterization is correct, the interest income the REIT earns on the HealthLease U.S. Notes will be exempt from U.S. federal income tax under the Treaty even though the interest income is expected to be treated as arising from a source within the United States. However, as discussed below there can be no assurance that the characterization of the Healthlease U.S. Notes as debt will be sustained. If the HealthLease U.S. Notes were successfully recharacterized by the IRS as equity, then the interest payments would be treated as distributions by HealthLease U.S. and would potentially be taxable as discussed below under "U.S. Federal Income Taxation of HealthLease Canada" (except that the withholding rate for dividends paid to the REIT under the Treaty would be 15% rather than 5%). The distributions the REIT receives from HealthLease Canada with respect to the shares it owns in HealthLease Canada and the interest income the REIT earns on the HealthLease Canada Notes are not expected to constitute U.S.-source income or be subject to U.S. federal income tax.

U.S. Federal Income Taxation of HealthLease Canada

Generally

HealthLease Canada will be treated as a resident of Canada for purposes of the Treaty. HealthLease Canada will be eligible for benefits under the Treaty as long as the Units are primarily and regularly traded on a Canadian stock exchange. The REIT expects that the Units will be primarily and regularly traded on the Toronto Stock Exchange and the discussion herein assumes that HealthLease Canada will be eligible for benefits under

the Treaty, but there can be no assurance that this will be the case. HealthLease Canada does not expect to be engaged in a U.S. trade or business or have a permanent establishment in the United States for purposes of the Treaty; however, if it were to engage in a U.S. trade or business through a permanent establishment in the United States, then HealthLease Canada would be subject to U.S. federal income tax with respect to its net taxable income attributable to the U.S. permanent establishment at regular U.S. federal corporate income tax rates and may be subject to a secondary U.S. branch profits tax at a rate of 5%.

The distributions that HealthLease Canada receives from HealthLease U.S. will be treated as (i) dividends, to the extent of the earnings and profits of HealthLease U.S., then (ii) a return of capital, to the extent of HealthLease Canada's adjusted tax basis in the stock of HealthLease U.S., and thereafter (iii) gain from the sale of the stock of HealthLease U.S. The dividend portion of any distribution is expected to be treated as arising from a source within the United States and subject to 5% U.S. federal income tax pursuant to the Treaty. The taxation of the portion of any distribution from HealthLease U.S. that is not treated as a dividend is discussed below.

Disposition of Stock of HealthLease U.S.

A non-U.S. corporation that is not engaged in trade or business in the United States generally is not subject to U.S. federal income tax on any gain from the disposition of the stock of a U.S. corporation. However, a non-U.S. corporation is subject to U.S. federal withholding and income taxation upon the disposition of stock in a U.S. corporation if more than 50% of the value of the U.S. corporation's real property and trade or business assets is (or was at any time during the five years prior to the disposition) attributable to U.S. real property interests. For this purpose, the Initial Properties located in the United States generally are treated as real property located within the United States. Because these are the primary assets of HealthLease U.S. through its ownership of Class A Units in the Partnership, HealthLease Canada is expected to be subject to U.S. federal income taxation upon any gain recognized on a disposition of the stock of HealthLease U.S at a rate of 35%. In addition, unless a withholding certificate is obtained from the IRS, a 10% withholding tax is imposed on the gross proceeds from the disposition of the stock of HealthLease U.S. This withholding tax would be creditable against any income tax due on the disposition and, in the event the tax withheld on a disposition exceeds the income tax due, HealthLease Canada would be entitled to request a refund of the excess by filing a U.S. federal income tax return.

Distributions in Excess of Earnings and Profits

As described above, any distribution from HealthLease U.S. in excess of the amount treated as a dividend is treated first as a return of capital, to the extent of HealthLease Canada's adjusted tax basis in the stock of HealthLease U.S., and thereafter as gain from the sale of the stock of HealthLease U.S. The portion of any distribution from HealthLease U.S. that is treated as gain from the disposition of HealthLease U.S. stock would be subject to U.S. federal income tax at a 35% rate. In addition, absent a withholding certificate being obtained from the IRS, the entire amount of any distribution in excess of the amount treated as a dividend (including the return of capital portion of any such distribution) generally would be subject to a 10% U.S. withholding tax, which would be creditable against any income tax due on the distribution. In the event the tax withheld on a distribution exceeds the income tax due, HealthLease Canada would be entitled to request a refund of the excess by filing a U.S. federal income tax return.

U.S. Federal Income Taxation of HealthLease U.S.

Generally

HealthLease U.S. will be treated as a corporation for U.S. federal income tax purposes. HealthLease U.S. is subject to U.S. federal income tax on its net taxable income, including its distributive share of the income of the Partnership. In computing its net taxable income, HealthLease U.S. is expected to be entitled to deduct interest paid on the HealthLease U.S. Notes (subject to the limits discussed below) and certain other expenses incurred relating to its ownership of Class A Units in the Partnership and the borrowing of funds pursuant to the HealthLease U.S. Notes.

Interest Deductions

The REIT and HealthLease U.S. will receive an opinion from Krieg DeVault LLP that, for United States federal income tax purposes, the HealthLease U.S. Notes should be treated as debt of HealthLease U.S. and that the interest on the HealthLease U.S. Notes should be deductible subject to any applicable limitations, including Code section 163(j) discussed in more detail below. This opinion is based, in part, upon certain advice provided to the REIT by its financial advisors and upon certain assumptions and representations as to factual matters that have been or will be provided by the REIT and HealthLease U.S., as requested by counsel.

However, the determination of whether the HealthLease U.S. Notes are debt for U.S. federal income tax purposes is based on an analysis of all of the relevant facts and circumstances, and there is no clear authority characterizing a similar arrangement as debt for U.S. federal income tax purposes. Consequently, there can be no assurance that this position will not be challenged by the IRS. If such a challenge were sustained, interest payments on the HealthLease U.S. Notes would be recharacterized as non-deductible distributions with respect to HealthLease U.S.'s equity, and HealthLease U.S.'s net taxable income and thus its U.S. federal income tax liability would increase. If HealthLease U.S. were liable for additional tax, the cash flow available for distribution to the Unitholders would be reduced, which could negatively impact the value of the Units.

Assuming the HealthLease U.S. Notes are treated as debt of HealthLease U.S. for U.S. federal income tax purposes, the amount of deductible interest paid on such debt is subject to limitations. The amount of such interest must be consistent with the amount that would have been payable on a similar obligation at arms' length or the amounts actually paid may be recharacterized as a distribution on the equity of HealthLease U.S. In this regard, the REIT's advisors have conducted certain interest rate and debt feasibility studies in order to support the amount of interest payable by HealthLease U.S. on the HealthLease U.S. Notes. In addition to the arms'-length limitation, Code Section 163(j) imposes a limitation on the amount of deductions for interest paid on such debt. In general, Code Section 163(j) disallows or defers deductions for interest paid by a corporation if the corporation has all of the following: (i) a debt-to-equity ratio in excess of 1.5 to 1, (ii) excess interest expenses (i.e. the portion of the corporation's net interest expense which exceeds 50% of "adjusted taxable income"), and (iii) disqualified interest expense (i.e. interest paid or accrued to a related person who is not subject to U.S. income tax upon receipt of the interest income). Adjusted taxable income is generally defined as the corporation's taxable income before net interest expense, depreciation, depletion and amortization for purposes of Code Section 163(j), a corporation and a creditor of the corporation will generally be "related" if the creditor owns, directly or by attribution, more than 50% of the corporation by vote or value. If section 163(j) applies in a given tax year, interest expense of a corporation is disallowed in an amount equal to the lesser of the corporation's "excess interest expense" or its "disqualified interest expense." Any interest that is disallowed under section 163(j) is carried over to subsequent years indefinitely.

HealthLease U.S.'s debt-to-equity ratio will initially be under 1.5 to 1 and accordingly, it is expected that section 163(j) will not initially disallow the deduction of interest payable on the HealthLease U.S. Notes. If subsection 163(j) applies to limit the amount of interest deductible by HealthLease U.S. in respect of the HealthLease U.S. Notes in a future year, the amount of U.S. federal income tax payable by HealthLease U.S. will increase.

U.S. Federal Income Taxation of the Partnership

Treatment as a Partnership and Pass-Through Nature of Taxation

Under the Code, the Partnership will be treated as a partnership for U.S. federal income tax purposes. As an entity taxed as a partnership, the Partnership is not subject to federal income tax. Instead, each partner, including HealthLease U.S., will report on its federal income tax return its allocable share, as determined by the Partnership Agreement, of profits and losses realized by the Partnership, whether or not any cash distributions are made to the partners during the taxable year. The character of any item of profit and loss (as capital gain or ordinary income and as capital loss or ordinary loss) will be the same to the partner as it is to the Partnership.

It is always possible that the Internal Revenue Service (the "IRS") may audit the Partnership. As a general rule, partners are required to treat items of profit and loss in a manner consistent with the Partnership's tax return or file a statement with the IRS identifying the inconsistency. Any audit adjustments to the Partnership's tax return are automatically passed through to the partners without the need for separate IRS action on each partner's return. Such adjustments could require that state tax returns be amended, trigger an audit of state tax returns, or trigger an audit of the individual partner's federal income tax return. The "tax matters partner" will have the obligation to keep the other partners informed as to the progress of an audit and will generally control the selection of the court in which any federal tax dispute will be litigated.

The agreed value of the Partnership's real estate assets contributed by Mainstreet are in excess of its basis for tax purposes. Accordingly, the Partnership will need to account for such difference by using one of the

methods available under the Code Section 704(c) regulations and the choice of such method can have a material effect on the taxable income allocated to HealthLease U.S. and the income tax payable by that entity.

Tax Matters Partner

Under the Code, each partnership or entity treated as a partnership is required to have a tax matters partner who has authority to interface with the IRS and, in the event of an audit, provide communications to the other partners. The tax matters partner has the power, among other things, to settle the Partnership's items with the IRS and to select the court in which a tax dispute will be litigated. The Partnership Agreement provides for the General Partner to be the tax matters partner.

Tax Treatment of Certain Fees and Expenses Paid by the Partnership

Under the Code, the Partnership's expenditures will, as a general rule, fall into one of the following categories (a) deductible expenses — expenditures such as interest, taxes, and ordinary and necessary business expenses which the Partnership is entitled to deduct in full when paid or incurred; (b) amortizable expenses — expenditures which are entitled to be amortize (i.e., deduct ratably) over a fixed period of time; (c) capital expenditures — expenditures which must be added to the amortization or depreciation basis of the Partnership's property (or loans) and deducted over a period of time as the property (or loan) is amortized or depreciated; (d) organization expenses — expenditures related to the Partnership's organization, which subject to certain limitations, the Partnership can elect to deduct up to $5,000 in the first year of the business and amortize the remainder over a 180-month period, (e) syndication expenses — expenditures paid or incurred in promoting the sale of the Partnership's interests, which under Section 709 of the Code must be capitalized but may be neither depreciated, amortized, nor otherwise deducted; (f) start-up expenses — expenditures incurred by the Partnership during an initial period, which subject to certain limitations, the Partnership can elect to deduct up to $5,000 in the first year of the business and amortize the remainder over a 180-month period and (g) guaranteed payments to partners — payments to partners for services or use of capital which are deductible or treated in the other categories of expenditures listed above, provided they meet the applicable requirements.

All of the Partnership's fees and expenditures must constitute ordinary and necessary business expenses in order to be deducted by the Partnership when paid or incurred, unless the deduction of any such item is otherwise expressly permitted by the Code (e.g., taxes). Expenditures must also be reasonable in amount. The IRS could challenge a fee deducted by the Partnership on the ground that such fee is a capital expenditure, which must be amortized over an extended period or indefinitely deferred, rather than deducted as an ordinary and necessary business expense. The IRS could also challenge the deduction of any fee on the basis that the amount of such fee exceeds a reasonable cost.

PLAN OF DISTRIBUTION

General

Pursuant to an Underwriting Agreement entered into between the REIT, Mainstreet and the Underwriters, the REIT has agreed to sell and the Underwriters have agreed to purchase on Closing 11,000,000 Units at a price of $10.00 per Unit, for aggregate gross consideration of $110,000,000 payable in cash to the REIT against delivery of the Units. The offering price of the Units has been determined by negotiation between the REIT and the Underwriters.

Pursuant to the Underwriting Agreement, the REIT has granted the Underwriters an Over-Allotment Option to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the Closing and entitles the Underwriters to purchase from the REIT up to 1,100,000 Units on the same terms and conditions as set out below (being approximately 10% of the aggregate number of Units offered hereunder). If the Over-Allotment Option is exercised in full, the total price to the public will be $121,000,000, the Underwriters' commission will be $7,260,000 and the net proceeds to the REIT will be $113,740,000. The proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT to repay debt and/or for working capital purposes. See "Use of Proceeds".

In the Underwriting Agreement, the Underwriters have agreed, subject to compliance with all necessary legal requirements and to the conditions set forth therein, to purchase all but not less than all of the Units. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to $0.60 per Unit. The REIT will also pay the Underwriters' commission in respect of Units sold by the REIT if the Over-Allotment Option is exercised.

The Offering is being made in each of the provinces and territories of Canada and in the United States in an offering to qualified institutional buyers exempt from the registration requirements of the U.S. Securities Act, pursuant to Rule 144A thereunder, and a limited number of "accredited investors" pursuant to Rule 506 of Regulation D under the U.S. Securities Act, which accredited investors meet the criteria set forth in Rule 501(a)(1)-(7) of Regulation D. The Units will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, and residency restrictions under the Declaration of Trust, the Underwriters may offer the Units outside of Canada.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. The TSX has conditionally approved the listing of the Units under the symbol HLP.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before August 28, 2012.

All of the Units sold in the Offering will be freely tradeable without restriction or further registration under applicable Canadian securities laws.

The obligations of the Underwriters under the Underwriting Agreement are joint (and not joint and several), are subject to certain closing conditions, including the condition that the material contracts listed under "Material Contracts" have been executed and delivered and any conditions precedent to the completion of the transactions contemplated thereunder in favour of the REIT shall have been fulfilled, performed or waived by the REIT, and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

In connection with the completion of the Offering, the REIT has agreed with the Underwriters that it will neither issue nor announce the issuance of any Units or securities convertible or exchangeable into Units for a period of 180 days following the Closing without the prior written consent of Canaccord Genuity Corp. and National Bank Financial Inc. on behalf of the Underwriters, which consent will not be unreasonably withheld, other than in connection with any employee option or purchase plans, the DRIP or the issuance of Units to Mainstreet pursuant to the Development Agreements. In addition, Mainstreet has agreed in favour of the Underwriters that, for a period of 18 months following the Closing, it will not, directly or indirectly, without the prior written consent of Canaccord Genuity Corp. and National Bank Financial Inc. on behalf of the Underwriters which consent will not be unreasonably withheld, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase (other than in connection with existing option or other incentive or compensation plans or plans to be created in connection with the Offering), or otherwise lend, transfer or dispose of (other than in connection with an exchange of its Class B Units for Units) any Units or securities convertible or exchangeable into Units, or securities of any subsidiary of the REIT, in each case acquired upon Closing, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, or securities convertible or exchangeable into Units or securities of any subsidiary of the REIT, in each case acquired upon Closing, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; provided, however, that any such party shall be permitted to pledge Units, or securities convertible or exchangeable into Units or securities of any subsidiary of the REIT as security for any loan made to it if the terms of any such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged securities during the 18 month period following the Closing.

The Units have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Units may not be offered or sold within the United States. The Underwriting Agreement provides that the Underwriters may re-offer and resell the Units that they have acquired pursuant to the Underwriting Agreement to qualified institutional buyers in the United States in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement also provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. Units may also be sold directly by the REIT to "accredited investors", as defined in Rule 501(a)(1)-(7) under the U.S. Securities Act, as substituted purchasers in accordance with the terms of the Underwriting Agreement. In addition, until 40 days after Closing, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A under the U.S. Securities Act.

The Underwriters propose to offer the Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price of the Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the REIT.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transaction.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and

passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time.

The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

Over-Allotment Option

The REIT has granted to the Underwriters an Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from the date of the Closing, to purchase from the REIT up to an aggregate of 1,100,000 additional Units (representing approximately 10% of the Units offered hereunder), on the same terms as set out above, payable in cash against delivery of such additional Units. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. The REIT will pay the Underwriters' commission in respect of Units sold hereunder if the Over-Allotment Option is exercised. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' commission and net proceeds to the REIT before deducting other expenses of the Offering, will be $121,000,000, $7,260,000 and $113,740,000, respectively. The proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT to repay debt and/or for working capital purposes. This prospectus qualifies the grant of the Over-Allotment Option and up to 1,100,000 Units to be sold by the REIT upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

NCI System

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI system. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at closing. A subscriber who purchases Units will receive only a customer confirmation from the registered dealer from or through whom Units are purchased and who is a CDS participant.

USE OF PROCEEDS

The net proceeds of this Offering are estimated to be approximately $98.4 million ($108.8 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. The REIT will directly or indirectly use (i) approximately $28.2 million of the net proceeds of the Offering to fund the acquisition of the Class A Units of the Partnership, which will, in turn, use such proceeds to repay debt in respect of certain of the Initial Properties; (ii) approximately $70.2 million of the net proceeds of the Offering to fund the acquisition of the NPR Portfolio; and (iii) any remaining proceeds for working capital purposes. Of the debt being repaid in respect of the Initial Properties, approximately U.S.$13.2 million is being used to repay debt incurred over the two years preceding the date of this prospectus. Specifically, U.S.$4.1 million will be used to repay subordinated debt in respect of the MS Mishawaka and MS Springfield properties, which debt was incurred to fund the construction of these properties, and U.S.$9.1 million will be used to repay the first mortgage over the MS Valparaiso property, which debt was incurred to fund the construction of this property. See "The Acquisitions".

The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT to repay debt and/or for working capital purposes.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT and the operators of the properties. Described below are certain risks that could materially affect the REIT. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the REIT. Prospective purchasers of the Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

The REIT will own the Initial Properties and is expected in the future to acquire interests in and develop 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. As the REIT's properties are currently leased to a relatively small number of operators, AFFO will be adversely affected if one or more operators are unable to meet their obligations under their leases or if any of the properties in which the REIT will have an interest are not able to be leased to an operator on economically favourable lease terms.

In the event of default by an operator, 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, an operator of any of the properties in which the REIT has an interest may experience cash flow issues, including in respect of paying its payments under the applicable leases, and/or 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. Moreover in the event of the failure of an operator, the REIT may be required to arrange for Mainstreet to operate the facilities until another operator can be found. Mainstreet's ability to operate the facilities will be subject to the REIT and Mainstreet receiving the required regulatory approvals. In addition, the REIT's ability to operate a facility or otherwise exercise its rights as a landlord following an event of default by an operator may be adversely affected as a consequence of it not having a security interest in the personal property of the operator. No such security interests have been obtained as against the operators of the Initial Properties in the United States, except in respect of the accounts receivable of Magnolia Health Systems, Inc. arising from the operation of the Brookville Healthcare Center.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the operator replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. The ability to rent unleased 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 seniors housing and care facilities, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Additionally, due to changing trends in the design of the types of properties owned by the REIT, it is possible that the REIT's properties will be less desirable than newer models developed by competitors. This, in turn, would affect the ability of the REIT to renew its leases with existing operators and, in the event that such leases are not renewed, to rent unleased properties.

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 seniors housing and care properties will compete with the REIT in seeking operators. 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 and better able to adapt existing and new properties to changing trends in design and functionality. The existence of developers, managers and owners in such markets and competition for the residents of such properties could have a negative effect on the REIT's ability to find operators for its properties in such markets, 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.

Fixed Costs

Certain significant expenditures, including property taxes, 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. Although the REIT's leases with operators generally pass these costs to those operators, 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 to charge additional interest or penalties, or of foreclosure or sale. Costs may also be incurred in making improvements or repairs to property required by a new operator and income may be lost as a result of any prolonged delay in attracting a suitable operator for a facility.

The timing and amount of capital or other 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.

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 U.S. mortgage market and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. 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 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 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

Operator risks

The seniors housing and care industry is highly competitive and the REIT expects that it may become more competitive in the future. The REIT's operators are competing with numerous other companies providing similar seniors housing and care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. As a result, the REIT

cannot be certain that the operators of all of its facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to the REIT.

The REIT leases a substantial portion of its properties to a limited number of operators, and they are each a significant source of the REIT's total revenues and operating income. Of particular note is AgeCare, which operates six of the fifteen Initial Properties, expected to comprise 60% of the REIT's contractual rent in 2013. Since these leases are triple-net leases, the REIT depends on the operators not only for rental income, but also to pay insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties. Any inability or unwillingness by the operators to make rental payments or to otherwise satisfy its obligations under its lease could have a material adverse effect on the REIT's business, financial condition, results of operations and liquidity, on the REIT's ability to service its indebtedness and other obligations and on its ability to make distributions to Unitholders. In addition, any failure by any of the operators of the REIT's properties to effectively conduct its operations or to maintain and improve the REIT's properties could adversely affect its business reputation and its ability to attract and retain patients and residents in the REIT's properties, which could have a material adverse effect on the REIT. Due to the nature of their business, the operators may be subject to class action suits, which may in turn subject the REIT to such litigation. Although the REIT believes such claims would be without merit, litigation is expensive, time consuming and may divert management's attention away from the operation of the REIT. Although the operators have also agreed to indemnify, defend and hold the REIT harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, there is no assurance that such operators will have sufficient assets, income, access to financing and insurance coverage to enable it to satisfy its indemnification obligations.

Any adverse developments in the business and affairs, financial strength or ability of the REIT's operators, and AgeCare in particular, to operate the REIT's properties efficiently and effectively could have a material adverse effect on the REIT. If any of the operators of the REIT's properties, and AgeCare in particular, experience any significant financial, legal, accounting or regulatory difficulties due to the weakened economy or otherwise, such difficulties could result in, among other adverse events, acceleration of its indebtedness, the inability to renew or extend its credit facilities, the enforcement of default remedies by its counterparties or the commencement of insolvency proceedings, any one or a combination of which could have a material adverse effect on the REIT.

In the event that an operator defaults under a lease, the leases provide numerous rights and remedies to the REIT. First, the leases contain standard default remedies such as rent acceleration (subject to applicable laws), the ability to remove the tenant operator from the facility (subject to existing arrangements with the health authorities, if any) and the right to collect from the guarantor or indemnitor, if any. Additionally, the REIT will have access to further remedies to ensure that the operations of the facility will continue seamlessly after the tenant is removed from the operations (subject to existing arrangements with the health authorities, if any). The typical lease states that the personal property necessary for the operations of the facility becomes the property of the landlord at the end of the lease term or upon the earlier termination of the lease or, alternatively, provides the landlord with a security interest in such personal property. In the U.S., any licenses and certifications necessary for operation and third party payor reimbursement remain with the facility and the tenant is required to cooperate in transferring such licenses to the landlord or a new tenant. In Canada, there are established procedures employed by the relevant regulators, which are designed to ensure smooth transitions between operators in the event of default. In the event the REIT finds it necessary to remove a tenant operator from a facility, the REIT can, in the U.S., either designate a new tenant operator, designate an interim tenant operator, or Mainstreet, as manager, could operate the facility until a more permanent tenant operator is identified. In Canada (including with respect to the facilities comprising the NPR Portfolio), Mainstreet's current intention is to, as needed, identify appropriate replacement tenant operators through its arrangements and relationships with the health authorities and/or through the REIT's relationships in the Canadian seniors housing and care industry. In the event that one or more replacement tenant operators are required to be appointed by the REIT or the relevant health authority in respect of one or more properties, there may be a delay in the appointment of such tenant operator(s) and/or the new lease(s) may be on terms that are not as favourable to the REIT as the terms of the lease with the then existing operator. Any such delay or variation in the terms could have a material adverse effect on the REIT.

In addition, the operators of the REIT's properties are subject to numerous federal, state, provincial and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic effect on such operators' costs of doing business and the amount of reimbursement by both government and other third-party payors. The failure of any of the REIT's operators to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to the REIT. In particular:

U.S. Regime

- *Medicare, Medicaid and Private Payor Reimbursement.* A portion of the REIT's skilled nursing and assisted living facility operators' revenue is derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Failure to maintain certification and accreditation in these programs would result in a loss of funding from them. Moreover, federal and state governments have adopted and continue to consider various reform proposals to control healthcare costs. In recent years, there have been fundamental changes in the Medicare program that have resulted in reduced levels of payment for a substantial portion of healthcare services. In addition, reimbursement from private payors has in some cases effectively been reduced to levels approaching those of government payors. Loss of certification or accreditation, or any changes in reimbursement policies that reduce reimbursement to levels that are insufficient to cover the cost of providing patient care, could cause the revenues of the REIT's operators to decline, potentially jeopardizing their ability to meet their obligations to the REIT.
- *Licensing and Certification.* The REIT's operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically audited by them to confirm compliance. Failure to obtain licensure or loss of licensure would prevent a facility from operating. Some of the REIT's facilities may not be able to satisfy current and future regulatory requirements and may for this reason be unable to continue operating in the future. In such event, the REIT's revenues from those facilities could be reduced or eliminated for an extended period of time. State licensing, Medicare and Medicaid laws also require the REIT's operators of nursing homes and assisted living facilities to comply with extensive standards governing operations, including federal conditions of participation. Federal and state agencies administering those laws regularly inspect the REIT's facilities and investigate complaints. The REIT's operators and their managers receive notices of potential sanctions and remedies from time to time, and such sanctions have been imposed from time to time on facilities operated by them. If they are unable to cure deficiencies which have been identified or which are identified in the future, such sanctions may be imposed and if imposed may adversely affect the REIT's operators' ability to operate and therefore pay rent to the REIT.
- *Fraud and Abuse Laws and Regulations.* There are various complex and largely uninterpreted federal and state laws and regulations governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers. The violation of any of these laws or regulations by an operator could result in the imposition of criminal or civil fines or other penalties (including exclusion from the Medicare and Medicaid programs) that could jeopardize that operator's ability to make lease payments to the REIT or to continue operating its facility.
- *Legislative Developments.* Each year, legislative proposals are introduced or proposed in Congress, and in some state legislatures, that would effect major changes in the healthcare system, either nationally or at the state level. The REIT cannot predict whether any proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, the REIT's business.

Canadian Regime

- *Control of Fees.* The regulation of LTC and certain assisted living homes by government regulatory authorities includes the control of fees and the monitoring of funds provided by government regulatory authorities to support programs provided in such homes and to subsidize accommodation costs for qualifying residents. As a result of increasing healthcare costs, the risk exists that funding agencies may in the future reduce the level of, or eliminate, such fees, payments or subsidies. There can be no assurance

that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses. Operators may also be required to refund amounts they have been paid by governmental funding programs. Any changes in funding levels or policies could cause the revenues of the REIT's operators to decline, potentially jeopardizing their ability to meet their obligations to the REIT.

- *Compliance Regimes.* LTC homes and certain assisted living homes are subject to regulator surveys and inspections by government authorities to ensure compliance with applicable laws and to investigate complaints, including with respect to resident injury or death. It is not unusual for the stringent inspection procedures to identify deficiencies in operations across homes. It is possible that an operator may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to government regulatory authorities, which could lead to government regulatory authorities imposing sanctions (such as limiting admissions at the applicable home). Such sanctions may have a negative impact on an operator's revenues which in turn, could jeopardize such operator's ability to meet its obligations to the REIT.
- *Legislative Developments.* In Canada, as in the U.S., healthcare in general is an area subject to extensive regulation and frequent regulatory change. A number of provinces are promoting regionally managed and regulated healthcare systems. The provinces of Alberta and British Columbia have led this trend. This movement towards a heightened and/or more regional approach to high activity care regulation has resulted in increased levels of enforcement activity over the past several years. As a result, costs to respond and/or defend surveys, inspections, audits and investigations in connection with this enhanced monitoring and enforcement are significant and are likely to increase in the current environment, which may impact the financial strength of the REIT's tenants. Also, there can also be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing and care industry, will not directly adversely affect the REIT.

See "Characteristics of North American Seniors Housing and Care — Sources of Payment for Services" and "Characteristics of North American Seniors Housing and Care — Regulation and Healthcare Reform".

Development Risks

The REIT's business model is largely dependent upon its ability to identify properties for development, to develop such properties and to lease them to operators in a timely manner and for lease amounts in excess of the costs of development. The REIT and the Partnership have entered into the Development Agreements and, as such, will depend on Mainstreet to carry out all of these activities. The failure of Mainstreet to perform its obligations under the Development Agreement, to identify suitable development opportunities or to pre-lease development properties to quality operators could have a material adverse effect on the REIT. Moreover, the termination of one or both of the Development Agreements could have an adverse effect on the REIT's financial condition and results of operation. See "Arrangements with Mainstreet — Development Agreements".

In addition, the REIT is subject to various risks associated with development activities, including the following:

- unsuccessful development opportunities could result in direct expenses to the REIT;
- construction costs of a facility could exceed original estimates, possibly making the facility less profitable than originally estimated, or possibly unprofitable;
- the time required to complete construction of a facility may be greater than originally anticipated, thereby adversely affecting the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders;
- the time required to execute a lease with a third party operator for a completed facility may be greater than originally anticipated, thereby adversely affecting the REIT's financial condition and results of operation and decreasing the amount of cash available for distribution to Unitholders;
- rent payments for a completed facility may not be sufficient to make the project profitable to the REIT; and
- favourable sources to fund the REIT's development activities may not be available.

Acquisitions

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has been in discussions with a U.S. financial institution for the provision of the Credit Facility following Closing, 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, development of properties, funding operating expenses or other purposes. 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

The REIT expects to have outstanding indebtedness at March 31, 2012 adjusted for Closing of approximately $123.1 million. Although a portion of the cash flow generated by the Initial 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. To the extent the REIT incurs variable rate indebtedness, this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The REIT's credit facilities are also expected to contain 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 a current or previous owner of interests in real property in the United States and Canada, the REIT will be subject to various United States and Canadian federal, state, 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 or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibers in the air. Many of the Initial Properties contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and result of

operations but is not estimable. The presence of contamination or the failure to remediate contamination may also 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.

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, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessment and Valuation of the Initial Properties — Environmental Site Assessment".

The REIT intends to 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. See "Trustees and Management of the REIT — Conflicts of Interest".

Conflicts may exist due to the fact that certain Trustees of the REIT will be affiliated with Mainstreet. The REIT and Mainstreet will enter into certain arrangements. Mainstreet 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. See "Arrangements with Mainstreet".

Conflicts may also arise due to the fact that the Chief Executive Officer of the REIT and Mainstreet, who is also a trustee of the REIT, together with another principal of Mainstreet, holds (i) a 100% ownership position in the entity that owns a 50% ownership interest in LCS Wabash LLC, the tenant operator of the Wabash facility, and (ii) a 100% ownership interest in Mainstreet Senior I, LLC, the tenant operator of Highland Manor Health and Living.

Appraisals

The REIT retained third party Appraisers to provide independent estimates of the fair market value range in respect of the Initial Properties (see "Assessment and Valuation of the Initial Properties — Independent Valuation"). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of the prospectus or that such valuations actually reflects an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisals will be attainable. In addition, the U.S. Appraisals are as at December 31, 2011 and the Canadian Appraisals are as at April 1, 2012. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Properties shown on the Appraisals may be an unreliable indication of its current market value.

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's tenant operators will be required to carry comprehensive property insurance coverage with customary policy specifications, limits and deductibles and will be required to include the owner of the property as an additional insured under such policies. There can be no assurance, however, that such policies will not lapse, 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 the REIT's ability to attract operators or expand its businesses, and will require management to devote time to matters unrelated to the operation of the REIT's business.

Financial Forecast

The forecast results contained in this prospectus were prepared using assumptions that reflect the REIT's management's intended course for the periods covered, given the judgment of management of the REIT as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary from the forecast results and those variations may be material. There is no representation by the REIT that actual results achieved in the forecast period will be the same, in whole or in part, as those forecasted herein. See "Forward-Looking Statements".

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including Mainstreet, certain executive officers 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.

Risks Associated with External Management Arrangements

The REIT relies on Mainstreet with respect to administrative services and the management of its properties. Consequently, the REIT's ability to achieve its investment objectives depends in large part on Mainstreet and its ability to advise the REIT. This means that the REIT's investments are dependent upon Mainstreet's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Mainstreet or its key personnel or if Mainstreet fails to perform its obligations under these agreements, the REIT's investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager. Prospective investors should not purchase any Units unless they are prepared to rely on the Trustees, executive officers and Mainstreet.

The Administrative Services Agreement and Asset Management Agreement may be terminated in the event of material default or insolvency of Mainstreet within the meaning of such agreements and are only renewable on certain conditions. Accordingly, there can be no assurance that the REIT will continue to have the benefit of Mainstreet's administrative services, including its executive officers, or that Mainstreet will continue to be the REIT's asset manager. If Mainstreet should cease for whatever reason to provide administrative services or be the asset manager, the cost of obtaining substitute services may be greater than the fees the REIT pays Mainstreet under the Asset Management Agreement, and this may adversely impact the REIT's ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT's cash flows, operating results and financial condition.

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.

Lease Renewals and Rental Increases

Expiries of leases for the REIT's properties 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.

Mainstreet Indemnity and Prior Operations

Pursuant to the Mainstreet Investment Agreement, Mainstreet Property Group, LLC will make certain representations and warranties to the REIT with respect to the Partnership. Mainstreet will also provide an indemnity to the REIT under the Mainstreet Investment Agreement which will provide, subject to certain conditions and thresholds, that Mainstreet Property Group, LLC will indemnify the REIT for breaches of such representations and warranties. 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 Mainstreet Property Group, LLC 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 Mainstreet Investment Agreement against Mainstreet Property Group, LLC 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 the Partnership 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.

NPR Purchase Agreement

Pursuant to the NPR Purchase Agreement, the Vendor has made certain representations and warranties to the REIT with respect to the NPR Portfolio. The NPR Purchase Agreement includes an indemnity by the Vendor in favour of the Purchaser, the REIT and their respective affiliates in respect of, among other things, any claims caused by or arising directly or indirectly by reason of any information or statement provided by the Vendor or its representatives and included in this prospectus containing or being alleged to contain a misrepresentation as well as the Vendor's non-compliance with any requirement of applicable securities laws in connection with the Offering. 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 the Vendor will be in a position to satisfy a successful claim by the REIT in the event any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the NPR Purchase Agreement against the Vendor or such indemnity may not be sufficient to fully indemnify the REIT from third party claims.

Foreign Currency Fluctuation

A portion of the REIT's operations are conducted in the United States and the financial position and results for these operations are denominated in U.S. dollars. U.S. operations currently account for approximately 35% U.S. revenue of the total revenue from the Initial Properties and 61% of the AFFO from the Initial Properties. The REIT's functional and reporting currency is the Canadian dollar. Accordingly, the revenues and expenses of the U.S. operations are translated at average rates of exchange in effect during the period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. As a result, the REIT's consolidated financial position is subject to foreign currency fluctuation risk on the U.S. operations, which could adversely impact its operating results and its cash flows. In addition, because the distributions to Unitholders will be denominated in Canadian dollars the cash available for distribution could be adversely impacted. Although the REIT expects to enter into currency hedging arrangements in respect of its foreign

currency cash flows, there are no assurances that the full amount of the foreign currency exposure will be hedged at any time.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Risk Factors Related to the Offering

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 operators of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the Offering price. 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. See "Certain Canadian Federal Income Tax Considerations".

Tax-Related Risk Factors

Canadian Tax Risks

(a) Non-Resident Ownership — The REIT intends to comply with the requirements under the Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. Accordingly, Non-Residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the Units. See "Description of the Trust — Limitation on Non-Resident Ownership".

    The restrictions on the issuance of Units by the REIT to Non-Residents may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the Non-Resident ownership restrictions could negatively impact the liquidity of the Units and the market price at which Units can be sold.

(b) Taxation of Mutual Fund Trusts — There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

(c) REIT Exception — Although, as of the date hereof, management of the REIT believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2012 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the SIFT Rules in 2012 or in future years.

In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital.

The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

(d) FAPI — FAPI earned by HealthLease U.S. must be included in computing HealthLease Canada's income for the taxation year of HealthLease Canada in which the taxation year of HealthLease U.S. ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by HealthLease U.S., thereby increasing HealthLease Canada's Canadian tax liability and reducing cash available for distribution to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions that are not taxable to HealthLease U.S. under the Code may still give rise to FAPI for purposes of the Tax Act and, accordingly, may result in a Canadian tax liability of HealthLease Canada, thereby reducing cash available for distribution to unitholders.

(e) Change of Law — There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the CRA and the Department of Finance (Canada) will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

(f) Non-Residents of Canada — The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this prospectus does not describe the tax consequences under the Tax Act to Non-Residents, which may be more adverse than the consequences to other Unitholders. Prospective purchasers who are Non-Residents should consult their own tax advisors.

U.S. Tax Risks

(a) IRS Challenge — The IRS may challenge certain tax positions taken by the REIT, HealthLease Canada and HealthLease U.S., including the position that the interest on the HealthLease U.S. Notes is deductible or not subject to withholding tax and that the anti-inversion rules of Section 7874 of the Code will not apply to the REIT.

The REIT and HealthLease U.S. will receive an opinion from Krieg DeVault LLP that, for United States federal income tax purposes, the HealthLease U.S. Notes should be treated as debt of HealthLease U.S. and that the interest on the HealthLease U.S. Notes should be deductible subject to any applicable limitations, including Code section 163(j) discussed in more detail below. This opinion is based, in part, upon certain interest rate and debt feasibility studies and other analyses prepared on behalf of the REIT by its advisors and upon certain assumptions and representations as to factual matters that have been or will be provided by the REIT and HealthLease U.S., as requested by counsel. If any of these assumptions or representations is inaccurate as of the closing of the Offering, the tax consequences of them could differ materially and adversely from those described in the opinions. Furthermore, there can be no assurance that this position will not be challenged by the IRS. If such challenge were sustained, interest payments on the HealthLease U.S. Notes would be recharacterized as non-deductible distributions with respect to HealthLease U.S.'s equity and would be subject to U.S. withholding taxes.

Even if the HealthLease U.S. Notes were characterized as debt, there is a risk that amounts payable by HealthLease U.S. under the HealthLease U.S. Notes may be found to be in excess of those payable at arm's

length. In such event, the excess over the arm's length amount could be recharacterized as non-deductible distributions on equity. The inability of HealthLease U.S. to deduct all or a portion of the interest paid on the HealthLease U.S. Notes could materially increase its taxable income and thus its U.S. federal income tax. In addition, the recharacterization of interest payments as distributions on equity could cause such payments to be subject to U.S. federal withholding tax. These changes would adversely affect the financial position and cash flow of HealthLease U.S. and would reduce its after-tax income available for distribution.

The REIT will receive an opinion from Krieg DeVault LLP that the anti-inversion rules of Section 7874 of the Code should not apply to the REIT. There can be no assurance that the IRS will not successfully challenge this conclusion, particularly with respect to the interpretation of regulations recently issued for which no guidance is available. There can also be no assurance that the IRS and the Department of Treasury will not promulgate new or additional regulations that may cause the REIT to be subject to the inversion rules. If the IRS were able to successfully assert that the transaction is a corporate inversion, it would increase the REIT's U.S. federal income tax payable and cause certain distributions to be subject to U.S. federal withholding taxes. Such consequences would have a material adverse effect on the financial position and cash flow of the REIT and significantly reduce the after-tax income available for distribution.

(b) Code Section 163(j) — Code section 163(j) imposes an additional limitation on a corporation's U.S. federal income tax deductions for interest paid to related foreign persons exempt from U.S. federal income tax in years in which (i) the debt-to-equity ratio of the United States corporate taxpayer exceeds 1.5 to 1 (based on the tax basis of assets and subject to certain adjustments), and (ii) the corporation's net interest expense (i.e., the excess of interest expense over interest income) exceeds 50% of "adjusted taxable income". Adjusted taxable income is generally defined as the corporation's taxable income before certain deductions, including net interest expense, depreciation, and amortization. For purposes of Code section 163(j), the REIT generally will be "related" to HealthLease U.S. provided the REIT owns, directly or by attribution, more than 50% of HealthLease U.S. by vote or value.

Code section 163(j) may limit the ability of HealthLease U.S. to deduct the interest paid on the HealthLease U.S. Notes. In addition, there can be no assurance that future changes to U.S. federal income tax provisions will not otherwise restrict or eliminate the ability of HealthLease U.S. to claim a deduction for U.S. federal income tax purposes for interest paid on the HealthLease U.S. Notes. An additional restriction on or elimination of the ability of HealthLease U.S. to claim deductions for interest payments could increase its U.S. federal income tax liability, which would reduce the amount of the distributions which the REIT would otherwise receive and thereby have an adverse effect on the amount available to pay distributions to Unitholders.

(c) Change of Law — The REIT, HealthLease Canada and HealthLease U.S. are subject to United States tax laws. There can be no assurance that U.S. federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the IRS and the Department of Treasury will not be changed, possibly on a retroactive basis, in a manner that adversely affects the REIT or Unitholders. In particular, any such change could increase the amount of U.S. federal income tax payable by HealthLease U.S. or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions.

(d) Dispositions of Real Property — HealthLease U.S. will be subject to tax under the Code on the dispositions of real property, whether such properties are sold directly or indirectly through the sale of securities of an underlying entity. In addition, HealthLease Canada generally will be subject to tax under the Code on a disposition of stock of HealthLease U.S. U.S. taxes paid in connection with such dispositions will reduce the after-tax proceeds received by the REIT on such sales. Furthermore, taxes imposed under the Code may be greater than taxes imposed under the Tax Act, thereby increasing the effective tax rate to the REIT on such dispositions and reducing the cash available for distribution to Unitholders.

Pledge of Units as Collateral for Lease Payments under the Mainstreet Development Leases may not be Adequate

For a period of time following the Closing, Mainstreet has agreed, through the Mainstreet Development Leases, to make payments to the Partnership in respect of the three pre-leased development properties. In order to provide security for payments under the Mainstreet Development Leases, Mainstreet has pledged certain of

its Class B Units and/or Units having a minimum book value equal to the undiscounted future payments expected to be made pursuant to the Mainstreet Development Leases. There can be no assurance that Mainstreet will be in a position to satisfy its payment obligations to the REIT under the Mainstreet Development Leases. Moreover, if there is a decrease in the value of the Class B Units and/or the Units and/or the level of distributions made by the Partnership, the collateral pledged by Mainstreet may not be sufficient to ensure that the payments are made. Any such event could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Certain of the Leases in respect of the Initial Properties Contain Rights that could Affect the Ability of the REIT to transfer such Properties

Certain of the leases in respect of the Initial Properties include rights of first offer or rights of first refusal in favour of the operators in the event that the REIT intends to sell any such property or enters into an agreement to sell any such property, as applicable. In the event that the REIT desires to sell any of these properties, the existence of these rights could limit the number of purchasers of such properties, make it more difficult to sell such properties and/or decrease the potential purchase price that could be obtained for such properties, which, in turn, could have a material adverse effect on the REIT.

Certain Leases in respect of the Initial Properties Contain Purchase Options

The lease in respect of Avalon Springs Health Campus contains a Purchase Option in favour of the operator, which can be exercised on or after April 1, 2013. Management believes that there is a high likelihood that this option will be exercised. The exercise of this Purchase Option could negatively impact the REIT's financial condition and results of operations.

The leases in respect of Marion Rehabilitation and Assisted Living and Mishawaka each contain a Purchase Option in favour of the operator, which can be exercised at the end of the initial term, or any subsequent renewal term, of each respective lease. Accordingly, the earliest these Purchase Options may be exercised is May 31, 2027 for Marion Rehabilitation and Assisted Living and ten years after the lease commences for Mishawaka, which will be December 30, 2022 if the lease commences as scheduled. Management is not currently able to anticipate the likelihood that one or both of these Purchase Options will be exercised or the impact such exercise may have on the REIT's financial condition.

The purchase price under the Purchase Options for Avalon Springs Health Campus and Marion Rehabilitation and Assisted Living are set by a predetermined formula which is based on a multiple of the then current rent at the time the Purchase Option is exercised. The rent multiple for Avalon Springs Health Campus decreases over time (but at no point is it less than ten) and the rent multiple for Marion Rehabilitation and Assisted Living is fixed at 10.25. The purchase price under the Purchase Option for Mishawaka is determined by a market appraisal at the time the Purchase Option is exercised.

There can be no assurance that, in the event one or more Purchase Options are exercised, the REIT would be able to reinvest the proceeds realized from the sale of any such property in a manner that would maintain or be accretive to AFFO.

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 ten 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, leasing costs and capital expenditures in excess of stipulated reserves indentified 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. Credit facility terms may prohibit payments or distributions from the REIT in default circumstances.

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 (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Absence of a Prior Public Market

There is currently no public market for the Units. The initial offering price of the Units offered hereunder was determined by negotiation between the REIT and the Underwriters. 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. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal.

Limited Control

Unitholders will have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The REIT's board of trustees will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The board of trustees may amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Enforceability of Judgements

Mainstreet Property Group, LLC, is the promoter of this offering and is organized under the laws of a foreign jurisdiction and resides outside Canada. All of its managers and officers and certain of the experts

named elsewhere in this prospectus are residents of countries other than Canada. All of the Partnership's assets and the assets of these persons are located outside of Canada. As a result, although Mainstreet Property Group, LLC has appointed GODA Incorporators, Inc. as its agent for service of process in Ontario, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for holders of Units to collect from Mainstreet Property Group, LLC or these other non-Canadian residents judgements obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the United States, based solely on violations of Canadian securities laws.

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of the Toronto Stock Exchange, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Indirect Ownership of Units by Mainstreet

On Closing, Mainstreet will hold a 17.9% economic interest in the REIT on a fully-exchanged basis (16.6% if the Over-Allotment Option is exercised in full) through the ownership of Class B Units. Pursuant to the Exchange Agreement, each Class B Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments) 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, Mainstreet will be entitled to appoint a certain number of Trustees based on the percentage of Units, calculated on a fully exchanged basis, held by it. See "Declaration of Trust — Units and Special Voting Units" and "Trustees and Management of the REIT — Governance and Board of Trustees". Thus, Mainstreet will be in a position to exercise a certain influence with respect to the affairs of the REIT. Subject to compliance with applicable securities laws, Mainstreet may sell some or all of the Units issuable on exchange of its Class B Units in the future. No prediction can be made as to the effect, if any, such future sales of Units will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by Mainstreet, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.

MATERIAL CONTRACTS

The following are the only material agreements that will be in effect on Closing, other than contracts entered into in the ordinary course of business, entered into during the past two years or proposed to be entered into by the REIT:

(a) the Declaration of Trust described under "Declaration of Trust";

(b) the Partnership Agreement;

(c) the Mainstreet Investment Agreement;

(d) the Asset Management Agreement;

(e) the Administrative Services Agreement;

(f) the Development Agreements;

(g) the Mainstreet Development Leases;

(h) the Non-Competition Agreement;

(i) the NPR Purchase Agreement;

(j) the Underwriting Agreement;

(k) the Exchange Agreement;

(l) the leases in respect of the properties in the NPR Portfolio described under "The Initial Properties — NPR Portfolio Properties"; and

(m) the credit agreement in respect of the Sun Life Debt.

Copies of the foregoing documents and the Appraisals will be available on the System for Electronic Documents Analysis and Retrieval at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus (including, without limitation, those transactions with Mainstreet described under "The Acquisitions — Mainstreet Investment Agreement", "Arrangements with Mainstreet" and "Retained Interest") and in the notes to the unaudited pro forma consolidated financial statements of the REIT and audited combined financial statements of the REIT, there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the REIT or any of its Subsidiaries.

PROMOTER

Mainstreet Property Group, LLC has taken the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation.

PRINCIPAL UNITHOLDER

On Closing, it is expected that Mainstreet will hold a 17.9% interest in the REIT on a fully-exchanged basis (or 16.6% if the Over-Allotment Option is exercised in full) through ownership of all of the Class B Units of the Partnership. On Closing, Mainstreet will hold all of the outstanding Class B Units and Special Voting Units. See "Retained Interest".

PRIOR SALES

On April 17, 2012, the REIT was formed and 50 Units were issued for $500.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries is involved in any outstanding, threatened or pending litigation that would have a material effect on the REIT.

EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP.

Certain information relating to the Appraisals has been based upon reports by Tellatin, Short & Hansen, Inc. and by The Altus Group.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Davies Ward Phillips & Vineberg LLP and the designated professionals of Tellatin, Short & Hansen, Inc. and The Altus Group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

The REIT's auditors, KPMG LLP, Chartered Accountants, are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The combined financial statements of Mainstreet Senior Care Portfolio as of December 31, 2011, 2010 and 2009 and January 1, 2010, and for each of the years in the three-year period ended December 31, 2011, have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The auditors of the NPR Portfolio, Deloitte & Touche LLP, Chartered Accountants, are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are KPMG LLP, Chartered Accountants, Toronto, Ontario. The transfer agent and registrar for the Units is Equity Financial Trust Company at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF TERMS

In this prospectus, the following terms will have the meanings set for below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

"**ACOs**" means accountable care organizations.

"**Act**" means the *Securities Act* (Ontario), as amended.

"**ADL**" means activities of daily living.

"**Administrative Services Agreement**" means the administrative services agreement between Mainstreet and the REIT pursuant to which Mainstreet will provide the REIT with certain advisory and investment management services as more particularly described under "Arrangements with Mainstreet — Administrative Services Agreement".

"**affiliate**" has the meaning given to it in Section 1.3 of National Instrument 45-106 — *Prospectus and Registration Exemptions*.

"**AFFO**" means adjusted funds from operations as more particularly described under "Presentation of Financial Information".

"**AgeCare**" means, collectively, Age Care Health Services Inc. and Age Care Investments Ltd.

"**ALFs**" means assisted living facilities as more particularly described under "Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care".

"**ALZ**" means Alzheimer's/memory care facilities as more particularly described under "Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care".

"**Appraisals**" means, collectively, the U.S. Appraisals and the Canadian Appraisals.

"**Appraiser**" means, individually, Tellatin, Short & Hansen, Inc. or The Altus Group.

"**Appraisers**" means, collectively, Tellatin, Short & Hansen, Inc. and The Altus Group.

"**Asset Management Agreement**" means the asset management agreement between Mainstreet and the REIT pursuant to which Mainstreet will be the asset manager of the properties owned by the REIT from time to time as more particularly described under "Arrangements with Mainstreet — Asset Management Agreement".

"**Audit Committee**" means the audit committee of the Board of Trustees.

"**Board of Trustees**" or "**Board**" means the board of trustees of the REIT.

"**CAGR**" means compound annual growth rate.

"**Canadian Appraisals**" means the independent estimate of the fair market value range of the Initial Properties located in Canada.

"**Canadian GAAP**" means Canadian generally accepted accounting principles applicable to Canadian publically accountable enterprises for financial years ending before January 1, 2011.

"**CBCA**" means the *Canada Business Corporations Act*.

"**CCRCs**" means continuing care retirement communities as more particularly described under "Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care".

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Class A Units**" means Class A limited partnership units of the Partnership.

"**Class B Units**" or "**Exchangeable Units**" means Class B limited partnership units of the Partnership.

"**Closing**" means the closing of the Offering and, where the context requires, the completion of the transactions described under "The Acquisitions".

"**CMS**" means Centres for Medicare and Medicaid Services.

"**Code**" means the *United States Internal Revenue Code of 1986*, as amended.

"**Compensation, Governance and Nominating Committee**" means the compensation, governance and nominating committee of the Board of Trustees.

"**CON**" means a Certificate of Need.

"**Credit Facility**" means the credit facility in the principal amount of approximately U.S.$25 million to be provided by a United States bank to the Partnership subsequent to Closing as more particularly described under "Debt Strategy and Indebtedness".

"**Declaration of Trust**" means the declaration of trust of the REIT, as amended or amended and restated.

"**Development Agreements**" means the development agreements between Mainstreet and each of the REIT and the Partnership as more particularly described under "Arrangements with Mainstreet — Development Agreements".

"**Distribution Date**" means the monthly date on which distributions on Units are made.

"**DRIP**" means the REIT's distribution reinvestment plan.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization as more particularly described under "Presentation of Financial Information".

"**EBITDAR**" means earnings before interest, taxes, depreciation, amortization and rent.

"**Exchange Agreement**" means the exchange agreement between the REIT, the Partnership, the General Partner and Mainstreet, as described under "Retained Interest — Exchange Agreement".

"**Exempt Plans**" means has the meaning ascribed to it under "Eligibility for Investment".

"**External Development Property**" has the meaning ascribed to it under "Arrangements with Mainstreet — Development Agreement".

"**FFO**" means funds from operations as more particularly described under "Presentation of Financial Information".

"**FIRPTA**" means the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA).

"**GAAP**" means, collectively, IFRS, Canadian GAAP or U.S. GAAP.

"**GDP**" means the United States Gross Domestic Product.

"**General Partner**" means HealthLease U.S. GP, Inc., a company that will be incorporated under the laws of the State of Delaware prior to Closing.

"**Gross Book Value**" means, at any time, the greater of (A) the book value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated balance sheet, less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT, and (ii) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

"**HCERA**" means the United States Health Care and Education Reconciliation Act of 2010.

"**HealthLease**" or the "**REIT**" means HealthLease Properties Real Estate Investment Trust.

"**HealthLease Canada**" means a corporation incorporated under the laws of British Columbia, as more particularly described under "HealthLease Canada".

"**HealthLease Canada Notes**" means the subordinated unsecured promissory notes to be issued by HealthLease Canada to the REIT.

“**HealthLease U.S.**” means a corporation incorporated under the laws of Delaware, as more particularly described under “HealthLease U.S.”.

“**HealthLease U.S. Notes**” means the subordinated unsecured promissory notes to be issued by HealthLease U.S. to the REIT.

“**HUD**” means a program offered by the U.S. Department of Housing and Urban Development that provides a government backed loan product.

“**IFRS**” means International Financial Reporting Standards applicable to Canadian publically accounting enterprises for financial years beginning on or after January 1, 2011.

“**ILFs**” means independent living facilities as more particularly described under “Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care”.

“**Independent Trustee**” means a Trustee who is independent pursuant to NI 58-201.

“**Initial Properties**” means a portfolio of 15 seniors housing and care properties to be directly or indirectly acquired by the REIT on Closing, as more particularly described under “The Initial Properties”.

“**Internal Development Property**” has the meaning ascribed to it under “Arrangements with Mainstreet — Development Agreement”.

“**Lead Trustee**” means the lead Trustee of the Board of Trustees.

“**LTCs**” means long-term care facilities as more particularly described under “Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care”.

“**Mainstreet**” means Mainstreet Property Group, LLC, together with its affiliates, including Mainstreet Asset Management.

“**Mainstreet Asset Management**” means Mainstreet Asset Management, Inc., a corporation organized under the laws of the state of Indiana, and owned by two principals of Mainstreet Property Group, LLC. Mainstreet Asset Management employs Mainstreet’s employees and provides management and other services to the Initial Properties.

“**Mainstreet Development Leases**” means the leases between Mainstreet, the Partnership and the Subsidiary of the Partnership that owns the applicable property pursuant to which Mainstreet will lease all of the Initial Properties that remain under construction as of the Closing as described under “Arrangements with Mainstreet — Mainstreet Development Leases”.

“**Mainstreet Investment Agreement**” means the investment agreement between Mainstreet Property Group, LLC, the REIT, the Partnership, the General Partner, HealthLease U.S. and HealthLease Canada pursuant to which the REIT will indirectly acquire Class A Units of the Partnership as more particularly described under “the Acquisition” — “Mainstreet Investment Agreement”.

“**Mainstreet Senior Care Portfolio**” or “**Mainstreet Portfolio**” means the six fully-constructed seniors housing and care assets and three assets currently under construction, which will be contributed to the Partnership by Mainstreet on or prior to the Closing.

“**management**” means the persons acting in the capacities of the REIT’s Chief Executive Officer and Chief Financial Officer.

“**Medicaid**” means a health insurance program that is administered by each respective State government as more particularly described under “Characteristics of North American Seniors Housing and Care — Sources of Payment for Services”.

“**Medicare**” means the social insurance program administered by the United States government to provide health insurance coverage to people who are over the age of 65 or disabled as more particularly described under “Characteristics of North American Seniors Housing and Care — Sources of Payment for Services”.

“**next generation**” means a concept developed and utilized by management that refers to high-end, hotel-like design facilities that are designed to specifically cater to the evolving demands of the growing seniors population,

which concept may include design features such as private rooms, private baths and restaurant-style dining as well as a wide range of possible amenities, including, by way of example, multiple dining options, theatres, spas/salons, barber shops, fitness centers, banking, coffee shops, libraries, chapels, cafes, wellness centers, lounges, recreation rooms and clubhouses.

"**NI-58-201**" means National Instrument 58-201 — *Corporate Governance Guidelines*.

"**Non-Competition Agreement**" means the non-competition agreement between the Principals and the REIT to be entered into at Closing as described under "Arrangements with Mainstreet — Non-Competition Agreement".

"**Non-Resident**" means either a "non-resident" of Canada within the meaning of the Tax Act or a partnership that is not a "Canadian partnership" within the meaning of the Tax Act.

"**NPR**" means Northern Property Real Estate Investment Trust, together with its affiliates.

"**NPR Portfolio**" or "**Western Canada Senior Care Portfolio**" means the six seniors housing and care facilities currently owned by NPR that will be acquired by the REIT on the Closing.

"**NPR Purchase Agreement**" means the purchase and sale agreement dated March 16, 2012 pursuant to which the Purchaser has agreed to purchase the NPR Portfolio.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**OFAC**" means Office of Foreign Assets Control.

"**Offering**" means the offering of Units qualified under this prospectus.

"**Offering Price**" means the price per Unit sold pursuant to this Offering.

"**Operating Leases**" means the operating leases to which the NPR Portfolio is subject.

"**Over-Allotment Option**" means the option granted by the REIT to the Underwriters exercisable for a period of 30 days from the date of the Closing to purchase up to an additional 1,100,000 Units (being equal to approximately 10% of the Units sold on Closing) at the Offering Price solely to cover any over-allotments and for market stabilization purposes.

"**Partnership**" means MPG Healthcare L.P., an Indiana limited partnership.

"**PCA Reports**" means property condition assessment reports.

"**Phase I ESA Report**" means a Phase I environmental site assessment report.

"**Phase II ESA Report**" means a Phase II environmental site assessment report.

"**PPACA**" means the Patient Protection and Affordable Care Act.

"**PPS**" means prospective payment system.

"**Principal Entities**" means any entities beneficially owned or controlled by either or both of the Principals.

"**Principals**" means Mr. Paul Ezekiel Turner and Mr. V Edward Grogg.

"**Purchase Option**" means an option to purchase properties at a pre-determined price.

"**Purchaser**" means a wholly-owned subsidiary of Mainstreet which is party to the NPR Purchase Agreement.

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

"**RRIF**" means a registered retirement income fund.

"**RRSP**" means a registered retirement savings plan.

"**SEDAR**" means the System for Electronic Data Analysis and Retrieval.

"**SNFs**" means skilled nursing facilities as more particularly described under "Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care".

"**Special Voting Units**" means the special voting units of the REIT.

"**Subsidiary**" has the meaning ascribed to it in the Act and includes a partnership or other entity.

"**Sun Life**" means Sun Life Insurance Company of Canada.

"**Sun Life Debt**" means the existing indebtedness in respect of the NPR Portfolio in favour of Sun Life, having an approximate outstanding principal amount of $93,207,000 as at December 31, 2011.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder.

"**TFSA**" means a tax-free savings account.

"**Treaty**" means the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended.

"**TRF**" means short-term rehabilitation facilities, as more particularly described under "Characteristics of North American Seniors Housing and Care — Industry Spectrum of Care".

"**triple-net**" means, with respect to a lease, a lease in which the tenant pays not only for the use of the premises but also for the landlord's operating costs, including taxes, utilities and insurance. The tenant is also responsible for all repairs to the leased premises, including those of a capital or structural nature, and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and decorating and maintenance of parking lots. The leases relating to the following Initial Properties contain certain exceptions which are described below:

(a) Miller's Merry Manor of Marion: The landlord is responsible for costs relating to (i) repairs and maintenance of the foundation and walls of the building, (ii) repairs, maintenance and changes mandated by state or federal life safety codes, and (iii) rectifying material or substantial violations of any government codes, rules, ordinances or regulations that existed as of the lease commencement date; and

(b) NPR Portfolio Facilities: The landlord is responsible for (i) costs relating to repairing or replacing structural elements to the extent required to maintain the integrity of the building envelope and foundation, as determined to be necessary by the landlord acting as a prudent owner, and (ii) maintaining rental income insurance.

"**Trustees**" means the trustees of the REIT and "**Trustee**" means any one of them.

"**Underwriters**" means Canaccord Genuity Corp., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Dundee Securities Ltd., GMP Securities L.P. and Raymond James Ltd.

"**Unitholders**" means the holders of Units from time to time, but "unitholders", when used in lower case type, means holders of Units and Special Voting Units.

"**Units**" means units of the REIT but, for greater certainty, does not include the Special Voting Units.

"**USFA**" means the U.S. Healthcare Financing Administration.

"**U.S. Appraisals**" means the independent estimate of the fair market value range of the Initial Properties located in the United States.

"**U.S. GAAP**" means United States generally accepted accounting principles applicable to United States publically accountable enterprises.

"**USPAP**" means the Uniform Standards of Professional Appraisal Practice.

"**Vendor**" means the affiliate of NPR that is the vendor under the NPR Purchase Agreement.

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AUDITORS' CONSENT

We have read the prospectus dated June 8, 2012 relating to the qualification for distribution of units of HealthLease Real Estate Investment Trust (the "REIT"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of:

i. Our report to the Board of Trustees of the REIT on the financial statements of the REIT for the one day period ended April 17, 2012. Our report is dated June 8, 2012.

ii. Our report to the Board of Trustees of the REIT on the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 and the twelve-month period ending June 30, 2013. Our report is dated June 8, 2012.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants
June 8, 2012
Toronto, Canada

We have read the prospectus of Health Lease Properties Real Estate Investment Trust (the "REIT") dated June 8, 2012 relating to the distribution of Units of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of:

i. our report to the Owner of Western Canada Senior Care Portfolio (the "Portfolio") on the combined balance sheets of the Portfolio as at December 31, 2010 and 2009; and the combined statements of net earnings and comprehensive earnings, changes in net equity in portfolio and cash flows for the years then ended. Our report is dated June 4, 2012.

ii. our report to the Owner of Western Canada Senior Care Portfolio on the carve out statements of financial position of the Portfolio as at December 31, 2011, December 31, 2010 and January 1, 2010; and the carve out statements of net earnings and comprehensive earnings, carve out statements of changes in net equity in portfolio and carve out statements of cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated June 4, 2012.

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants
Calgary, Alberta
June 8, 2012

HEALTHLEASE PROPERTIES
REAL ESTATE
INVESTMENT TRUST

Pro Forma Condensed Consolidated
Financial Statements
As at and for the three months ended March 31, 2012
and year ended December 31, 2011
(Unaudited)

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2012
(Unaudited)

	HealthLease Real Estate Investment Trust	Mainstreet Senior Care Portfolio	NPR Portfolio	Pro forma adjustments	Notes	Total
Assets						
Current assets:						
Cash and cash equivalents	$500	$ 498,432	$ —	$ 2,182,333	3(e),(h)	$ 2,681,265
Restricted cash	—	12,319,960	—	(258,966)	3(h)	12,060,994
Lease with Mainstreet receivable	—	—	—	1,247,000	3(c)	1,247,000
Other assets	—	2,952,209	98,611	(387,412)	3(h)	2,663,408
	500	15,770,601	98,611	2,782,955		18,652,667
Long-term assets:						
Income properties	—	23,570,000	155,044,229	5,410,771	3(b)	184,025,000
Properties under development	—	43,376,491	—	(1,168,500)	3(l)	42,207,991
	—	66,946,491	155,044,229	4,242,271		226,232,991
	$500	$82,717,092	$155,142,840	$ 7,025,226		$244,885,658
Liabilities and Unitholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	$ —	$ 1,289,880	$ 418,682	$ (209,042)	3(b),(i)	$ 1,499,520
Construction payables	—	3,344,818	—	(251,097)	3(i)	3,093,721
Current portion of mortgages payable	—	4,560,640	2,690,723	(4,226,640)	3(i)	3,024,723
	—	9,195,338	3,109,405	(4,686,779)		7,617,964
Long-term liabilities:						
Mortgages payable	—	22,790,475	84,914,035	(14,990,123)	3(b),(i)	92,714,387
Subordinated debt	—	3,971,600	—	(3,971,600)	3(i)	—
Development bonds	—	27,364,344	—	—		27,364,344
Exchangeable units	—	—	—	24,000,000	3(k)	24,000,000
	—	54,126,419	84,914,035	5,038,277		144,078,731
Unitholders' equity	500	19,395,335	67,119,400	6,673,728	3(j)	93,188,963
	$500	$82,717,092	$155,142,840	$ 7,025,226		$244,885,658

See accompanying notes to pro forma condensed consolidated financial statements.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET EARNINGS AND COMPREHENSIVE EARNINGS

Year ended December 31, 2011
(Unaudited)

	HealthLease Real Estate Investment Trust	Mainstreet Senior Care Portfolio	NPR Portfolio	Adjustments	Notes	Total
Revenue	$ —	$2,350,511	$13,252,474	$ 252,279	3(c)	$15,855,264
Expenses:						
Operating	—	193,419	442,798	222,879	3(f)	859,096
Finance costs:						
Interest expense	—	871,354	5,500,917	(944,468)	3(d)	5,427,803
Distributions on exchangeable units	—	—	—	1,313,958	3(k)	1,313,958
	—	1,064,773	5,943,715	592,369		7,600,857
Earnings before fair value adjustments and trust expenses	—	1,285,738	7,308,759	(340,090)		8,254,407
Fair value adjustment of investment properties	—	5,353,022	455,358	(455,358)	3(l)	5,353,022
Trust expenses	—	—	—	(830,400)	3(g)	(830,400)
Net earnings and comprehensive earnings	$ —	$6,638,760	$ 7,764,117	$(1,625,848)		$12,777,029

See accompanying notes to pro forma condensed consolidated financial statements.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET EARNINGS AND COMPREHENSIVE EARNINGS

Three Months ended March 31, 2012
(Unaudited)

	HealthLease Properties REIT	Mainstreet Senior Care Portfolio	NPR Portfolio	Adjustments	Notes	Total
Revenue	$ —	$ 589,013	$3,310,084	$ 66,105	3(c)	$3,965,202
Expenses:						
Operating	—	31,411	120,636	63,895	3(f)	215,942
Finance costs:						
Interest expense	—	237,260	1,356,700	(256,434)	3(d)	1,337,526
Distributions on exchangeable units	—	—	—	338,926	3(k)	338,926
	—	268,671	1,477,336	146,387		1,892,394
Earnings before fair value adjustments and trust expenses	—	320,342	1,832,748	(80,282)		2,072,808
Fair value adjustment of investment properties	—	1,890,425	—	—		1,890,425
Trust expenses	—	—	—	(207,600)	3(g)	(207,600)
Net earnings and comprehensive earnings	$ —	$2,210,767	$1,832,748	$(287,882)		$3,755,633

See accompanying notes to pro forma condensed consolidated financial statements.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2012 and year ended December 31, 2011 (Unaudited)

1. BASIS OF PRESENTATION:

HealthLease Properties Real Estate Investment Trust (the "REIT") was created pursuant to the Declaration of Trust dated April 17, 2012 as amended. The REIT will issue trust units for cash pursuant to an initial public offering (the "Offering"). On closing of the transactions contemplated in the REIT's prospectus dated June 8, 2012 (the "Prospectus"), the REIT will indirectly acquire majority ownership in 6 senior care assets that are currently triple net leased to third party operators, and 3 assets that are under construction with long-term leases already signed by third party operators (the "Mainstreet Senior Care Portfolio") in the Midwestern United States. In addition, the REIT will purchase 6 senior care assets in Canada (the "Western Canada Senior Care Portfolio" and together with the Mainstreet Senior Care Portfolio, the "Initial Properties") from Northern Property Real Estate Investment Trust ("NPR").

The pro forma condensed consolidated financial statements were authorized for issue by the Board of Trustees of the REIT on June 8, 2012.

These pro forma condensed consolidated financial statements have been prepared using the following financial statements:

- Unaudited combined financial statements of Mainstreet Senior Care Portfolio and unaudited condensed carve out financial statements of Western Canada Senior Care Portfolio as at March 31, 2012 and for the the three-months then ended.
- Audited combined financial statements of Mainstreet Senior Care Portfolio and Audited carve out financial statements of Western Canada Senior Care Portfolio as at December 31, 2011 and for the year then ended.

The pro forma condensed consolidated balance sheet gives effect to the transactions in note 3 as if they had occurred on March 31, 2012. The pro forma consolidated statements of income gives effect to the transactions in note 3 as if they had occurred on January 1, 2011.

The pro forma condensed consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These pro forma condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and incorporate the principal accounting polices used to prepare the REIT's financial statements.

(b) Principles of consolidation:

Subsidiaries are entities controlled by the REIT. The financial statements of subsidiaries including special purposes entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions have been eliminated on consolidation.

(c) Foreign currency translation:

The functional and presentation currency of the REIT is the Canadian dollar. The functional currency of MPG Healthcare L.P. (the "Partnership"), a subsidiary, is the U.S. dollar. Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the income statement, or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, is included in other comprehensive income.

For purposes of the pro forma consolidated financial statements, the statement of financial position and statement of earnings are translated at an assumed Canadian/U.S. dollar exchange rate of $1.00.

(d) Revenue recognition:

Revenue includes rent earned from tenants under triple-net lease agreements, realty taxes recoveries on certain properties where the REIT is the primary obligor 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.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The REIT applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

Amounts receivable under a lease with Mainstreet Property Group, LLC (“MPG”) have been recognized as a financial asset, and payments received are recorded as a reduction in the asset.

(e) Investment properties:

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the REIT’s properties are investment properties.

On acquisition, investment properties are initially recorded at cost. Subsequent to initial recognition, the REIT uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

Investment properties under development for future use are accounted for as investment property under IAS 40, Investment Property. The cost of properties under development includes direct development costs, realty taxes and borrowing costs that are directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. Borrowing costs from the purchase cost of a site or property acquired for redevelopment are also capitalized. The amount of borrowing costs capitalized is determined first by reference to borrowing specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary material permits.

(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) Restricted cash:

Restricted cash can only be used for specified purposes. Amounts are usually restricted by the financial institution which holds the debt on the property.

(h) Finance costs:

Finance costs are comprised of interest expense on borrowings, distributions on exchangeable units classified as liabilities and gain (loss) on change in fair value of exchangeable units.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

(i) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

For the Canadian and U.S. corporate subsidiaries of the REIT, income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) REIT Units:

Under IAS 32, Financial Instruments: Presentation (“IAS 32”), puttable instruments, such as the REIT units, are generally classified as financial liabilities unless the exemption criteria are met for equity classification. The REIT Units meet the exemption criteria under IAS 32 for equity classification.

(k) Financial liabilities measured at fair value through net income:

A financial liability is classified at fair value through net income if it is classified as held for trading or is designated as such upon initial recognition. Pursuant to the Exchange Agreement, the Class B LP units of the Partnership (“Exchangeable Units”) shall be exchangeable at the option of the holder into REIT units, subject to customary anti-dilution adjustments. The Exchangeable Units represent a financial liability and were designated at fair value through profit or loss upon initial recognition. Any gains or losses arising on remeasurement are recognized in net income.

(i) 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 year. Investment properties, which are carried at fair value, are revalued by qualified external valuation professional or management. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income. 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.

3. PRO FORMA ADJUSTMENTS:

The pro forma adjustments to the pro forma condensed consolidated financial statements have been prepared to account for the impact of the acquisition transaction contemplated by the Prospectus as described below:

(a) Initial public offering:

The pro forma condensed consolidated financial statements assume that the REIT raised gross proceeds of approximately $110,000,000 through the issuance of units at $10 per unit (excluding any over-allotment option). Costs relating to the Offering, including underwriters’ fees, are assumed to be $11,554,530 and have been charged directly to unitholders’ equity.

(b) Acquisition:

On closing, it is assumed the REIT directly and indirectly acquired 15 senior care properties. Prior to closing, Mainstreet Property Group, LLC (“Mainstreet”) will be transferring the Mainstreet business, including six income producing properties and three properties under development, to the Partnership. Mainstreet will retain an interest in the Partnership which upon closing will consist of Exchangeable Units with a fair value of $24,000,000. The Exchangeable Units are economically equivalent to REIT units (subject to certain adjustments). As such, the fair value of the Exchangeable Units is $10 per unit for each of the 2,400,000 Exchangeable Units issued to Mainstreet.

The transfer of the properties has been recorded at Mainstreet’s carrying value using continuity of interest accounting. The fair value of the Mainstreet business, as reflected in the value of the Exchangeable Units, exceeds the carrying value of the portfolio as a number of items that create value for the REIT are not recognized in Mainstreet’s carrying value. In particular, the fair value of

3. PRO FORMA ADJUSTMENTS: (Continued)

the business includes a portfolio premium. Under IFRS, the fair value of investment property is measured based on the individual properties and does not include value derived from the creation of a portfolio of properties in different locations. The fair value of the Mainstreet business includes a premium over the fair value of the individual properties as a result of risk reduction due to tenant and geographic diversification, and to transaction cost economies. The fair value of the business also includes the value of current and future opportunities that will be available to the REIT through Mainstreet's existing relationship provided in the development agreement, which is not recognized in the carrying value of the portfolio. The REIT will participate in the additional value created from participation in new development opportunities that Mainstreet will present to the REIT under the development and non-compete agreements. In addition, there is value in various government assistance programs associated with certain properties that will not be recorded until the applicable financial reporting recognition criteria are met. Under continuity of interests accounting these intangible assets are not recognized, and the resulting difference between the carrying value of the portfolio and the fair value of the Exchangeable Units issued of $5,257,007 has been charged to equity.

As part of the initial transactions, the REIT subscribed for Class A LP units of the Partnership for cash of approximately $28.2 million and thereby acquired control of the Partnership previously controlled by Mainstreet Property Group, LLC. The Partnership will use the proceeds to repay mortgages on Mainstreet properties which at March 31, 2012 were $26,753,435.

The assumed acquisition included the purchase of six senior care assets from NPR, an unrelated party, for cash consideration of $67,024,874 plus assumption of a mortgage note payable including accrued interest of $92,975,126 for a total purchase price of $160,000,000. The REIT incurred estimated closing costs of $455,000, which will be capitalized to the cost of investment properties, and $1,846,755 in debt cost associated with this transaction. As a result, for purposes of the pro forma financial statements, an adjustment of $5,410,771 has been recorded to reflect the excess of the acquisition cost of $160,455,000 over the carrying value of $155,044,229.

The carrying value of initial net assets of the Partnership, and the fair value of the NPR assets acquired, assuming the transactions occurred on March 31, 2012 and assuming a Canadian / U.S. dollar exchange rate of $1.00, are as follows:

	Mainstreet	NPR	Total
Investment properties:			
Income producing	$ 23,570,000	$160,455,000	$ 184,025,000
Properties under development	42,207,991	—	42,207,991
Total	65,777,991	160,455,000	226,232,991
Cash and cash equivalents	315,358	—	315,358
Restricted cash	12,060,994	—	12,060,994
Lease with Mainstreet receivable	1,247,000	—	1,247,000
Other assets	2,663,408	—	2,663,408
Mortgages and notes	(32,393,763)	(90,709,690)	(123,103,453)
Accounts payable and accrued liabilities	(4,174,560)	(418,681)	(4,593,241)
Net assets	$ 45,496,428	$ 69,326,629	$ 114,823,057
Consideration given indirectly by the REIT consists of the following:			
Exchangeable Units			$ 24,000,000
Cash payment for Western Canada Senior Care Portfolio (including transaction costs)			69,326,629
Repayment of mortgages and other debt			26,753,435
Excess of fair value over carrying value of the Mainstreet Senior Care portfolio			(5,257,007)
Consideration given by the REIT			$ 114,823,057

The actual calculation and allocation of the purchase price for the acquisition outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

3. PRO FORMA ADJUSTMENTS: (Continued)

(c) Revenue:

On Closing, the REIT will be acquiring 15 senior care assets. Six of the assets will be a purchase of assets from NPR. The straight-line adjustment relates to eliminating the adjustment from prior year straight-line adjustments. The straight-line calculation will be re-calculated at the Closing for the purchase of the six NPR assets. The Mainstreet Senior Care Portfolio assets are being treated as a continuity of interests, thus the existing straight-line rent remains in place.

MPG has agreed to a lease agreement in order to guarantee a certain adjusted funds from operations to the unitholders. The purpose of this lease with MPG is to provide rent on assets currently under construction. The lease with MPG will be paid for each construction asset until the third party tenant commences paying rent at construction completion. A receivable has been recorded on the March 31, 2012 pro forma balance sheet for $1,247,000. Payments received will be recorded as a reduction in the asset.

(d) Mortgages payable:

On Closing, the REIT assumes it will repay $27,213,670 (U.S. $27,213,670) of mortgages and other liabilities related to the Mainstreet Senior Care Portfolio. Following this repayment, the REIT will retain assumed first and second mortgage loans on the Initial Properties in the carrying amount of $126,316,176 bearing interest at a weighted average of 5.04%. The mortgages will be secured by first and second charges on the Initial Properties. The REIT is also committing to undrawn construction financing of approximately U.S. $17,275,397 for the properties currently under development at December 31, 2011. Once all current projects are complete, it is estimated that the total indebtedness will be approximately $143,591,573.

The REIT will finance the periodic repayment of principal through non-distributed cash generated from operations or working capital.

The Partnership is also expected to have in place, subsequent to Closing, a new U.S. $25,000,000 credit facility (the "Credit Facility"). The Credit Facility will be secured by four of the Initial Properties. The expected rate on the Credit Facility is the U.S. 30 day LIBOR plus 325 basis points.

(e) Sources and uses of cash and cash equivalents:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering as if they occurred March 31, 2012 are as follows:

Initial public offering of units, net of issue costs	$ 98,445,970
Cash payment for the purchase of Western Canada Senior Care Portfolio (including transaction costs)	(69,326,629)
Repayment of mortgages and other debt	26,753,435
Cash added to working capital of the REIT	$ 2,365,906

(f) Operating expenses:

All of the properties are triple-net leased by third party operators. As such, all operating expenses are the responsibility of the tenant/operator. On closing, the REIT and its subsidiaries will enter into a management agreement with Mainstreet Asset Management, Inc. Accordingly, a management fee of 3% of revenues has been recognized.

(g) Trust expenses:

Trust expenses reflect management's best estimate of professional fees, annual report costs, transfer agent fees, insurance costs, salaries, board of trustee fees and benefits. Included in the statement of earnings and comprehensive earnings is $207,600 and $830,400 for the periods ended March 31, 2012 and December 31, 2011, respectively.

(h) Cash and Cash Equivalents, Restricted Cash, Other Current Assets and Properties under Development:

There are certain assets that will not be transferred into the REIT. These assets consist of operating cash that are at the individual asset level, excess land in Mainstreet of $1,168,500 not acquired, other assets of NPR not acquired and amounts due or owed to related parties. Those items have been adjusted from the pro forma.

(i) Accounts Payable and Accrued Liabilities, Construction Payables, Mortgages Payable and Subordinated Debt:

Certain financing associated with the Mainstreet Senior Care portfolio will be repaid prior to closing. In addition, certain other liabilities will not be transferred into the REIT. The remaining liabilities mainly relate to payables associated with investment properties under development.

(j) Unitholders' equity:

The REIT is authorized to issue an unlimited number of units and an unlimited number of special voting units. Trust units are ordinary units of the REIT, each of which represents a unitholder's proportionate undivided beneficial interest and voting rights in the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per unit at any meeting of the unitholders of the REIT.

	Units	Amount
Initial units of the REIT	50	$ 500
Units issued in the initial public offering	11,000,000	110,000,000
Less unit issue costs and other adjustments	—	(11,554,530)
Less excess of fair value over carrying value	—	(5,257,007)
	11,000,050	$ 93,188,963

3. PRO FORMA ADJUSTMENTS: (Continued)

(k) Exchangeable Units

On closing, it is assumed the Partnership will issue 2,400,000 Exchangeable Units with a fair value of $24,000,000. The Exchangeable Units are economically equivalent to trust units and are entitled only to receive distributions equal to those provided to holders of trust units (subject to certain adjustments). These units have been classified as subordinated debt. Distributions of $338,926 and $1,313,958 for the periods ended March 31, 2012 and December 31, 2011, respectively, have been recorded as financing cost, based on the anticipated payout of 93% of adjusted funds from operations.

The Exchangeable Units are accounted for at fair value with changes in fair value recognized in net income each period. However, for purposes of the pro forma financial statements, no changes in the fair value of the Exchangeable Units have been recognized, as there was no historical fair value for these instruments. For illustrative purposes, a 10% change in the market value of a Unit of the REIT, into which Exchangeable Units may be exchanged, would result in a fair value change of approximately $2,400,000.

(l) Fair value adjustment of investment properties

For purposes of the pro forma statement of earnings, the acquisition of the Western Canada Senior Care Portfolio was assumed to occur on January 1, 2011. Accordingly, the change in fair value of investment properties that was recognized during 2011 has been reversed.

4. RELATED PARTY TRANSACTIONS:

Mainstreet Property Group, LLC and Mainstreet Asset Management, Inc. (“MAMI”) are controlled by key management personnel of the REIT. The Exchangeable Units are held by Mainstreet Property Group, LLC

The pro forma condensed consolidated financial statements include the following related party transactions:

(a) Initial transactions:

The Mainstreet Senior Care Portfolio will be indirectly acquired from Mainstreet Property Group, LLC.

(b) Management fees:

Management fees will be paid to MAMI pursuant to an agreement establishing management fees at 3% of lease revenue.

(c) Development fees

Development fees will be paid to MAMI for properties under development. Development fees are capitalized to the cost of the property. At the time of the IPO all of the development fees due and payable have been reserved from debt already in place on the respective facilities.

(d) Lease revenue:

Lease revenue of $65,004 and $260,016 for the periods ended March 31, 2012 and December 31, 2011 is earned pursuant to a lease agreement with a company controlled by key management personnel of the REIT that operates one of the income properties.

(e) Exchangeable units:

Distributions on Exchangeable Units are paid to Mainstreet Property Group, LLC, a related party of the REIT.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

Financial Statements
(In Canadian dollars)
for One day period ended April 17, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of HealthLease Properties Real Estate Investment Trust:

We have audited the accompanying financial statements of HealthLease Properties Real Estate Investment Trust, which comprise the statement of financial position as at April 17, 2012, the statements of changes in unitholder's equity and cash flows for the one day period ended April 17, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of HealthLease Properties Real Estate Investment Trust as at April 17, 2012, and its results of operations and its cash flows for the one day period ended April 17, 2012 in accordance with International Financial Reporting Standards.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

June 8, 2012
Toronto, Canada

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF FINANCIAL POSITION

April 17, 2012
(In Canadian dollars)

Assets	
Cash	$500
Unitholder's Equity	
Unitholder's equity	$500

See accompanying notes to financial statements.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY

One day period ended April 17, 2012
(In Canadian dollars)

Issuance of units on formation	$500
Unitholder's equity, end of period	$500

See accompanying notes to financial statements.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOWS

One day period ended April 17, 2012
(In Canadian dollars)

Financing activities:	
Issuance of units	$500
Net increase in cash	500
Cash, beginning of period	—
Cash, end of period	$500

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

One day period ended April 17, 2012
(In Canadian dollars)

Healthlease Properties Real Estate Investment Trust (the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated April 17, 2012 as amended, when 50 units were issued for $500 cash. The REIT was established under the laws of the Province of Ontario, and is domiciled in Canada.

The address of the REIT's registered office is 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7. The REIT's financial statements as at and for the one day period ended April 17, 2012 were authorized for issue by the Board of Trustees on June 8, 2012. Going forward, the REIT's financial reporting year end will be December 31.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Unitholder's equity:

The REIT is authorized to issue an unlimited number of units ("Units"), and classifies issued Units as equity in the statement of financial position. The Units are puttable financial instruments because of the unitholder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 10-day weighted average trading price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50,000 unless waived by the REIT's trustees in their sole discretion. The REIT has classified the Units as equity pursuant to the provisions of IAS 32, Financial Instruments: Presentation ("IAS 32"), on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption".

The criteria in IAS 32 are as follows:

- The Units entitle the unitholder to a pro rata share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after deducting all other claims on its assets;
- The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments (including these Units) in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the REIT to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the REIT; and
- The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the REIT over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT and that has the effect of substantially restricting or fixing the residual return to the unitholders.

Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising on the issue of Units are recognized directly in unitholder's equity as a reduction of the proceeds received.

2. SUBSEQUENT EVENT:

The REIT will enter into an underwriting agreement on June 13, 2012, whereby the REIT is expected to raise gross proceeds of $110,000,000 through the issuance of 11,000,000 Units at $10 per Unit pursuant to an initial public offering (the "Offering"), excluding any over-allotment option. Costs relating to the Offering, including underwriters' fees, are expected to be $11,554,530 and will be charged directly to unitholder's equity.

The closing (the "Closing") of the transactions contemplated by the prospectus are expected to occur on June 20, 2012.

(a) Acquisition:

On closing, it is assumed the REIT directly and indirectly acquired 15 senior care properties.

2. SUBSEQUENT EVENT: (Continued)

Prior to closing, Mainstreet Property Group, LLC ("Mainstreet") will be transferring the Mainstreet business, including six income producing properties and three properties under development, to the Partnership. Mainstreet will retain an interest in the Partnership which upon closing will consist of Exchangeable Units with a fair value of $24,000,000. The Exchangeable Units are economically equivalent to REIT units. As such, the fair value of the Exchangeable Units is $10 per unit for each of the 2,400,000 Exchangeable Units issued to Mainstreet.

The transfer of the properties has been recorded at Mainstreet's carrying value using continuity of interest accounting. The fair value of the Mainstreet business, as reflected in the value of the Exchangeable Units, exceeds the carrying value of the portfolio as a number of items that create value for the REIT are not recognized in Mainstreet's carrying value. In particular, the fair value of the business includes a portfolio premium. Under IFRS, the fair value of investment property is measured based on the individual properties and does not include value derived from the creation of a portfolio of properties in different locations. The fair value of the Mainstreet business includes a premium over the fair value of the individual properties as a result of risk reduction due to tenant and geographic diversification, and to transaction cost economies. The fair value of the business also includes the value of current and future opportunities that will be available to the REIT through Mainstreet's existing relationships provided in the development agreement, which is not recognized in the carrying value of the portfolio. The REIT will participate in the additional value created from participation in new development opportunities that Mainstreet will present to the REIT under the development and non-compete agreements. In addition, there is value in various government assistance programs associated with certain properties that will not be recorded until the applicable financial reporting recognition criteria are met. Under continuity of interests accounting these intangible assets are not recognized, and the resulting difference between the carrying value of the portfolio and the fair value of the Exchangeable Units issued of $5,257,007 has been charged to equity.

As part of the initial transactions, the REIT subscribed for Class A LP units of the Partnership for cash of approximately $28.2 million and thereby acquired control of the Partnership previously controlled by Mainstreet Property Group, LLC. The Partnership will use the proceeds to repay mortgages and other debt on Mainstreet properties which at March 31, 2012 were $26,753,435.

The assumed acquisition included the purchase of six senior care assets (the "Western Canada Senior Care Portfolio") from Northern Property Real Estate Investment Trust ("NPR"), an unrelated party, for cash consideration of $67,024,874 plus assumption of a mortgage note payable including accrued interest of $92,975,126 for a total purchase price of $160,000,000. The REIT incurred estimated closing costs of $455,000 and $1,846,755 in debt cost associated with this transaction.

The carrying value of initial net assets of the Partnership ("Mainstreet"), and the fair value of the NPR assets acquired, assuming the transactions occurred on March 31, 2012, and assuming a Canadian / U.S. dollar exchange rate of $1.00, are as follows:

	Mainstreet	NPR	Total
Investment properties:			
Income producing	$ 23,570,000	$160,455,000	$ 184,025,000
Properties under development	42,207,991	—	42,207,991
Total	65,777,991	160,455,000	226,232,991
Cash and cash equivalents	315,358	—	315,358
Restricted cash	12,060,994	—	12,060,994
Lease with Mainstreet receivable	1,247,000	—	1,247,000
Other assets	2,663,408	—	2,663,408
Mortgages and development bonds	(32,393,763)	(90,709,690)	(123,103,453)
Accounts payable and accrued liabilities	(4,174,560)	(418,681)	(4,593,241)
Net assets	$ 45,496,428	$ 69,326,629	$ 114,823,057

Consideration given indirectly by the REIT consists of the following:

Exchangeable Units	$ 24,000,000
Cash payment for Western Canada Senior Care Portfolio (including transaction costs)	69,326,629
Repayment of mortgages and other debt	26,753,435
Excess of fair value over carrying value of the Mainstreet portfolio	(5,257,007)
Consideration given by the REIT	$114,823,057

2. SUBSEQUENT EVENT: (Continued)

The actual calculation and allocation of the purchase price for the acquisition outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

(b) Credit facility:

The Partnership is expected to have in place, subsequent to Closing, a new U.S. $25,000,000 credit facility (the "Credit Facility"). The Credit Facility will be secured by four of the Initial Properties. The expected rate on the Credit Facility is the U.S. 30 day LIBOR plus 325 basis points.

(c) Sources and uses of cash and cash equivalents:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering, assuming a Canadian/U.S. dollar exchange rate of $1.00, are as follows:

Initial public offering of units, net of issue costs	$ 98,445,970
Cash payment for the purchase of Western Canada Senior Care Portfolio (including transaction costs)	(69,326,629)
Repayment of mortgages and other debt	(26,753,435)
Cash added to working capital of the REIT	$ 2,365,906

MAINSTREET SENIOR CARE PORTFOLIO

Combined Financial Statements
As of December 31, 2011 and 2010, and January 1, 2010
and for the years ended December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

To the Owner of
Mainstreet Senior Care Portfolio:

We have audited the accompanying combined statements of financial position of Mainstreet Senior Care Portfolio as of December 31, 2011 and 2010 and January 1, 2010 and the related combined statements of comprehensive income, changes in members' equity, and cash flows for the years ended December 31, 2011 and 2010. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mainstreet Senior Care Portfolio as of December 31, 2011 and 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) KPMG LLP

June 8, 2012
Indianapolis, Indiana

MAINSTREET SENIOR CARE PORTFOLIO
COMBINED STATEMENTS OF FINANCIAL POSITION
(In U.S. dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$ 565,639	$ 541,324	$ 102,018
Restricted cash (note 4)	17,314,897	322,633	402,834
Other assets (note 5)	2,985,825	339,127	725,466
Total current assets	20,866,361	1,203,084	1,230,318
Noncurrent assets:			
Income properties (note 6)	23,570,000	23,153,718	22,745,612
Properties under development (note 6)	31,668,339	2,584,116	—
Total noncurrent assets	55,238,339	25,737,834	22,745,612
Total assets	$76,104,700	$26,940,918	$23,975,930
Liabilities and Members' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 2,137,287	$ 494,941	$ 463,450
Construction payables	2,713,114	—	—
Mortgages payable	4,548,575	443,258	399,246
Total current liabilities	9,398,976	938,199	862,696
Noncurrent liabilities:			
Mortgages payable and line of credit (note 7)	18,459,224	15,847,280	16,240,337
Subordinated debt (note 7)	2,871,600	—	1,594,416
Development bonds (note 7)	27,339,368	—	—
Total noncurrent liabilities	48,670,192	15,847,280	17,834,753
Total liabilities	58,069,168	16,785,479	18,697,449
Common equity (note 8)	18,035,532	7,820,439	5,278,481
Preferred equity (note 8)	—	2,335,000	—
Total liabilities and members' equity	$76,104,700	$26,940,918	$23,975,930

Commitments and contingencies (note 15)
Subsequent events (note 17)

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2011 and 2010
(In U.S. dollars)

	2011	2010
Rentals from income properties (note 9)	$2,350,511	$2,346,659
Property operating expenses	193,419	199,833
Property operating income	2,157,092	2,146,826
Finance cost	877,852	1,117,557
Finance income	(6,498)	(2,123)
Net finance cost	871,354	1,115,434
Income before fair value adjustment of income properties and properties under development	1,285,738	1,031,392
Fair value adjustment of income properties and properties under development (note 6)	5,353,023	1,623,427
Net earnings and comprehensive income	$6,638,761	$2,654,819

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2011 and 2010
(In U.S. dollars)

	Common Equity	Preferred Equity	Retained earnings	Total
Balance at January 1, 2010	$ 420,000	$ —	$ 4,858,481	$ 5,278,481
Net earnings and comprehensive income	—	—	2,654,819	2,654,819
Capital contributions from members	733,734	750,000	—	1,483,734
Conversion of subordinated debt to equity	9,416	1,585,000	—	1,594,416
Common distributions to members	—	—	(696,994)	(696,994)
Preferred distributions to members	—	—	(159,017)	(159,017)
Balance at December 31, 2010	1,163,150	2,335,000	6,657,289	10,155,439
Net earnings and comprehensive income	—	—	6,638,761	6,638,761
Capital contributions from members	1,457,366	500,000	—	1,957,366
Conversion of preferred equity to common equity	2,835,000	(2,835,000)		
Common distributions to members	—	—	(379,500)	(379,500)
Preferred distributions to members	—	—	(336,534)	(336,534)
Balance at December 31, 2011	$5,455,516	$ —	$12,580,016	$18,035,532

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010
(In U.S. dollars)

	2011	2010
Cash flows from operating activities:		
Net earnings	$ 6,638,761	$ 2,654,819
Adjustments to reconcile net earnings to cash provided by operating activities:		
Fair value adjustment of income properties and properties under development	(5,353,023)	(1,623,427)
Increase in accrued straight-line rent receivable	(177,299)	(214,737)
Increase in accounts payable and accrued liabilities	1,820,360	13,091
Interest expense	937,914	1,067,357
Interest expense — swap agreement	(147,300)	—
Amortization expense	80,740	50,200
Interest paid	(894,300)	(1,018,453)
Interest paid — swap agreement	(118,500)	—
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	(590,312)	386,339
Net cash provided by operating activities	2,197,041	1,315,189
Cash flows from investing activities:		
Purchases of income properties and properties under development (note 6)	(23,970,183)	(1,154,058)
Receipts of restricted cash related to development	(21,115,576)	—
Disbursements of restricted cash related to development	6,416,393	—
Construction payables incurred	8,888,438	—
Payments of construction payables	(6,781,498)	—
Issuance of notes receivable — related parties	(1,450,212)	—
Net cash used by investing activities	(38,012,638)	(1,154,058)
Cash flows from financing activities:		
Issuance of mortgages payable and line of credit	14,781,409	—
Payments of mortgages payable and line of credit	(8,271,041)	(399,246)
Issuance of subordinated debt	3,571,600	—
Issuance of development bonds	28,200,000	—
Receipts of restricted cash related to debt	(2,667,074)	(2,649)
Disbursements of restricted cash related to debt	373,993	82,851
Payments for loan fees	(1,434,479)	—
Capital contributions from members	1,457,366	733,734
Common distributions to members	(379,500)	(727,498)
Preferred contributions from members	500,000	750,000
Preferred distributions to members	(292,362)	(159,017)
Net cash provided by financing activities	35,839,912	278,175
Net increase in cash	24,315	439,306
Cash, beginning of period	541,324	102,018
Cash, end of period	$ 565,639	$ 541,324
Noncash investing and financing activities:		
Conversion of subordinated debt to preferred equity	$ —	$ 1,585,000
Conversion of subordinated debt to common equity	—	9,416
Conversion of preferred equity to common equity	2,835,000	—
Conversion of preferred distributions to common distributions	495,550	—
Decrease in distributions payable	—	(30,504)
Increase in preferred distributions payable	44,172	—

MAINSTREET SENIOR CARE PORTFOLIO

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

Mainstreet Senior Care Portfolio, which is not a legal entity, is comprised of investment properties that are leased to operators. All of the entities, have greater than 75% ownership by Paul Ezekiel Turner, the Companies' chief executive officer, Paul Eric Turner, his father, and other members of the Turner family. The Companies are managed by an executive team led by Paul Ezekiel Turner and accordingly, the Companies are considered to be under common management. The registered office for the portfolio is 109 West Jackson Street, Cicero, Indiana 46034. The accompanying combined financial statements were prepared for inclusion in a prospectus to be filed by HealthLease Properties Real Estate Investment Trust (the "REIT"), a newly-created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. The REIT will issue trust units for cash pursuant to an initial public offering. On closing of the transactions contemplated in the REIT's prospectus, the REIT will indirectly acquire majority ownership in the Mainstreet Senior Care Portfolio. Because the entities are under common management and the financial statements are prepared for inclusion in the prospectus, the financial statements for the portfolio have been prepared on a combined basis as a method of presenting historical property information relating thereto. The Mainstreet Senior Care Portfolio presents the assets as if they had been owned by one entity and includes the assets, liabilities, revenues and operating expenses associated with owning these properties.

The accompanying combined financial statements include the accounts of Alex and Main, LLC, MS Brookville, LLC, MS Highland, LLC, MS Bradner, LLC, ML Marion, LLC, Marion Community Development Corporation, MS Valparaiso, LLC, MS Springfield, LLC, MS Mishawaka, LLC, MS Wabash, LLC and Wabash Community Development Corporation (collectively, the Companies). The Companies own skilled nursing, assisted living, and independent living facilities in Indiana and Illinois with total square footage of 467,446 (unaudited). At December 31, 2011, five of the facilities totaling 275,680 (unaudited) square feet, were still under development. These facilities are, in most cases, long-term leased to nonrelated entities to operate (see note 10).

(1) BASIS OF PRESENTATION

(a) Statement of Compliance

The combined financial statements of the Companies have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These are the Companies' first combined financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1), has been applied.

The disclosures required by IFRS 1 concerning the transition from U.S. generally accepted accounting principles (U.S. GAAP) to IFRS are given in note 16.

These financial statements were approved for publication on June 8, 2012.

(b) Principles of Combination

Because the entities are under common management and the financial statements are prepared for inclusion in the prospectus, the accompanying financial statements have been prepared on a combined basis. All significant intercompany transactions have been eliminated in combination.

(c) Basis of Measurement

The combined financial statements have been prepared on the historical cost basis, except for income properties, properties under development and interest rate swap derivative financial instruments, which are stated at fair value.

The combined financial statements are presented in U.S. dollars, which is the Companies' functional currency.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(i) Change in Fair Value of Income Properties and Properties Under Development

Income properties and properties under development, which are carried on the combined statements of financial position at fair value, are valued by management with the assistance of qualified external valuation professionals.

(1) BASIS OF PRESENTATION (Continued)

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of income properties and properties under development is one of the principal estimates and uncertainties of the Companies. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of income properties.

(e) Significant Judgments

The following are significant judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period:

(i) Leases (the Companies as Lessor)

The Companies use judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of their leases with operators as operating leases, in particular with long-term leases in single operator properties. The Companies have determined that all of their leases are operating leases.

(ii) Income Taxes

For limited liability companies, taxable income or loss is allocated to the members and the resulting income tax liability is that of its members. The community development corporations were organized under the Indiana Nonprofit Corporation Act of 1991 and are intended to be operated in a manner to qualify for tax exemption under section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the combined financial statements.

The Companies file income tax returns in the U.S. federal jurisdiction and Indiana, Illinois and Ohio. The Companies are subject to U.S. federal and state income tax examinations by tax authorities for years 2008 to 2011.

(2) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS.

(a) Cash

The Companies consider all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010 and January 1, 2010, the Companies had no cash equivalents. The Companies maintain their cash in bank deposit accounts which, at times, may exceed U.S. federally insured limits. The Companies have not experienced any losses from bank deposit accounts.

(b) Financial Instruments

The Companies account for restricted cash, cash, notes receivable and mortgage escrow (included in other assets) at amortized cost in current assets; construction payables and mortgages payable and subordinated debt at amortized cost in current liabilities; and mortgages payable, subordinated debt and development bonds at amortized cost in noncurrent liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at fair value through profit and loss, are accounted for as part of the carrying amount of the respective financial asset or financial liability at inception.

Transaction costs on financial assets and liabilities measured at fair value through profit and loss are expensed in the period incurred.

(c) Income Properties

Income properties include skilled nursing facility properties that are held to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business. Properties that are being developed or constructed for use as income properties are included on the Companies' combined statements of financial position properties under development. Income properties and properties under development are recognized initially at cost and subsequently at fair value, with changes in fair value recognized in the combined statements of comprehensive income in the period in which they arise.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent capital expenditures are added to the carrying value of income property only when it is probable that future economic benefits of the expenditure will flow to the Companies and the cost can be measured reliably.

Land, land improvements, buildings and related improvements, and furniture and fixtures are included in income properties.

(d) Amortizable Loan Fees

Mortgages payable and development bonds include loan fees, which are capitalized when paid and amortized into finance cost over the terms of the related loans (36 to 300 months), using the effective interest method. At December 31, 2011, December 31, 2010 and January 1, 2010, loan fees had a cost of $1,702,855, $404,567 and $404,567, respectively, and accumulated amortization of $218,430, $257,231 and $207,031, respectively.

(e) Derivative Instrument and Hedging Activities

The Companies hold derivative financial instruments for the purpose of limiting the risks relating to the variability of future earnings and cash flows caused by movements in interest rates. The Companies, in the normal course of business, hold interest rate swaps to manage interest expense on bank debt. The Companies do not engage in speculative derivative transactions for trading purposes, and the interest rate swaps are not designated as hedges. The interest rate swaps are marked to fair value at each reporting period, and the change is recognized as interest expense. Derivative financial instruments also involve a level of credit risk. Such risk is primarily related to the possibility of nonperformance by the counterparties involved in the derivative transactions. The Companies mitigate the risk of such nonperformance through selection criteria for counterparties.

(f) Revenue Recognition

Rental income from leases with free rental periods or scheduled rental increases during their terms is recognized on a straight-line basis over the corresponding lease term. The timing of revenue recognition under an operating lease is determined based upon ownership of the operator improvements, if any. If the Companies are the owner of the operator improvements, revenue recognition commences after the improvements are completed and the operator takes possession or control of the space. In contrast, if the Companies determine that the operator improvement allowances are lease incentives, then the Companies commence revenue recognition when possession or control of the space is turned over to the operator. The Companies' leases are triple net in nature, and as such, the operators are generally responsible for all property operating costs.

The Companies recognize lease termination fees in profit or loss when an operator has executed a definitive termination agreement with the Companies and the payment of the termination fee is not subject to any material conditions that must be met or waived before the fee is due.

The Companies recognize up-front lease payments received from operators as prepaid rent as part of income properties on the statement of financial position, and recognize rental revenue over the corresponding lease period.

(g) Capitalized Interest

The Companies capitalize interest cost incurred throughout the associated project construction period. The Companies capitalized interest totaling $670,700 and $0 for the years ended December 31, 2011 and 2010, respectively, and the amounts are included in income properties and properties under development on the statement of financial position. At December 31, 2011 and 2010, the weighted average interest rate on capitalized interest was 4.85% and 5.50%, respectively.

(h) Finance Costs

Finance costs are comprised of interest expense on borrowings, mark-to-market adjustments of interest rate swaps and amortization of loan fees.

(i) Future Accounting Changes

(i) IFRS 9, Financial Instruments (2010) (IFRS 9 (2010)), supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. IFRS 9 replaces the guidance in IAS 39 and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flow.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Companies intend to adopt IFRS 9 (2010) in their financial statements for the annual period beginning January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

(ii) The Companies intend to adopt IFRS 10, Consolidated Financial Statements (IFRS 10), in their financial statements for the annual period beginning on January 1, 2013. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation — Special Purpose Entities (SIC-12). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The extent of the impact of adoption of IFRS 10 has not yet been determined.

(iii) The Companies intend to adopt IFRS 13, Fair Value Measurements (IFRS 13), prospectively in their financial statements for the annual period beginning on January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. The extent of the impact of adoption of IFRS 13 has not yet been determined.

(iv) The Companies intend to adopt IFRS 7 in their financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 Financial Instruments — Presentation (IAS 32) in their financial statements for the annual period beginning January 1, 2014. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The extent of the impact of adoption of the amendments has not yet been determined.

(v) IAS 28 which was amended in 2011 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. The extent of the impact of adoption of IFRS 11 and IAS 28 has not yet been determined.

(vi) IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements is required. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The extent of the impact of adoption of IFRS 12 has not yet been determined.

(3) SEGMENT PRESENTATION

All of the Companies' income properties and properties under development are in the U.S. senior care sector, and the Companies operate in one segment. All of the Companies' assets, as of December 31, 2010, were located in the state of Indiana. As of December 31, 2011, one asset (MS Springfield, LLC) is located outside the state of Indiana in the state of Illinois. The properties are each 100% leased to a single operator under a triple net lease, and the lessee group consists of seven operators in total.

(4) RESTRICTED CASH

The Companies' restricted cash represents collateral accounts required by certain partnership and debt agreements and bond proceeds reserved for completion of properties under development. Bond proceeds are released from restricted cash as construction costs are incurred.

(5) OTHER ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable	$ —	$ 16,559	$ 24,541
Due from related entities	722,281	295,857	696,364
Development fee receivable	156,250	—	—
Construction receivable	606,174	—	—
Prepaid expense	50,908	26,711	4,561
Notes receivable — related parties	1,450,212	—	—
Total	$2,985,825	$339,127	$725,466

Notes receivable — related parties and due from related entities do not have a stated due date, but the intention of management is to pay within one year. See note 10 related party transactions for additional information.

(6) INCOME PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Income properties:

Balance, January 1, 2011	$23,153,718
Additions to income properties	26,932
Transfers from properties under development	—
Increase in straight-line rents	177,299
Fair value adjustment	212,051
Balance, December 31, 2011	$23,570,000
Balance, January 1, 2010	$22,745,612
Additions to income properties	—
Transfers from properties under development	—
Increase in straight-line rents	214,737
Fair value adjustment	193,369
Balance, December 31, 2010	$23,153,718

Properties under development:

Balance, January 1, 2011	$ 2,584,116
Additions to properties under development	23,943,251
Transfer to income properties	—
Fair value adjustment	5,140,972
Balance, December 31, 2011	$31,668,339
Balance, January 1, 2010	$ —
Additions to properties under development	1,154,058
Transfer to income properties	—
Fair value adjustment	1,430,058
Balance, December 31, 2010	$ 2,584,116

The Companies determined the fair value of each property using the net operating income approach, which is based on the conversion of current earnings into an expression of market value. The stabilized net income is divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party appraisals and industry trends.

(6) INCOME PROPERTIES AND PROPERTIES UNDER DEVELOPMENT (Continued)

The key valuation assumptions for the Companies' properties are set out in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Capitalization rate — range	8.3% – 11.1%	8.3% – 11.1%	8.3% – 11.1%
Capitalization rate — weighted average	8.7%	8.8%	9.3%

The fair values of properties are most sensitive to changes in capitalization rates. As at December 31, 2011, a 25-basis-point movement in the weighted average capitalization rate would change the value of properties by $1,000,000.

Properties with an aggregate fair value of $51,390,000, $25,737,834 and $22,745,612 at December 31, 2011, December 31, 2010 and January 1, 2010, respectively, were derived, in part, from appraisals from external valuation professionals with recognized and relevant professional qualifications.

For properties under development, the estimated fair market value was calculated by deducting the total cost of the project from the fair market value at completion. This amount, less discount for time to complete, was then added to the current cost to derive the estimated fair market value for the asset. If an asset does not have a signed lease, management reflects the property at cost.

(7) MORTGAGES PAYABLE, SUBORDINATED DEBT AND DEVELOPMENT BONDS

The Companies' indebtedness at December 31, 2011 and 2010, and January 1, 2010, consisted of amortizing fixed rate secured mortgages, variable rate secured mortgages, lines of credit on construction projects, subordinated debt and development bonds. The fixed rate secured mortgages and variable rate secured mortgages are secured by the associated income properties.

Fixed rate secured mortgages are summarized in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Fixed rate secured mortgages	$ 12,528,901	$ 12,730,698	$ 13,048,282
Interest rates	5.45% – 5.99%	5.45% – 5.99%	5.45% – 5.99%
Maturity dates	2016 – 2039	2012 – 2039	2012 – 2039

Variable rate secured mortgages are summarized in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Variable rate secured mortgages	$3,621,283	$3,707,175	$3,788,838
Interest rates	5.0%	5.0%	5.0%
Maturity dates	2012	2012	2012

All variable rate secured mortgages have rates of LIBOR plus 375 basis points, with a minimum rate of 5.0% which exceeded the variable rate for all periods presented.

Lines of credit on construction projects are summarized in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Lines of credit	$ 6,781,409	$ —	$ —
Interest rates	4.50% – 5.75%	— %	— %
Maturity dates	2016 – 2037	—	—

Construction lines of credit automatically convert to permanent mortgages upon construction completion.

(7) MORTGAGES PAYABLE, SUBORDINATED DEBT AND DEVELOPMENT BONDS (Continued)

Subordinated debt is summarized in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Subordinated debt	$ 3,571,600	$ —	$1,594,416
Interest rates	6.0% – 22.5%	— %	15.0%
Maturity dates	2012 – 2016	—	—

Conversions of subordinate debt to equity have been recorded at carrying value, with no resulting gain or loss, as the holders are considered to be acting in their capacity as an equity holder.

At December 31, 2011, $2,000,000 of the $3,571,600 of subordinated debt is due to a related party and accounted for at amortized cost with an effective interest rate of 22.5%, but pays interest monthly at 12.0%. As such, the Companies are accruing this additional interest, which will be due and payable at maturity in 2013. Subordinated debt at January 1, 2010 had no contractual maturity dates.

Development bonds are summarized in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Development bonds	$ 28,200,000	$ —	$ —
Interest rates	3.02% – 3.19%	— %	— %
Maturity dates	2016	—	—

The weighted average interest rate across mortgages payable, subordinated debt, lines of credit on construction projects and development bonds at December 31, 2011 and 2010 was 4.96% and 5.56%, respectively.

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgages payable, line of credit, and subordinated debt	$26,503,193	$16,437,873	$18,431,536
Unamortized financing costs	(623,794)	(147,335)	(197,537)
Carrying amount	$25,879,399	$16,290,538	$18,233,999

	December 31, 2011	December 31, 2010	January 1, 2010
Development bonds	$28,200,000	$ —	$ —
Unamortized financing costs	(860,632)	—	—
Carrying amount	$27,339,368	$ —	$ —

(7) MORTGAGES PAYABLE, SUBORDINATED DEBT AND DEVELOPMENT BONDS (Continued)

Scheduled Payments

At December 31, 2011, the interest, scheduled amortization and principal maturities of the mortgages payable, lines of credit on construction projects, subordinated debt and development bonds for the next five years and thereafter were as follows:

	Aggregate debt and interest payments
Payable in:	
2012	$ 6,733,106
2013	5,210,292
2014	4,744,116
2015	2,745,666
2016	37,276,044
Thereafter	16,644,211
Total	$73,353,435

Covenants

Certain mortgages and other loans contain restrictive financial covenants with respect to a minimum debt service coverage ratio, current ratio, and tangible debt to net worth ratio. The Companies were in compliance with all such covenants as of December 31, 2011 and 2010, and January 1, 2010.

(8) MEMBER'S EQUITY

(a) Common Stock

Holders of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to members. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Companies.

At December 31, 2011, December 31, 2010 and January 1, 2010, common stock totaled $5,455,516, $1,163,150 and $420,000, respectively. The Companies are organized as limited liability companies; as such, common stock is not issued in shares. Ownership is based on the capital amounts contributed by each owner as a percentage of the total capital amounts contributed.

Common distributions are made at the sole discretion of management. For the years ended December 31, 2011 and 2010, common distributions paid totaled $379,500 and $727,498, respectively.

Gains and losses are allocated first pro rata to the preferred stockholders and then pro rata to the common stockholders.

(b) 12% Cumulative Preferred Stock

Prior to October 31, 2011, authorized capital stock included 12% cumulative preferred shares in MS Bradner, LLC and MS Valparaiso, LLC totaling $2,835,000. On October 31, 2011, the preferred shares of capital stock were converted to common stock. The preferred shares were to receive a 12% cumulative dividend distribution prior to any distribution to the common stockholders. However, all distributions on preferred stock, including dividends, were at sole discretion of management. The preferred shares did not have voting rights, profit participation rights, or involuntary liquidation preferences. There were no conversion or redemption features included in the preferred shares. As all payments are discretionary up to liquidation, the preferred stock was classified as equity.

The Companies paid $292,362 and $159,017 of preferred dividends for the years ended December 31, 2011 and 2010, respectively. Cumulative preferred dividends of $44,172 and $0 remain unpaid at December 31, 2011 and 2010, respectively.

At December 31, 2011, December 31, 2010 and January 1, 2010, the Companies had preferred stock totaling $0, $2,335,000 and $0, respectively. The Companies are organized as limited liability companies; as such, preferred stock is not issued in shares. Ownership is based on the capital amounts contributed by each owner as a percentage of the total capital amounts contributed.

Conversions of preferred stock have been recorded at carrying value, with no resulting gain or loss.

(9) RENTALS FROM INCOME PROPERTIES

Rentals from income properties consist of all revenues generated by the income properties.

The Companies generally lease income properties under operating leases with lease terms between 10 and 20 years, with options to extend up to a further 10 years.

The Companies are scheduled to receive rental income from operators under the provisions of long-term noncancelable operating leases. These leases are triple net and include renewal options and escalation clauses. Future minimum rentals to be received under the long-term noncancelable operating leases as of December 31, 2011 are as follows:

	December 31, 2011
Receivable in:	
2012	$ 2,207,546
2013	2,246,497
2014	2,286,227
2015	2,326,751
2016	2,368,086
Thereafter	19,508,683
Total	$30,943,790

The above amounts do not include leases related to properties under development that are signed but have not commenced. Pursuant to the terms of the leases, they do not commence until receipt of certificates of occupancy.

(10) RELATED PARTY TRANSACTIONS

The Companies had certain related party transactions for the periods ending December 31, 2011 and 2010. These transactions relate to management fees and development fees paid to a related party management company. Mainstreet Asset Management, Inc. is owned 50% each by the Companies' chief executive officer and president. Management fees paid to Mainstreet Asset Management, Inc. were $108,468 and $106,596, for the periods ending December 31, 2011 and 2010, respectively, and are included in property operating costs on the statements of comprehensive income. Management fees are calculated as 5% of cash rent collections due for a given period.

Development fees are paid to Mainstreet Asset Management, Inc. for assets that are built or substantially remodeled. There were development fees paid to Mainstreet Asset Management, Inc. of $1,444,855 and $0 during the periods ended December 31, 2011 and 2010, respectively, which have been capitalized in income properties and properties under development on the combined statements of financial position. Net development fees payable to Mainstreet Asset Management, Inc. at December 31, 2011 and 2010 are $606,395 and $0, respectively.

The Companies do not employ key management personnel. Rather, the Companies paid a related party, Mainstreet Asset Management, Inc., via management fees (as discussed above) to manage the Companies.

An income property is leased to Mainstreet Senior I, LLC, a related party, and earned rental revenue of $260,016 for the periods ending December 31, 2011 and 2010.

The Companies have subordinated debt due to a related party, Mainstreet Property Group, LLC, of $2,000,000, $0, and $0 as of December 31, 2011 and 2010, and January 1, 2010. The subordinated debt has an effective interest rate of 22.5% but pays interest monthly at 12.0%. As such, the Companies are accruing this additional interest, which will be due and payable at maturity. At December 31, 2011 and 2010, and January 1, 2010, total interest accrued is $90,000, $0, and $0, respectively, and total interest paid for the years ended December 31, 2011 and 2010 is $0 and $0, respectively.

The Companies had notes receivable due from a related party, Mainstreet Property Group, LLC, of $1,450,212, $0, and $0 as of December 31, 2011 and 2010, and January 1, 2010. The notes are noninterest bearing and have no expiration or maturity date.

The Companies have amounts due to and from related parties as a result of payments made on the Companies' behalf, development fees payable, and other working capital transactions between entities. The due from balances are classified in other assets and the due to

(10) RELATED PARTY TRANSACTIONS (Continued)

balances are classified in accounts payable and accrued liabilities. The Companies had the following amounts due from (due to) as of December 31, 2011, 2010, and January 1, 2010:

	December 31,		January 1,
	2011	2010	2010
Amounts due from (to) related parties:			
Mainstreet Asset Management	$(19,095)	$ 42,321	$ 29,797
Mainstreet Capital Partners, LLC	233,228	140,826	491,650
Mainstreet Property Group, LLC	368,432	10,000	153,000
Mainstreet Senior I, LLC	94,148	103,061	(3,083)
Mainstreet Lawrenceburg, LLC	—	(351)	—
Mainstreet Martinsville, LLC	—	—	25,000
Total	$676,713	$295,857	$696,364

At December 31, 2011, 2010, and January 1, 2010, amounts due from (to) related parties includes $45,568, $0, and $0, respectively, of amounts due to related parties which are reflected in accounts payable and accrued liabilities on the combined statements of financial position.

(11) COMMUNITY DEVELOPMENT CORPORATIONS

During 2011, the Companies entered into agreements with the City of Marion and the City of Wabash for the sole purpose of developing, constructing, and leasing a senior care property. Marion and Wabash each formed a community development corporation (CDC) which issued debt for the purpose of constructing a senior care facility for the sole benefit of the companies. The Companies have full control of how the buildings are constructed and subsequently used. The majority of the business activities of the CDC's are financed with third-party debt, with joint and several guarantees provided by the Companies and their owners to the City of Marion and the City of Wabash. All direct benefits from the project go to the Companies; in return the Cities get the job creation and economic development from the project.

The Companies are party to joint and several guarantees of the third-party debt of the CDC's, and the maximum loss exposure is equal to the maximum monetary obligation pursuant to the guarantee agreements of $13,000,000 and $15,200,000, respectively.

The Companies controls the financial and operating activities of the CDC's, obtains benefits of their activities and bears the risk of loss. Accordingly, the CDC's are included in the combined financial statements.

The CDC's did not have any results of operations for the years ended December 31, 2011 and 2010. The combined statements presented include the assets, liabilities and cash flows of the CDC operations as of December 31, 2011, which are summarized as follows:

Assets	$ 30,958,461
Liabilities	29,420,627
Revenues	—
Expenses	—
Cash flows provided by operations	414,453
Cash flows used in investing	(27,945,260)
Cash flows provided by financing	27,530,808

(12) DERIVATIVE INSTRUMENTS

The Companies use interest-rate-related derivative instruments to manage their exposure related to changes in interest rates on their variable-rate debt instruments. The Companies do not enter into derivative instruments for any purpose other than to manage cash flows. The Companies do not speculate using derivative instruments.

By using derivative financial instruments to manage exposures to changes in interest rates, the Companies expose themselves to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Companies, which creates credit risk for the Companies. When the fair value of a derivative contract is negative, the Companies owe the counterparty and, therefore, the Companies are not exposed to

(12) DERIVATIVE INSTRUMENTS (Continued)

the counterparty's credit risk in those circumstances. The Companies minimize counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

The Companies had an interest rate swap agreement, which was eliminated as part of a loan refinance on November 23, 2011. The interest rate swap had a total notional amount of $0 and $8,095,616 as of December 31, 2011 and 2010, respectively. Under the terms of the agreement, the Companies were to have paid interest at effectively 5.71% through August 1, 2012. Under the interest rate swap agreement, the Companies had agreed to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to the agreed-upon notional amount. The fair value of the interest rate swap at December 31, 2011 and 2010 is approximately $0 and $265,800, respectively, and is included in accounts payable and accrued expenses on the statement of financial position.

The Companies' interest rate swap was not designated as a hedge, and therefore, the changes in the fair value of the interest rate swap that offset the variability of cash flows associated with variable-rate, long-term debt obligations were reported through earnings as incurred.

The valuation of the interest rate swap was computed using level 2 inputs, as outlined in note 14(b). The Companies recognized (income) expense of ($147,300) and $99,264 in the combined statements of comprehensive income for the years ended December 31, 2011 and 2010, respectively, related to the change in value of the interest rate swap.

(13) CAPITAL MANAGEMENT

The Companies' objectives when managing capital are to ensure sufficient liquidity to pursue their organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The capital structure of the Companies consists of debt and members' equity. In managing their capital structure, the Companies monitor performance throughout the year to ensure working capital requirements and capital expenditures are funded from operations, available cash on deposit, construction loans, and, where applicable, capital contributions from members. The Companies may make adjustments to their capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust their capital structure, the Companies may issue equity or new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

(14) RISK MANAGEMENT AND FAIR VALUES

(a) Risk Management

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

(i) Interest Rate Risk

The Companies are exposed to interest rate risk on five of the properties' secured debt, as the rate is based on an index rate. Four of the five properties are under construction at December 31, 2011; therefore, all interest expense is being capitalized. While the other property has an interest rate based on an index rate, the property also has an interest rate floor, which for the property is the applicable rate charged. For the period ended December 31, 2011, a 25 basis-point increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in no increase or decrease in the Companies' interest expense. The Companies are not exposed to interest rate risk on the subordinated debt or remaining four properties' secured debt, as the rates are fixed.

Subsequent to December 31, 2011, the secured debt of Marion Community Development Corporation and MS Springfield, LLC was converted from a variable rate to a fixed rate.

(ii) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Companies by failing to discharge their obligations. The Companies are exposed to credit risk on all financial assets and their exposure is generally limited to the carrying amount on the combined statements of financial position. The Companies actively manage to minimize their credit risk through careful selection and assessment of their credit parties based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators.

(14) RISK MANAGEMENT AND FAIR VALUES (Continued)

(iii) Liquidity Risk

The Companies are subject to the liquidity risk that it will not be able to meet their financial obligations as they come due. The Companies manage their liquidity risk through cash and debt management. The Companies plan to address scheduled amortization through operating cash flows and significant principal maturities through a combination of debt and equity financing.

(iv) Market Risk

All of the Companies' operations are denominated in U.S. dollars, resulting in no direct foreign exchange risk.

Although the Companies do not operate the facilities, they have an indirect exposure to the Medicaid reimbursement rates as dictated by the states in which the facilities are located, as a significant portion of the residents in the facilities are funded by Medicaid.

(b) Fair Values of Financial Instruments

The Companies use various methods in estimating the fair values recognized in the combined financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 — quoted prices in active markets;
- Level 2 — inputs other than quoted prices in the active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 — valuation techniques for which significant inputs are not based on observable market data.

The Companies believe that the carrying value of mortgages payable and development bonds approximate the fair value at the respective statement of financial position. The Companies have determined that the carrying value of the debt approximates fair value because the debt is either at variable rates which adjust based on market rates or is at fixed rates which approximate current market rates available to the Companies.

The carrying values of the Companies' financial assets, which include accounts receivable, mortgage escrow, customer receivables, notes receivable, restricted cash and cash, as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

(15) COMMITMENTS AND CONTINGENCIES

(a) Properties under Development

At December 31, 2011, the Companies had five properties under development, which have a fair value of $31,668,338. The estimated cost to complete these projects is $40,392,046. The Companies have construction lines of credit or development bonds to fund the completion of these assets.

(b) Rental Income

At December 31, 2011, the Companies had five properties under development. The Companies have signed long-term noncancelable leases with operators for four of the properties. The leases have terms ranging from 10 to 15 years and will

(15) COMMITMENTS AND CONTINGENCIES (Continued)

commence upon receipt of certificates of occupancy. Future minimum rentals to be received under these leases as of December 31, 2011 are as follows:

	December 31, 2011
Receivable in:	
2012	$ 1,599,424
2013	4,707,138
2014	4,955,146
2015	5,097,118
2016	5,243,182
Thereafter	50,451,219
Total	$72,053,227

The lease for the fifth property was signed subsequent to December 31, 2011. As such, no future minimum rentals to be received are presented.

(16) EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, these are the first annual combined financial statements prepared in accordance with IFRS. The accounting policies adopted under IFRS have been applied in preparing the combined financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position at January 1, 2010. The Transition Date to IFRS is January 1, 2010. A reconciliation between IFRS and U.S. GAAP has been presented as at January 1, 2010 and December 31, 2010.

The Companies have adjusted amounts previously reported in financial statements prepared in accordance with their previous basis of accounting, U.S. GAAP.

An explanation of how the transition from U.S. GAAP to IFRS has affected the Companies' financial position and performance is set out in the tables below and the notes accompanying them.

(16) EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of equity as at January 1, 2010:

U.S. GAAP presentation	Note	U.S. GAAP	IFRS adjustments	IFRS	IFRS presentation
Assets:					Assets:
Cash and cash equivalents		$ 102,018	$ —	$ 102,018	Cash
Restricted cash		402,834	—	402,834	Restricted cash
Other assets	(b)	923,002	(197,536)	725,466	Other assets
Income properties, net	(a)	16,734,156	6,011,456	22,745,612	Income properties
Properties under development		—	—	—	Properties under development
Accrued straight-line rent receivable	(a)	835,794	(835,794)	—	
		$18,997,804	$4,978,126	$23,975,930	
Liabilities and members' equity:					Liabilities and members' equity:
Accounts payable and accrued liabilities		$ 463,450	$ —	$ 463,450	Accounts payable and accrued liabilities
Construction payables		—	—	—	Construction payables
	(c)	—	399,246	399,246	Mortgages payable
Mortgages payable	(b) (c)	16,837,119	(596,782)	16,240,337	Mortgages payable
Subordinated debt		1,594,416	—	1,594,416	Subordinated debt
		18,894,985	(197,536)	18,697,449	
Members' equity	(a)	102,819	5,175,662	5,278,481	Members' equity
		$18,997,804	$4,978,126	$23,975,930	

Reconciliation of equity as at December 31, 2010:

U.S. GAAP presentation	Note	U.S. GAAP	IFRS adjustments	IFRS	IFRS presentation
Assets:					Assets:
Cash and cash equivalents		$ 541,324	$ —	$ 541,324	Cash
Restricted cash		322,633	—	322,633	Restricted cash
Other assets	(b)	486,463	(147,336)	339,127	Other assets
Income properties, net	(a)	16,155,484	6,998,234	23,153,718	Income properties
Properties under development	(a)	1,154,058	1,430,058	2,584,116	Properties under development
Accrued straight-line rent receivable	(a)	1,050,531	(1,050,531)	—	
		$19,710,493	$ 7,230,425	$26,940,918	
Liabilities and members' equity:					Liabilities and members' equity:
Accounts payable and accrued liabilities		$ 494,941	$ —	$ 494,941	Accounts payable and accrued liabilities
Construction payables		—	—	—	Construction payables
	(c)	—	443,258	443,258	Mortgages payable
Mortgages payable	(b) (c)	16,437,874	(590,594)	15,847,280	Mortgages payable
Subordinated debt		—	—	—	Subordinated debt
		16,932,815	(147,336)	16,785,479	
Members' equity	(a)	2,777,678	7,377,761	10,155,439	Members' equity
		$19,710,493	$ 7,230,425	$26,940,918	

(16) EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of comprehensive income for the year ended December 31, 2010:

U.S. GAAP presentation	Note	U.S. GAAP	IFRS adjustments	IFRS	IFRS presentation
Rentals from income properties	(c)	$ 2,348,782	$ (2,123)	$ 2,346,659	Rentals from income properties
Expenses:					
Property operating costs		199,833	—	199,833	Property operating expenses
Interest	(c)	1,067,357	50,200	1,117,557	Finance cost
		—	(2,123)	(2,123)	Interest income
Depreciation and amortization	(a)	628,873	(628,873)	—	
		1,896,063	(580,796)	1,315,267	
		—	—	1,031,392	Income before fair value adjustment of properties under development
	(a)	—	1,623,427	1,623,427	Fair value adjustment of income properties and properties under development
Net earnings and comprehensive income		$ 452,719	$2,202,100	$ 2,654,819	Net earnings and comprehensive income

Reconciliation of statement of cash flows from U.S. GAAP to IFRS:

Consistent with the Companies' accounting policy choice under IAS 7, Statement of Cash Flows, interest paid and interest received have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous U.S. GAAP.

Notes to reconciliation:

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively with all adjustments to assets and liabilities taken to opening retained earnings as of January 1, 2010 unless certain optional exemptions are elected and mandatory exceptions are applied. In preparing their first IFRS financial statements, the Companies have applied the mandatory exception from full retrospective application of IFRS for estimates. This mandatory exception requires that estimates made at the Transition Date, and in the comparative reporting periods, be consistent with estimates made under U.S. GAAP, unless either the estimates are adjusted to reflect a revised accounting policy or there is objective evidence that the estimates made under U.S. GAAP were in error. The Companies have, however, not elected any optional exemptions from the general requirement for retrospective application of IFRS.

(a) Income Properties and Properties under Development

Under IAS 40, Investment Properties, the Companies may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost model. The Companies have elected the fair value model to account for their investment properties subsequent to initial recognition. Under the fair value model, investment properties are carried on the combined statements of financial position at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in the combined statements of income and comprehensive income in the period in which they occur. Under U.S. GAAP, the Companies' income-producing properties, properties under development and certain intangibles were carried on the combined statements of financial position at cost less accumulated depreciation and amortization.

As at January 1, 2010 and December 31, 2010, the Companies reclassified straight-line rent receivable to income properties to conform to the Companies' presentation under IFRS.

During the year ended December 31, 2010, the Companies recognized a fair value increase on income properties and properties under development of $1,623,427. As at January 1, 2010, the Companies recognized a fair value increase on income properties and properties under development of $3,260,770. Income properties and properties under development were recognized at historical cost, net of accumulated depreciation, under U.S. GAAP.

(16) EXPLANATION OF TRANSITION TO IFRS (Continued)

The changes to members' equity in the reconciliation of U.S. GAAP to IFRS reflect the elimination of accumulated depreciation on income properties, recognized under U.S. GAAP, and the changes in the fair values of income properties and properties under development subsequent to initial recognition under IFRS.

(b) Finance Costs and Amortization of Finance Costs

As at January 1, 2010 and December 31, 2010, the Companies reclassified $197,536 and $147,336, respectively, of finance costs, net of amortization expense, to mortgages payable to conform to the Companies' presentation under IFRS.

(c) Other Reclassifications

As at January 1, 2010 and December 31, 2010, the Companies reclassified $399,246 and $443,258, respectively, of mortgages payable to current portion of mortgages payable to conform to the Companies' presentation under IFRS, as part of a classified statement of financial position.

(17) SUBSEQUENT EVENTS

The Companies have evaluated subsequent events from the statement of financial position date through June 8, 2012, the date at which the financial statements were available to be issued. HealthLease Properties Real Estate Investment Trust (the "REIT") is expected to file a prospectus with the securities regulatory authority in each of the provinces and territories of Canada on June 13, 2012. On closing of the offering contemplated in the REIT's prospectus, the REIT will indirectly acquire majority ownership in the Mainstreet Senior Care Portfolio. The management of the Companies will be the management of the REIT.

MAINSTREET
SENIOR CARE
PORTFOLIO

Combined Financial Statements
December 31, 2010 and 2009
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

To the Owner of
Mainstreet Senior Care Portfolio:

We have audited the accompanying combined balance sheets of Mainstreet Senior Care Portfolio (the Company) as of December 31, 2010 and 2009, and the related combined statements of operations, members' equity, and cash flows for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mainstreet Senior Care Portfolio as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

(Signed) KPMG LLP
Indianapolis, Indiana

June 8, 2012

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
Assets		
Income properties, net	$16,155,484	$16,734,156
Properties under development	1,154,058	—
Accrued straight-line rent receivable	1,050,531	835,794
Other assets	486,463	923,002
Cash and cash equivalents	541,324	102,018
Restricted cash	322,633	402,834
Total assets	$19,710,493	$18,997,804
Liabilities and Members' Equity		
Liabilities:		
Mortgages payable	$16,437,874	$16,837,119
Accounts payable and accrued liabilities	494,941	463,450
Subordinated debt	—	1,594,416
Total liabilities	16,932,815	18,894,985
Common equity	601,695	102,819
Preferred equity	2,175,983	—
Total liabilities and members' equity	$19,710,493	$18,997,804

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF OPERATIONS

Years ended December 31, 2010 and 2009

	2010	2009
Operating revenue —		
Rentals from income properties	$2,348,782	$2,375,625
Total revenue	2,348,782	2,375,625
Operating expenses:		
Property operating costs	199,833	222,826
Interest	1,067,358	1,076,256
Depreciation and amortization	628,872	683,406
Total operating expenses	1,896,063	1,982,488
Net earnings	$ 452,719	$ 393,137

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2010 and 2009

	2010	2009
Balance of members' equity, January 1	$ 102,819	$(133,962)
Net earnings	452,719	393,137
Conversion of subordinated debt to common equity	9,416	—
Conversion of subordinated debt to preferred equity	1,585,000	—
Common contributions	733,734	—
Preferred contributions	750,000	—
Common distributions to members	(696,993)	(156,356)
Preferred distributions to members	(159,017)	—
Balance of members' equity, December 31	$2,777,678	$ 102,819

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net earnings	$ 452,719	$ 393,137
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation expense	578,672	603,666
Amortization expense	50,200	79,740
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	386,339	(482,951)
Increase in accrued straight-line rent	(214,737)	(255,248)
Increase (decrease) in accounts payable and accrued liabilities	61,995	143,041
Net cash provided by operating activities	1,315,188	481,385
Cash flows from investing activities:		
Purchases of property and equipment	(1,154,058)	—
Net cash used by investing activities	(1,154,058)	—
Cash flows from financing activities:		
Issuance of mortgages payable	—	4,793,600
Payments of mortgages payable	(399,245)	(4,426,180)
Payments of subordinated debt	—	(166,751)
Payments for loan fees	—	(225,084)
Common contributions	733,734	—
Preferred contributions	750,000	—
Common distributions to members	(727,497)	(125,852)
Preferred distributions to members	(159,017)	—
(Increase) decrease in restricted cash	80,201	(271,501)
Net cash provided by (used in) financing activities	278,176	(421,768)
Net increase in cash and cash equivalents	439,306	59,617
Cash and cash equivalents, beginning of year	102,018	42,401
Cash and cash equivalents, end of year	$ 541,324	$ 102,018
Supplemental disclosure:		
Cash paid for interest	1,018,453	1,019,562
Non-cash investing and financing activities:		
Extinguishment of subordinated debt and issuance of preferred equity	1,585,000	—
Conversion of subordinated debt to common equity	9,416	—
Increase (decrease) in distributions payable	(30,504)	30,504

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The accompanying combined financial statements include the accounts of Alex and Main, LLC, MS Brookville, LLC, MS Highland, LLC, MS Bradner, LLC, ML Marion, LLC, and MS Valparaiso, LLC (collectively, the "Companies"). The Companies own six skilled nursing, assisted living, and independent living facilities in Indiana with total square footage of 291,446 (unaudited). At December 31, 2010, three of the facilities totaling 144,680 (unaudited) square feet, were still under development. One of those facilities was placed into service in March 2011. These facilities are, in most cases, long-term leased to non-related entities to operate (see Note 5). All of the entities, have greater than 75% ownership by Paul Ezekiel Turner, the Companies' chief executive officer, Paul Eric Turner, his father, and other members of the Turner family. Accordingly, the Companies are considered to be under common control and are presented on a combined basis.

(b) Basis of Presentation

The Companies maintain their financial records and prepare their financial statements under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in combination.

(c) Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives and valuation of buildings, fixtures, and equipment, and the valuation of derivatives.

(d) Cash and Equivalents

The Companies consider all liquid investments with original maturities of three months or less to be cash equivalents. The Companies maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Companies have not experienced any losses from bank deposit accounts.

(e) Restricted Cash

The Companies' restricted cash represents collateral accounts required by certain partnership and debt agreements.

(f) Income Properties

Land, land improvements, buildings and related improvements, and furniture and fixtures are included in income properties and generally stated at cost and depreciated using straight-line methods. The categories are as follows:

Buildings and building improvements	39 Years
Land improvements	15 Years
Furniture and fixtures	5 Years

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income properties, net (excluding properties under development), totaled $16,155,484 and $16,734,156 as of December 31, 2010 and 2009, respectively. These balances are comprised of the following:

	2010	2009
Land	$ 784,587	$ 784,587
Buildings and building improvements	16,465,599	16,465,599
Land improvements	585,121	585,121
Furniture and fixtures	813,741	813,741
	18,649,048	18,649,048
Less accumulated depreciation	(2,493,564)	(1,914,892)
Total	$16,155,484	$16,734,156

(g) Amortizable Loan Fees

Other assets include loan fees, which are capitalized when paid and amortized into interest expense over the terms of the related loans (36 to 180 months). At December 31, 2010 and 2009, the loan fees had a cost of $404,567 and $404,567 and accumulated amortization of $257,231 and $207,031, respectively.

(h) Income Taxes

As limited liability companies, the taxable income or loss of the Companies is allocated to the members. Therefore, no provision or liability for income taxes has been included in the combined financial statements.

The Companies file income tax returns in the U.S. federal jurisdiction and Indiana. The Companies are subject to U.S. federal and state income tax examinations by tax authorities for years 2007 to 2010.

Beginning with the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (Interpretation No. 48), (included in FASB ASC Subtopic 740-10 — *Income Taxes — Overall*), as of January 1, 2009, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Changes in recognition or measurement are reflected in the period in which the change occurs. The adoption of Interpretation No. 48 did not have a material impact on the Companies' financial statements, and the Companies did not have any liability recorded as of December 31, 2010 or 2009 related to Interpretation No. 48.

(i) Derivative Instrument and Hedging Activities

The Companies hold derivative financial instruments for the purpose of limiting the risks relating to the variability of future earnings and cash flows caused by movements in interest rates. The Companies, in the normal course of business, hold interest rate swaps to manage interest expense on bank debt. The Companies do not engage in speculative derivative transactions for trading purposes, and the interest rate swaps are not designated as hedges. The interest rate swaps are marked to fair value at each reporting period, and the change is recorded in interest expense.

Derivative financial instruments also involve a level of credit risk. Such risk is primarily related to the possibility of nonperformance by the counterparties involved in the derivative transactions. The Companies mitigate the risk of such nonperformance through selection criteria for counterparties.

(j) Revenue Recognition

Rental income from leases with free rental periods or scheduled rental increases during their terms is recognized on a straight-line basis. The timing of revenue recognition under an operating lease is determined based upon ownership of the tenant improvements, if any. If the Companies are the owner of the tenant improvements, revenue recognition commences after the improvements are completed and the tenant takes possession or control of the space. In contrast, if the Companies determine that the tenant allowances are lease incentives, then the Companies commence revenue recognition when possession or control of the space is turned over to the tenant. The Companies' leases are triple net in nature, and as such, the tenants are generally responsible for all property costs.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Companies record lease termination fees when a tenant has executed a definitive termination agreement with the Companies and the payment of the termination fee is not subject to any material conditions that must be met or waived before the fee is due. The Companies record up-front lease payments received from tenants as prepaid rent on the balance sheet, and recognize rental revenue over the corresponding lease period.

(k) Capitalized Interest

The Companies' policy is to capitalize interest cost incurred throughout the construction period. The Companies did not capitalize any interest for the years ended December 31, 2010 and 2009, respectively. The amounts capitalized are included in income properties, net and properties under development on the balance sheets.

(l) Purchase Accounting

On January 1, 2009, the Companies adopted the new accounting standard (FASB ASC 805) on purchase accounting, which required acquisition related costs to be expensed immediately as period costs. This new standard also requires that (i) 100% of the assets and liabilities of an acquired entity, as opposed to the amount proportional to the portion acquired, must be recorded at fair value upon an acquisition and (ii) a gain or loss must be recognized for the difference between the fair value and the carrying value of any existing ownership interests in acquired entities. Finally, this new standard requires that contingencies arising from a business combination be recorded at fair value if the acquisition date fair value can be determined during the measurement period.

The Companies allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values, using all pertinent information available at the date of acquisition. The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The Companies also evaluate the purchase price for potential intangible assets acquired, including above or below market leases, in-place leases, and customer relationships. In the event that intangible assets are identified, they would be recorded at their determined fair value.

(m) Impairment

The Companies evaluate income properties for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, the Companies compare the carrying amount of that property, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that property. The estimate of the expected future cash flows used in testing for impairment is based on, among other things, the estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other tenant concessions, assumptions regarding the residual value of the properties at the end of the anticipated holding period and the length of the anticipated holding period. If the Companies' strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of an income property exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value. To date, the Companies have not recorded any impairments on their income properties.

(n) Fair Value Measurements

The Companies adopted ASC Topic 820 (Statement 157) on January 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. On January 1, 2009, the Companies adopted the provisions of ASC Topic 820 (Statement 157) for fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. ASC Topic 820 (Statement 157) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(o) Fair Value of Financial Instruments

The Companies believe that the carrying value of all financial assets and liabilities not otherwise recorded at fair value approximate the fair value at the respective balance sheet date. The Companies have determined that the carrying value of debt approximates fair value because the debt is either at variable rates which adjust based on market rates or is at fixed rates which approximate current market rates available to the Companies.

(2) CONCENTRATIONS OF CREDIT RISK

All of the Companies assets, as of December 31, 2010 and 2009, are located in the state of Indiana. Although the Companies do not operate the facilities, they have an indirect exposure to the Medicaid reimbursement rates as dictated by the state of Indiana as a signification portion of the residents in the facilities are funded by Medicaid. The properties are each 100% leased to a single operator under a triple net lease, and the lessee group consists of four operators in total.

(3) MORTGAGES PAYABLE AND SUBORDINATED DEBT

The Companies' indebtedness at December 31, 2010 and 2009 consisted of amortizing fixed rate secured debt, variable rate secured debt and subordinated debt.

The fixed rate secured debt and variable rate secured debt are secured by the associated income properties. The fixed rate secured debt at December 31, 2010 and 2009 of $12,730,699 and $13,048,281, respectively, had interest rates ranging from 5.5% to 6.0% and maturity dates ranging from 2012 to 2039.

The variable rate secured debt at December 31, 2010 and 2009 of $3,707,175 and $3,788,838, respectively, had an interest rate of 5.0% and a maturity date in 2012.

The lines of credit on construction projects at December 31, 2010 and 2009 of $0 and $0 respectively, had an interest rate of 5.5% and a maturity date in 2012.

The subordinated debt at December 31, 2010 and 2009 of $0 and $1,594,416, respectively, had an interest rate of 15.0% and no contractual maturity date. At December 31, 2009, the subordinated debt was with related parties, including the Companies' chief executive officer and his family members. Effective January 1, 2010, $1,585,000 of the subordinated debt with related parties was extinguished (see Note 5).

Scheduled Maturities

At December 31, 2010, the scheduled amortization and principal maturities of mortgages and subordinated debt for the next five years and thereafter were as follows:

	Aggregate debt maturities
Payable in:	
2011	$ 443,258
2012	11,583,443
2013	122,355
2014	2,320,588
2015	39,485
Thereafter	1,928,745
Total	$16,437,874

(3) MORTGAGES PAYABLE AND SUBORDINATED DEBT (Continued)

Liquidity risk

The Companies are subject to the liquidity risk that it will not be able to meet its financial obligations as they fall due. The Companies manage their liquidity risk through cash and debt management. The Companies plan to address scheduled amortization through operating cash flows and significant principal maturities through a combination of debt and equity financing.

Interest rate risk

The Companies are exposed to interest rate risk on one of the properties' secured debt, as the rate is based on an index rate. The Companies use an interest rate swap on one of the properties to reduce market risk associated with changes in interest rates related to the secured debt. While the interest rate on one property has interest rates based on an index rate, the property also has an interest rate floor, which is the applicable rate charged. For the years ended December 31, 2010 and 2009, a 25 basis-point increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in no increase or decrease in the Companies' interest expense. The Companies are not exposed to interest rate risk on the subordinated debt or remaining three properties' secured debt, as the rates are fixed.

Capital Management

The Companies objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The capital structure of the Companies consists of cash, debt, and members' equity. In managing its capital structure, the Companies monitor performance throughout the year to ensure working capital requirements and capital expenditures are funded from operations, available cash on deposit, construction loans, and, where applicable, capital contributions from members. The Companies may make adjustments to its capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Companies may issue preferred or common shares or new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

Covenants

Certain mortgages and other loans contain restrictive financial covenants with respect to a minimum debt service coverage ratio, current ratio, and tangible debt to net worth ratio. The Companies were in compliance with all such covenants as of December 31, 2010 and 2009.

(4) RENTAL INCOME

The Companies are scheduled to receive rental income from tenants under the provisions of long-term non-cancellable operating leases. These leases include renewal options and escalation clauses. Future minimum rentals to be received under the long-term non-cancellable operating leases as of December 31, 2010 are as follows:

	2010
Receivable in:	
2011	$ 2,169,360
2012	2,207,546
2013	2,246,497
2014	2,286,227
2015	2,326,751
Thereafter	21,876,769
Total	$33,113,150

The above amounts do not include leases related to properties under development that are signed but have not commenced. Pursuant to the terms of the leases, they do not commence until receipt of certificates of occupancy. The properties under development have executed lease agreements with ten to fifteen year terms and $994,704 to $1,045,143 in rent, annually.

(5) RELATED PARTY TRANSACTIONS

The Companies had certain related party transactions for the years ending December 31, 2010 and 2009. These transactions relate to management fees paid to a related party management company. Mainstreet Asset Management, Inc. is owned 50% each by the Companies' chief executive officer and president. Management fees paid to Mainstreet Asset Management were $106,596 and $92,007, for the years ending December 31, 2010 and 2009, respectively, and are included in property operating costs on the income statements. Management fees paid range from 5% to 7.5% of total property cash receipts.

Development fees are paid to Mainstreet Asset Management for assets that are built or substantially remodeled. There were development fees paid to Mainstreet Asset Management of $0 and $0 during 2010 and 2009, respectively, and have been capitalized in income properties on the balance sheets. Development fees paid are 5% of the total project cost.

An income property is leased to Mainstreet Senior I, LLC, a related party, and earned rental revenue of $260,016 and $252,283, for the years ending December 31, 2010 and 2009, respectively.

The Companies have amounts due to and from related parties as a result of payments made on the Companies behalf, development fees payable, and other working capital transactions between entities. The due from balances are classified in other assets and the due to balances are classified in accounts payable and accrued liabilities. The Company had the following amounts due from (due to) as of December 31:

Amounts due from (to) related parties	2010	2009
Mainstreet Asset Management	$ 42,321	$ 29,797
Mainstreet Capital Partners, LLC	140,825	491,650
Mainstreet Property Group, LLC	10,000	153,000
Mainstreet Senior I, LLC	103,061	(3,083)
Mainstreet Martinsville, LLC	—	25,000
Mainstreet Lawrenceburg, LLC	(351)	—
Total	$295,856	$696,364

From time to time related parties will make loans and preferred investments to the Companies. The terms of these loans and investments vary. As of December 31, 2009 there were preferred loans of $1,594,416. These loans paid cumulative interest of 15.0%. These loans were extinguished on January 1, 2010, pursuant to ASC 470, Debt, and in return Class A preferred shares were issued to the holders. No gain or loss was recorded as part of the extinguishment transactions (Note 7).

(6) DERIVATIVE INSTRUMENTS

The Companies use interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Companies do not enter into derivative instruments for any purpose other than to manage cash flows. The Companies do not speculate using derivative instruments.

By using derivative financial instruments to manage exposures to changes in interest rates, the Companies expose themselves to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Companies, which creates credit risk for the Companies. When the fair value of a derivative contract is negative, the Companies owes the counterparty and, therefore, the Companies are not exposed to the counterparty's credit risk in those circumstances. The Companies minimize counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

The Companies have an interest rate swap agreement with a total notional amount of $8,095,616 and $8,310,496 at December 31, 2010 and 2009, respectively. Under the terms of the agreement, the Companies pay interest at effectively 5.71% through August 1, 2012. Under the interest rate swap agreement, the Companies agree to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to the agreed-upon notional amount. The fair value of the interest rate swap at December 31, 2010 and 2009 is approximately ($265,800) and ($166,536), respectively, and is included in accounts payable and accrued expenses on the balance sheets.

The Companies had an interest rate swap agreement with a total notional amount of $8,400,000 at December 31, 2008. Under the terms of the agreement, the Companies paid interest at effectively 6.8% through May 30, 2009. Under the interest rate swap agreement, the Companies agreed to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to the agreed-upon notional amount. The fair value of the interest rate swap at December 31, 2008 is approximately ($134,472).

(6) DERIVATIVE INSTRUMENTS (Continued)

The Companies' interest rate swaps are not designated as hedges, and therefore, the changes in the fair value of interest rate swaps that that offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported through earnings as incurred.

The valuation of the interest rate swaps are computed using level 2 inputs, as outlined in footnote 1(n). The Companies recognized interest expense of $99,264 and $32,064 in the combined statements of operations for the years ended December 31, 2010 and 2009, respectively, related to the change in value of the interest rate swaps.

(7) MEMBER'S EQUITY

(a) Common Stock

Holders of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to members. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Companies.

(b) 12% Cumulative Preferred Shares

Authorized capital stock includes 12% cumulative preferred shares totaling $2,335,000. The preferred shares are to receive a 12% cumulative dividend distribution prior to any distribution to the common stockholders. The preferred shares do not have voting rights, profit participation rights, or involuntary liquidation preferences. There are no conversion or redemption features included in the preferred shares. The Companies paid $159,017 of preferred dividends in 2010 and there are no amounts accrued, and no cumulative amounts unpaid at December 31, 2010.

(8) SUBSEQUENT EVENTS

The Companies have evaluated subsequent events from the statement of financial position date through June 8, 2012, the date at which the financial statements were available to be issued. HealthLease Properties Real Estate Investment Trust (the "REIT") is expected to file a prospectus with the securities regulatory authority in each of the provinces and territories of Canada on June 13, 2012. On closing of the offering contemplated in the REIT's prospectus, the REIT will indirectly acquire majority ownership in the Mainstreet Senior Care Portfolio. The management of the Companies will be the management of the REIT.

(9) RECONCILIATION FROM U.S. GAAP TO CANADIAN GAAP

There are no items that materially differ between U.S. GAAP and Canadian GAAP for the companies. As such, the presentation accurately reflects Canadian GAAP.

MAINSTREET
SENIOR CARE
PORTFOLIO

Combined Financial Statements (Unaudited)
Three Months Ended March 31, 2012 and 2011

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(In U.S. dollars)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 498,432	$ 565,639
Restricted cash (note 4)	12,319,960	17,314,897
Other assets (note 5)	2,952,209	2,985,825
Total current assets	15,770,601	20,866,361
Noncurrent assets:		
Income properties (note 6)	23,570,000	23,570,000
Properties under development (note 6)	43,376,491	31,668,339
Total noncurrent assets	66,946,491	55,238,339
Total assets	$82,717,092	$76,104,700
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,289,880	$ 2,137,287
Construction payables	3,344,818	2,713,114
Mortgages payable and subordinated debt (note 7)	4,560,640	4,548,575
Total current liabilities	9,195,338	9,398,976
Noncurrent liabilities:		
Mortgages payable and line of credit (note 7)	$22,790,475	$18,459,224
Subordinated debt (note 7)	3,971,600	2,871,600
Development bonds (note 7)	27,364,343	27,339,368
Total noncurrent liabilities	54,126,418	48,670,192
Total liabilities	63,321,756	58,069,168
Members' equity (note 8)	19,395,336	18,035,532
Total liabilities and members' equity	$82,717,092	$76,104,700

Commitments and contingencies (note 15)
Subsequent events (note 16)

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Three Months ended March 31, 2012 and 2011

(In U.S. dollars)

	2012	2011
Rentals from income properties (note 9)	$ 589,013	$586,665
Property operating expenses	31,411	39,472
Property operating income	557,602	547,193
Finance cost	237,397	182,403
Interest income	(137)	(1,216)
Net finance cost	237,260	181,187
Income before fair value adjustment of income properties and properties under development	320,342	366,006
Fair value adjustment of income properties and properties under development (note 6)	1,890,425	474,485
Net earnings and comprehensive income	$2,210,767	$840,491

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY (Unaudited)

Three Months ended March 31, 2012 and 2011

(In U.S. dollars)

	Common Equity	Preferred Equity	Retained Earnings	Total
Balance at January 1, 2011	$1,163,150	$2,335,000	$ 6,657,289	$10,155,439
Net earnings and comprehensive income	—	—	840,491	840,491
Capital contributions from members	—	300,000	—	300,000
Common distributions to members	—	—	(107,000)	(107,000)
Preferred distributions to members	—	—	(68,462)	(68,462)
Balance at March 31, 2011	$1,163,150	$2,635,000	$ 7,322,318	$11,120,468
Balance at January 1, 2012	$5,455,516	$ —	$12,580,016	$18,035,532
Net earnings and comprehensive income	—	—	2,210,767	2,210,767
Return of capital contributions to members	(682,905)	—	—	(682,905)
Common distributions to members	—	—	(168,058)	(168,058)
Balance at March 31, 2012	$4,772,611	$ —	$14,622,725	$19,395,336

See accompanying notes to combined financial statements.

MAINSTREET SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CASH FLOWS (Unaudited)

Three Months ended March 31, 2012 and 2011

(In U.S. dollars)

	2012	2011
Cash flows from operating activities:		
Net earnings	$ 2,210,767	$ 840,491
Adjustments to reconcile net earnings to cash provided by operating activities:		
Fair value adjustment of income properties	(1,890,425)	(474,485)
Increase in accrued straight-line rent receivable	(37,985)	(47,469)
Increase in accounts payable and accrued liabilities	26,092	(30,166)
Interest expense	231,262	169,100
Amortization expense	6,135	12,550
Interest paid	(269,802)	(169,100)
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	49,283	(80,497)
Net cash provided by operating activities	325,327	220,424
Cash flows from investing activities:		
Purchases of income properties and properties under development (note 6)	(9,750,407)	(2,228,769)
Receipts of restricted cash related to development	(88,244)	(12,661,548)
Disbursements of restricted cash related to development	4,702,703	954,665
Construction payables incurred	12,903,735	1,700,077
Payments of construction payables	(13,106,503)	(896,703)
Net cash used by investing activities	(5,338,716)	(13,132,278)
Cash flows from financing activities:		
Issuance of mortgages payable and line of credit	4,502,134	—
Payments of mortgages payable and line of credit	(59,663)	(111,184)
Issuance of subordinated debt	1,100,000	—
Issuance of development bonds	—	13,000,000
Receipts of restricted cash related to debt	(15,711)	(4,149)
Disbursements of restricted cash related to debt	396,189	22
Payments for loan fees	(109,650)	(377,782)
Return of capital contributions to members	(682,905)	—
Common distributions to members	(168,058)	(107,000)
Preferred contributions from members	—	300,000
Preferred distributions to members	(16,154)	(68,462)
Net cash provided by financing activities	4,946,182	12,631,445
Net decrease in cash	(67,207)	(280,409)
Cash, beginning of period	565,639	541,324
Cash, end of period	$ 498,432	$ 260,915
Non-cash investing and financing activities:		
Increase (decrease) in preferred distributions payable	$ (16,154)	$ 44,172

See accompanying notes to combined financial statements.

Mainstreet Senior Care Portfolio, which is not a legal entity, is comprised of investment properties that are leased to operators. All of the entities, have greater than 75% ownership by Paul Ezekiel Turner, the Companies' chief executive officer, Paul Eric Turner, his father, and other members of the Turner family. The Companies are managed by an executive team led by Paul Ezekiel Turner, and accordingly, the Companies are considered to be under common management. The registered office for the portfolio is 109 West Jackson Street, Cicero, Indiana 46034. The accompanying combined financial statements were prepared for inclusion in a prospectus to be filed by HealthLease Properties Real Estate Investment Trust (the "REIT"), a newly-created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. The REIT will issue trust units for cash pursuant to an initial public offering. On closing of the transactions contemplated in the REIT's prospectus, the REIT will indirectly acquire majority ownership in the Mainstreet Senior Care Portfolio. Because the entities are under common management and the financial statements are prepared for inclusion in the prospectus, the financial statements for the portfolio have been prepared on a combined basis as a method of presenting historical property information relating thereto. The Mainstreet Senior Care Portfolio presents the assets as if they had been owned by one entity and includes the assets, liabilities, revenues and operating expenses associated with owning these properties.

The accompanying combined financial statements include the accounts of Alex and Main, LLC, MS Brookville, LLC, MS Highland, LLC, MS Bradner, LLC, ML Marion, LLC, Marion Community Development Corporation, MS Valparaiso, LLC, MS Springfield, LLC, MS Mishawaka, LLC, MS Wabash, LLC and Wabash Community Development Corporation (collectively, "the Companies"). The Companies own skilled nursing, assisted living, and independent living facilities in Indiana and Illinois with total square footage of 467,446. At March 31, 2012, five of the facilities totaling 275,680 square feet, were still under development. These facilities are, in most cases, long-term leased to non-related entities to operate (see note 10).

(1) BASIS OF PRESENTATION

(a) Statement of Compliance

The combined financial statements of the Companies have been prepared by management in accordance with IAS 34 — Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were approved for publication on June 8, 2012.

(b) Principles of Combination

Because the entities are under common management and the financial statements are prepared for inclusion in the prospectus, the accompanying financial statements have been prepared on a combined basis. All significant intercompany transactions have been eliminated in combination.

(c) Basis of Measurement

The combined financial statements have been prepared on the historical cost basis, except for income properties and properties under development, which are stated at fair value.

The combined financial statements are presented in U.S. dollars, which is the Companies' functional currency.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(i) Change in Fair Value of Income Properties and Properties Under Development

Income properties and properties under development, which are carried on the combined statements of financial position at fair value, are valued by management with the assistance of qualified external valuation professionals.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of income properties and properties under development is one of the principal estimates and uncertainties of the Companies. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of income properties.

(1) BASIS OF PRESENTATION (Continued)

(e) Significant Judgments

The following are significant judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period:

(i) Leases (the Companies as Lessor)

The Companies use judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of their leases with operators as operating leases, in particular with long-term leases in single operator properties. The Companies have determined that all of their leases are operating leases.

(ii) Income Taxes

For limited liability companies, taxable income or loss is allocated to the members and the resulting income tax liability is that of its members. The community development corporations were organized under the Indiana Nonprofit Corporation Act of 1991 and are intended to be operated in a manner to qualify for tax exemption under section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the combined financial statements.

The Companies file income tax returns in the U.S. federal jurisdiction and Indiana, Illinois and Ohio. The Companies are subject to U.S. federal and state income tax examinations by tax authorities for years 2008 to 2011.

(2) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements.

(a) Cash

The Companies consider all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2012 and December 31, 2011, the Companies had no cash equivalents. The Companies maintain their cash in bank deposit accounts which, at times, may exceed U.S. federally insured limits. The Companies have not experienced any losses from bank deposit accounts.

(b) Financial Instruments

The Companies account for restricted cash, cash, notes receivable and mortgage escrow (included in other assets) at amortized cost in current assets; construction payables and mortgages payable and subordinated debt at amortized cost in current liabilities; and mortgages payable, subordinated debt and development bonds at amortized cost in noncurrent liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at fair value through profit and loss, are accounted for as part of the carrying amount of the respective financial asset or financial liability at inception.

Transaction costs on financial assets and liabilities measured at fair value through profit and loss are expensed in the period incurred.

(c) Income Properties

Income properties include skilled nursing facility properties that are held to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business. Properties that are being developed or constructed for use as income properties are included on the Companies' combined statements of financial position under properties under development. Income properties and properties under development are recognized initially at cost and subsequently at fair value, with changes in fair value recognized in the combined statements of comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of income property only when it is probable that future economic benefits of the expenditure will flow to the Companies and the cost can be measured reliably.

Land, land improvements, buildings and related improvements, and furniture and fixtures are included in income properties.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Amortizable Loan Fees

Mortgages payable and development bonds include loan fees, which are capitalized when paid and amortized into finance cost over the terms of the related loans (36 to 300 months), using the effective interest method. At March 31, 2012 and December 31, 2011, loan fees had a cost of $1,812,505 and $1,702,855, respectively, and accumulated amortization of $253,901 and $218,430, respectively.

(e) Derivative Instrument and Hedging Activities

The Companies hold derivative financial instruments for the purpose of limiting the risks relating to the variability of future earnings and cash flows caused by movements in interest rates. The Companies, in the normal course of business, hold interest rate swaps to manage interest expense on bank debt. The Companies do not engage in speculative derivative transactions for trading purposes, and the interest rate swaps are not designated as hedges. The interest rate swaps are marked to fair value at each reporting period, and the change is recognized as interest expense. Derivative financial instruments also involve a level of credit risk. Such risk is primarily related to the possibility of nonperformance by the counterparties involved in the derivative transactions. The Companies mitigate the risk of such nonperformance through selection criteria for counterparties. At March 31, 2012 and December 31, 2011, the Companies held no derivative instruments.

(f) Revenue Recognition

Rental income from leases with free rental periods or scheduled rental increases during their terms is recognized on a straight-line basis over the corresponding lease term. The timing of revenue recognition under an operating lease is determined based upon ownership of the operator improvements, if any. If the Companies are the owner of the operator improvements, revenue recognition commences after the improvements are completed and the operator takes possession or control of the space. In contrast, if the Companies determine that the operator improvement allowances are lease incentives, then the Companies commence revenue recognition when possession or control of the space is turned over to the operator. The Companies' leases are triple net in nature, and as such, the operators are generally responsible for all property operating costs.

The Companies recognize lease termination fees in profit or loss when an operator has executed a definitive termination agreement with the Companies and the payment of the termination fee is not subject to any material conditions that must be met or waived before the fee is due.

The Companies recognize up-front lease payments received from operators as prepaid rent as part of income properties on the statement of financial position, and recognize rental revenue over the corresponding lease period.

(g) Capitalized Interest

The Companies capitalize interest cost incurred throughout the associated project construction period. The Companies capitalized interest totaling $525,348 and $16,531 for the three months ended March 31, 2012 and 2011, respectively, and the amounts are included in income properties and properties under development on the statement of financial position. At March 31, 2012 and 2011, the weighted average interest rate on capitalized interest was 5.12% and 3.17%, respectively.

(h) Finance Costs

Finance costs are comprised of interest expense on borrowings, mark-to-market adjustments of interest rate swaps and amortization of loan fees.

(i) Future Accounting Changes

(i) IFRS 9, Financial Instruments (2010) ("IFRS 9 (2010)"), supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. IFRS 9 replaces the guidance in IAS 39 and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flow.

The Companies intend to adopt IFRS 9 (2010) in their financial statements for the annual period beginning January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) The Companies intend to adopt IFRS 10, Consolidated Financial Statements ("IFRS 10"), in their financial statements for the annual period beginning on January 1, 2013. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation — Special Purpose Entities ("SIC-12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The extent of the impact of adoption of IFRS 10 has not yet been determined.

(iii) The Companies intend to adopt IFRS 13, Fair Value Measurements ("IFRS 13"), prospectively in their financial statements for the annual period beginning on January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. The extent of the impact of adoption of IFRS 13 has not yet been determined.

(iv) The Companies intend to adopt IFRS 7 in their financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 Financial Instruments — Presentation ("IAS 32"), in their financial statements for the annual period beginning January 1, 2014. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The extent of the impact of adoption of the amendments has not yet been determined.

(v) IAS 28 which was amended in 2011 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. The extent of the impact of adoption of IFRS 11 and IAS 28 has not yet been determined.

(vi) IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users in evaluating the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements is required. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The extent of the impact of adoption of IFRS 12 has not yet been determined.

(3) SEGMENT PRESENTATION

All of the Companies' income properties and properties under development are in the U.S. senior care sector, and the Companies operate in one segment. As of March 31, 2012, all of the Companies' assets except one, MS Springfield, LLC, are located in the state of Indiana. MS Springfield, LLC is located in the state of Illinois. The properties are each 100% leased to a single operator under a triple net lease, and the lessee group consists of seven operators in total.

(4) RESTRICTED CASH

The Companies' restricted cash represents collateral accounts required by certain partnership and debt agreements and bond proceeds reserved for completion of properties under development. Bond proceeds are released from restricted cash as construction costs are incurred.

(5) OTHER ASSETS

	March 31, 2012	December 31, 2011
Accounts receivable	$ 32,095	$ —
Due from related entities	630,228	722,281
Development fee receivable	—	156,250
Construction receivable	816,197	606,174
Prepaid expense	23,477	50,908
Notes receivable — related parties	1,450,212	1,450,212
Total	$2,952,209	$2,985,825

Notes receivable — related parties and due from related entities do not have a stated due date, but management expects to receive payment within one year. See note 10 — related party transactions for additional information.

(6) INCOME PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Income properties:

Balance, January 1, 2012	$23,570,000
Additions to income properties	—
Transfers from properties under development	—
Increase in straight-line rents	37,985
Fair value adjustment	(37,985)
Balance, March 31, 2012	$23,570,000

Balance, January 1, 2011	$23,153,718
Additions to income properties	26,932
Transfers from properties under development	—
Increase in straight-line rents	177,299
Fair value adjustment	212,051
Balance, December 31, 2011	$23,570,000

Properties under development:

Balance, January 1, 2012	$31,668,339
Additions to properties under development	9,779,742
Transfers to income properties	—
Fair value adjustment	1,928,410
Balance, March 31, 2012	$43,376,491

Balance, January 1, 2011	$ 2,584,116
Additions to properties under development	23,943,251
Transfers to income properties	—
Fair value adjustment	5,140,972
Balance, December 31, 2011	$31,668,339

The Companies determined the fair value of each property using the net operating income approach, which is based on the conversion of current earnings into an expression of market value. The stabilized net income for the year is divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party appraisals and industry trends.

The key valuation assumptions for the Companies' properties are set out in the following table:

	March 31, 2012	December 31, 2011
Capitalization rate — range	8.4% - 11.1%	8.3% - 11.1%
Capitalization rate — weighted average	8.8%	8.7%

The fair values of properties are most sensitive to changes in capitalization rates. As at March 31, 2012, a 25-basis-point movement in the weighted average capitalization rate would change the value of the properties by $2,030,000.

Properties with an aggregate fair value of $66,946,491 and $55,238,339 at March 31, 2012 and December 31, 2011, respectively, were derived, in part, from appraisals from external valuation professionals with recognized and relevant professional qualification.

For properties under development, the estimated fair market value was calculated by deducting the total cost of the project from the fair market value at completion. This amount, less discount for time to complete, was then added to the current cost to derive the estimated fair market value for the asset. If an asset does not have a signed lease, management reflects the property at cost.

(7) MORTGAGES PAYABLE, SUBORDINATED DEBT AND DEVELOPMENT BONDS

The Companies' indebtedness at March 31, 2012 and December 31, 2011 consisted of amortizing fixed rate secured mortgages, variable rate secured mortgages, lines of credit on construction projects, subordinated debt and development bonds. The fixed rate secured mortgages and variable rate secured mortgages are secured by the associated income properties.

Fixed rate secured mortgages are summarized in the following table:

	March 31, 2012	December 31, 2011
Fixed rate secured mortgages	$12,491,510	$12,528,901
Interest rates	5.45% - 5.99%	5.45% - 5.99%
Maturity dates	2016 - 2039	2016 - 2039

Variable rate secured mortgages are summarized in the following table:

	March 31, 2012	December 31, 2011
Variable rate secured mortgages	$3,599,010	$3,621,283
Interest rates	5.0%	5.0%
Maturity dates	2012	2012

All variable rate secured mortgages have rates of LIBOR plus 375 basis points, with a minimum rate of 5.0% which exceeded the variable rate for all periods presented.

Lines of credit on construction projects are summarized in the following table:

	March 31, 2012	December 31, 2011
Lines of credit	$11,283,543	$6,781,409
Interest rates	5.08% - 5.75%	4.50% - 5.75%
Maturity dates	2016 - 2037	2016 - 2037

Construction lines of credit automatically convert to permanent mortgages upon construction completion.

Subordinated debt is summarized in the following table:

	March 31, 2012	December 31, 2011
Subordinated debt	$4,671,600	$3,571,600
Interest rates	6.0% - 22.5%	6.0% - 22.5%
Maturity dates	2012 - 2016	2012 - 2016

At March 31, 2012 and December 31, 2011, $2,000,000 of the subordinated debt is due to a related party and accounted for at amortized cost with an effective interest rate of 22.5%, but pays interest monthly at 12.0%. As such, the Companies are accruing this additional interest, which will be due and payable at maturity in 2013.

Development bonds are summarized in the following table:

	March 31, 2012	December 31, 2011
Development bonds	$28,200,000	$28,200,000
Interest rates	2.99% - 3.04%	3.02% - 3.19%
Maturity dates	2016	2016

(7) MORTGAGES PAYABLE, SUBORDINATED DEBT AND DEVELOPMENT BONDS (Continued)

The weighted average interest rate across mortgages payable, subordinated debt, lines of credit on construction projects and development bonds at March 31, 2012 and December 31, 2011 was 5.18% and 4.96%, respectively.

	March 31, 2012	December 31, 2011
Mortgages payable, lines of credit and subordinated debt	$32,045,663	$26,503,193
Unamortized financing costs	(722,948)	(623,794)
Carrying amount	$31,322,715	$25,879,399

	March 31, 2012	December 31, 2011
Development bonds	$28,200,000	$28,200,000
Unamortized financing costs	(835,657)	(860,632)
Carrying amount	$27,364,343	$27,339,368

Scheduled Payments

At March 31, 2012, the interest, scheduled amortization and principal maturities of the mortgages payable, lines of credit on construction projects, subordinated debt and development bonds for the next five years and thereafter were as follows:

	Aggregate debt and interest payments
Payable in:	
2012	$ 6,402,957
2013	5,556,645
2014	5,090,507
2015	3,092,239
2016	41,604,159
Thereafter	20,439,473
Total	$82,185,980

Covenants

Certain mortgages and other loans contain restrictive financial covenants with respect to a minimum debt service coverage ratio, current ratio, and tangible debt to net worth ratio. These financial covenants are tested annually at December 31. The Companies were in compliance with all such covenants as of December 31, 2011.

(8) MEMBER'S EQUITY

(a) Common Stock

Holders of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to members. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Companies.

At March 31, 2012 and December 31, 2011, common stock totaled $4,772,611 and $5,455,516, respectively. The Companies are organized as limited liability companies; as such, common stock is not issued in shares. Ownership is based on the capital amounts contributed by each owner as a percentage of the total capital amounts contributed.

Common distributions are made at the sole discretion of management. For the three months ended March 31, 2012 and 2011, common distributions paid totaled $168,058 and $107,000, respectively.

(8) MEMBER'S EQUITY (Continued)

For the three months ended March 31, 2012, the Companies returned excess capital contribution made to a development property of $682,905 to a stockholder.

Net earnings and losses are allocated first pro rata to the preferred stockholders and then pro rata to the common stockholders.

(b) 12% Cumulative Preferred Stock

Prior to October 31, 2011, authorized capital stock included 12% cumulative preferred shares in MS Bradner, LLC and MS Valparaiso, LLC totaling $2,835,000. On October 31, 2011, the preferred shares of capital stock were converted to common stock. The preferred shares were to receive a 12% cumulative dividend distribution prior to any distribution to the common stockholders. However, all distributions on preferred stock, including dividends, were at sole discretion of management. The preferred shares did not have voting rights, profit participation rights, or involuntary liquidation preferences. There were no conversion or redemption features included in the preferred shares. As all payments are discretionary up to liquidation, the preferred stock was classified as equity.

The Companies paid $16,154 and $68,462 of preferred dividends for the three months ended March 31, 2012 and 2011, respectively. Cumulative preferred dividends of $28,018 and $44,172 remain unpaid at March 31, 2012 and December 31, 2011, respectively.

At March 31, 2012 and December 31, 2011, the Companies had no preferred stock outstanding. The Companies are organized as limited liability companies; as such, preferred stock is not issued in shares. Ownership is based on the capital amounts contributed by each owner as a percentage of the total capital amounts contributed.

Conversions of preferred stock have been recorded at carrying value, with no resulting gain or loss.

(9) RENTAL INCOME

Rentals from income properties consist of all revenues generated by the income properties.

The Companies generally lease income properties under operating leases with lease terms between 10 and 20 years, with options to extend up to a further 10 years.

The Companies are scheduled to receive rental income from operators under the provisions of long-term non-cancellable operating leases. These leases are triple net and include renewal options and escalation clauses. Future minimum rentals to be received under the long-term non-cancellable operating leases as of March 31, 2012 are as follows:

	March 31, 2012
Receivable in:	
2012	$ 1,658,867
2013	2,246,497
2014	2,286,227
2015	2,326,751
2016	2,368,086
2017	2,410,247
Thereafter	17,098,435
Total	$30,395,110

The above amounts do not include leases related to properties under development that are signed but have not commenced. Pursuant to the terms of the leases, they do not commence until receipt of certificates of occupancy. The leases for MS Valparaiso, LLC and ML Marion, LLC commenced on April 1, 2012 and May 1, 2012, respectively (see note 15).

(10) RELATED PARTY TRANSACTIONS

The Companies had certain related party transactions for the three months ending March 31, 2012 and 2011. These transactions relate to management fees and development fees paid to a related party management company. Mainstreet Asset Management, Inc. is owned 50% each by the Companies' chief executive officer and president. Management fees paid to Mainstreet Asset Management, Inc. were $27,434 and $26,960, for the three months ending March 31, 2012 and 2011, respectively, and are included in property operating costs on the statements of comprehensive income. Management fees are calculated as 5% of cash rent collections due for a given period.

Development fees are paid to Mainstreet Asset Management, Inc. for assets that are built or substantially remodeled. There were development fees paid to Mainstreet Asset Management, Inc. of $782,322 and $361,110 during the three months ended March 31, 2012 and 2011, respectively, which have been capitalized in income properties and properties under development on the combined statements of financial position. Net development fees payable to Mainstreet Asset Management, Inc. at March 31, 2012 and December 31, 2011 are $457,573 and $316,250, respectively.

The Companies do not employ key management personnel. Rather, the Companies paid a related party, Mainstreet Asset Management, Inc., via management fees (as discussed above) to manage the Companies.

An income property is leased to Mainstreet Senior I, LLC, a related party, and earned rental revenue of $65,004 for the three months ended March 31, 2012 and 2011.

The Companies have subordinated debt due to a related party, Mainstreet Property Group, LLC, of $2,000,000 and $2,000,000 as of March 31, 2012 and December 31, 2011. The subordinated debt has an effective interest rate of 22.5% but pays interest monthly at 12.0%. As such, the Companies are accruing this additional interest, which will be due and payable at maturity in 2013. At March 31, 2012 and December 31, 2011, total interest accrued is $203,750 and $90,000, respectively, and total interest paid is $0 and $0, respectively.

The Companies had notes receivable due from a related party, Mainstreet Property Group, LLC, of $1,450,212 and $1,450,212 as of March 31, 2012 and December 31, 2011. The notes are non-interest bearing and have no expiration or maturity date.

The Companies have amounts due to and from related parties as a result of payments made on the Companies' behalf, development fees payable and other working capital transactions between entities. The due from balances are classified in other assets and the due to balances are classified in accounts payable and accrued liabilities. The Companies had the following amounts due from (due to) as of March 31, 2012 and December 31, 2011:

Amounts due from (to) related parties	March 31, 2012	December 31, 2011
Mainstreet Asset Management	$(19,095)	$(19,095)
Mainstreet Capital Partners, LLC	169,175	233,228
Mainstreet Property Group, LLC	355,929	368,432
Mainstreet Senior I, LLC	83,148	94,148
Total	$589,157	$676,713

At March 31, 2012 and December 31, 2011, amounts due from (to) related parties includes $41,071 and $45,568, respectively, of amounts due to related parties which are reflected in accounts payable and accrued liabilities on the combined statements of financial position.

(11) COMMUNITY DEVELOPMENT CORPORATIONS

During 2011, the Companies entered into agreements with the City of Marion and the City of Wabash for the sole purpose of developing, constructing, and leasing a senior care property. Marion and Wabash each formed a community development corporation (CDC) which issued debt for the purpose of constructing a senior care facility for the sole benefit of the companies. The Companies have full control of how the buildings are constructed and subsequently used. The majority of the business activities of the CDC's are financed with third-party debt, with joint and several guarantees provided by the Companies and their owners to the City of Marion and the City of Wabash. All direct benefits from the project go to the Companies; in return the Cities get the job creation and economic development from the project.

The Companies are party to joint and several guarantees of the third-party debt of the CDC's, and the maximum loss exposure is equal to the maximum monetary obligation pursuant to the guarantee agreements of $13,000,000 and $15,200,000, respectively.

(11) COMMUNITY DEVELOPMENT CORPORATIONS (Continued)

The Companies control the financial and operating activities of the CDC's, obtain benefits of their activities and bear the risk of loss. Accordingly, the CDC's are included in the combined financial statements.

The CDC's did not have any results of operations for the periods ended March 31, 2012 and December 31, 2011, due to the projects being under construction. The combined statements presented include the assets, liabilities and cash flows of the CDC operations as of March 31, 2012 and December 31, 2011, which are summarized as follows:

	March 31, 2012	December 31, 2011
Assets	$29,536,642	$ 30,958,461
Liabilities	29,328,552	29,420,627
Revenues	—	—
Expenses	—	—
Cash flows provided by (used in) operations	(136,661)	414,453
Cash flows provided by (used in) financing	136,661	(27,945,260)
Cash flows provided by investing	—	27,530,808

(12) DERIVATIVE INSTRUMENTS

The Companies use interest-rate-related derivative instruments to manage their exposure related to changes in interest rates on their variable-rate debt instruments. The Companies do not enter into derivative instruments for any purpose other than to manage cash flows. The Companies do not speculate using derivative instruments.

By using derivative financial instruments to manage exposures to changes in interest rates, the Companies expose themselves to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Companies, which creates credit risk for the Companies. When the fair value of a derivative contract is negative, the Companies owe the counterparty and, therefore, the Companies are not exposed to the counterparty's credit risk in those circumstances. The Companies minimize counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

The Companies had an interest rate swap agreement, which was eliminated as part of a loan refinance on November 23, 2011. The interest rate swap had no notional amount or fair value as of March 31, 2012 and December 31, 2011. Under the terms of the agreement, the Companies were to have paid interest at effectively 5.71% through August 1, 2012. Under the interest rate swap agreement, the Companies had agreed to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to the agreed-upon notional amount.

The Companies' interest rate swap was not designated as a hedge, and therefore, the changes in the fair value of the interest rate swap that offset the variability of cash flows associated with variable-rate, long-term debt obligations were reported through earnings as incurred.

The valuation of the interest rate swap was computed using level 2 inputs, as outlined in note 14(b). The Companies recognized income of $0 and $58,164 in the combined statements of comprehensive income for the three months ended March 31, 2012 and 2011, respectively, related to the change in value of the interest rate swap.

(13) CAPITAL MANAGEMENT

The Companies' objectives when managing capital are to ensure sufficient liquidity to pursue their organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The capital structure of the Companies consists of cash, debt, and members' equity. In managing their capital structure, the Companies monitor performance throughout the year to ensure working capital requirements and capital expenditures are funded from operations, available cash on deposit, construction loans, and, where applicable, capital contributions from members. The Companies may make adjustments to their capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust their capital structure, the Companies may issue equity or new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

(14) RISK MANAGEMENT AND FAIR VALUES

(a) Risk Management

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

(i) Interest Rate Risk

The Companies are exposed to interest rate risk on three of the properties' secured debt, as the rate is based on an index rate. Two of the three properties are under construction at March 31, 2012; therefore, all interest expense is being capitalized. While the other property has an interest rate based on an index rate, the property also has an interest rate floor, which for this property is the applicable rate charged. For the period ended March 31, 2012, a 25 basis-point increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in no increase or decrease in the Companies' interest expense. The Companies are not exposed to interest rate risk on the subordinated debt or remaining six properties' secured debt, as the rates are fixed.

(ii) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Companies by failing to discharge their obligations. The Companies are exposed to credit risk on all financial assets and their exposure is generally limited to the carrying amount on the combined statements of financial position. The Companies actively manage to minimize their credit risk through careful selection and assessment of their credit parties based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators.

(iii) Liquidity Risk

The Companies are subject to the liquidity risk that it will not be able to meet their financial obligations as they come due. The Companies manage their liquidity risk through cash and debt management. The Companies plan to address scheduled amortization through operating cash flows and significant principal maturities through a combination of debt and equity financing.

(iv) Market Risk

All of the Companies' operations are denominated in U.S. dollars, resulting in no direct foreign exchange risk.

Although the Companies do not operate the facilities, they have an indirect exposure to the Medicaid reimbursement rates as dictated by the states in which the facilities are located, as a significant portion of the residents in the facilities are funded by Medicaid.

(b) Fair Values

The Companies use various methods in estimating the fair values recognized in the combined financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 — quoted prices in active markets;
- Level 2 — inputs other than quoted prices in the active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 — valuation techniques for which significant inputs are not based on observable market data.

The Companies believe that the carrying value of mortgages payable and development bonds approximate the fair value at the respective statement of financial position date. The Companies have determined that the carrying value of the debt approximates fair value because the debt is either at variable rates which adjust based on market rates or is at fixed rates which approximate current market rates available to the Companies.

The carrying values of the Companies' financial assets, which include accounts receivable, mortgage escrow, customer receivables, notes receivable, restricted cash and cash, as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

(15) COMMITMENTS AND CONTINGENCIES

(a) Properties under Development

At March 31, 2012, the Companies had five properties under development, which have a fair value of $43,376,491. The estimated cost to complete these projects is $30,612,304. The Companies have construction lines of credit or development bonds to fund the completion of these assets.

(b) Rental Income

At March 31, 2012, the Companies had five properties under development, which had signed long-term non-cancellable leases with operators. The leases have terms ranging from 10 to 15 years and will commence upon receipt of certificates of occupancy. Future minimum rentals to be received under these leases as of March 31, 2012 are as follows:

	March 31, 2012
Receivable in:	
2012	$ 1,714,674
2013	6,093,019
2014	6,375,674
2015	6,553,159
2016	6,735,625
2017	6,923,211
Thereafter	53,152,142
Total	$87,547,504

(16) SUBSEQUENT EVENTS

The Companies have evaluated subsequent events from the statement of financial position date through June 8, 2012, the date at which the financial statements were available to be issued. HealthLease Properties Real Estate Investment Trust (the "REIT") is expected to file a prospectus with the securities regulatory authority in each of the provinces and territories of Canada on June 13, 2012. On closing of the offering contemplated in the REIT's prospectus, the REIT will indirectly acquire majority ownership in the Mainstreet Senior Care Portfolio. The management of the Companies will be the management of the REIT.

WESTERN CANADA SENIOR CARE PORTFOLIO

Financial Statements
as at December 31, 2011,
December 31, 2010 and January 1, 2010

INDEPENDENT AUDITOR'S REPORT

To the Owner of
Western Canada Senior Care Portfolio

We have audited the accompanying carve out financial statements of Western Canada Senior Care Portfolio, which comprise the carve out statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the carve out statements of net earnings and comprehensive earnings, carve out statements of changes in net equity in portfolio and carve out statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and notes to the carve out financial statements.

Management's Responsibility for the Carve Out Financial Statements

Management is responsible for the preparation and fair presentation of these carve out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve out financial statements based on our audits. We conducted our audits 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 carve out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve out 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 carve out financial statements.

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

Opinion

In our opinion, the carve out financial statements present fairly, in all material respects, the financial position of Western Canada Senior Care Portfolio as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

June 4, 2012
Calgary, Alberta

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

WESTERN CANADA SENIOR CARE PORTFOLIO

CARVE OUT STATEMENTS OF FINANCIAL POSITION
(Canadian dollars)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Non-current assets				
Investment properties	4	**150,012,450**	149,100,000	149,100,000
Deferred rent receivable		**4,938,163**	4,416,361	3,599,871
Current assets				
Prepaid expenses		**81,318**	6,567	6,684
		155,031,931	153,522,928	152,706,555
LIABILITIES				
Non-current liabilities				
Mortgage payable	5	**85,502,742**	87,779,027	89,934,662
Current liabilities				
Accounts payable and accrued liabilities		**421,622**	558,199	443,773
Current portion of mortgage payable	5	**2,654,536**	2,514,590	2,382,023
		88,578,900	90,851,816	92,760,458
NET EQUITY IN PORTFOLIO		**66,453,031**	62,671,112	59,946,097
		155,031,931	153,522,928	152,706,555

Commitments and contingencies (Note 6)

See accompanying notes to the carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

CARVE OUT STATEMENTS OF NET EARNINGS AND COMPREHENSIVE EARNINGS

Years ended December 31
(Canadian dollars)

	Note	2011	2010
Rental revenue from investment properties		**12,890,756**	12,819,338
Other revenue		**361,718**	372,064
		13,252,474	13,191,402
Property operating expenses		**(372,797)**	(383,440)
Property operating income		**12,879,677**	12,807,962
Interest on mortgage		**(5,500,917)**	(5,614,779)
Administration expenses		**(70,000)**	(30,000)
INCOME BEFORE FAIR VALUE ADJUSTMENT		**7,308,760**	7,163,183
Unrealized fair value changes to investment properties	**4**	**455,357**	(180,385)
NET EARNINGS AND TOTAL COMPREHENSIVE EARNINGS		**7,764,117**	6,982,798

See accompanying notes to the carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

CARVE OUT STATEMENTS OF CHANGES IN NET EQUITY IN PORTFOLIO

Years ended December 31
(Canadian dollars)

	Note	2011	2010
Balance of net equity in portfolio, January 1		**62,671,112**	59,946,097
Net earnings and total comprehensive earnings		**7,764,117**	6,982,798
Deemed distribution		**(3,982,198)**	(4,257,783)
BALANCE OF NET EQUITY IN PORTFOLIO, DECEMBER 31		**66,453,031**	62,671,112

See accompanying notes to the carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

CARVE OUT STATEMENTS OF CASH FLOWS

Years ended December 31
(Canadian dollars)

	Note	2011	2010
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING			
Net earnings and total comprehensive earnings		**7,764,117**	6,982,798
Adjustments for:			
Deferred rental revenue		**(521,803)**	(816,490)
Interest on mortgage		**5,500,917**	5,614,779
Interest paid on mortgage		**(5,134,031)**	(5,266,599)
Unrealized fair value changes to investment properties		**(455,357)**	180,385
		7,153,843	6,694,873
Changes in non-cash working capital			
Prepaid expenses		**(74,751)**	117
		7,079,092	6,694,990
FINANCING			
Repayment of mortgages		**(2,514,590)**	(2,382,023)
Deemed distribution		**(3,982,198)**	(4,257,783)
		(6,496,788)	(6,639,806)
INVESTING			
Capital improvements		**(493,977)**	(54,319)
Capital maintenance		**(88,327)**	(865)
		(582,304)	(55,184)
NET INCREASE IN CASH		**—**	—
CASH, BEGINNING OF YEAR		**—**	—
CASH, END OF YEAR		**—**	—

See accompanying notes to the carve out financial statements.

1. NATURE OF OPERATIONS

Western Canada Senior Care Portfolio (“WCSCP” or “the Portfolio”) as presented in these carve out financial statements is not a legal entity. These carve out financial statements and notes thereto represent the combination of five senior care properties located in the province of Alberta and one senior care property located in the province of British Columbia. These senior care properties are wholly owned directly or indirectly by Northern Property Real Estate Investment Trust (“NPR” or “the Owner”) for all periods presented. NPR is an unincorporated open-ended real estate investment trust domiciled in Canada, located at #110, 6131 – 6th Street SE, Calgary, Alberta, T2H 1L9.

The six senior care properties are leased to a single operator on a triple net basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These carve out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the Accounting Standards Board of Canada. These are the Portfolio’s first annual carve out financial statements prepared in accordance with IFRS and IFRS 1 — First Time Adoption of International Financial Reporting Standards (“IFRS 1”). The Portfolio adopted IFRS in accordance with IFRS 1 as discussed in Note 10.

The carve out financial statements were approved and authorized for issue by the Board of Trustees of NPR on June 4, 2012.

Basis of Presentation

These carve out financial statements present the financial position, results of operations and cash flows of the Portfolio had the Portfolio been accounted for on a stand-alone basis, and include the assets, liabilities, revenue and expenses of the Portfolio. Management has extracted the information used to prepare these carve out financial statements from the financial statements of NPR.

These carve out financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

Management believes that the preservation of historic fees and an allocation of other costs to the Portfolio reflect a reasonable method of allocating an appropriate portion of the historic property operating and other costs of NPR related to the management of the Portfolio. Other corporate costs, such as public company costs of NPR, have not been allocated to these carve out financial statements.

Due to the inherent limitations of carving out activities from larger entities, these carve out financial statements may not necessarily reflect the Portfolio’s results of operations, financial position and cash flows for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the Portfolio been a stand-alone entity during the periods presented.

Basis of measurement

These carve out financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

Estimates, uncertainties, and significant judgments

The preparation of carve out financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management’s:

- most critical estimates and assumptions in determining the value of assets and liabilities; and
- most critical judgments in applying accounting policies. The preparation of the carve out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and key assumptions

Values of investment properties

WCSCP carries its investment properties at fair value. While investment properties are recorded at fair value on an annual basis, not every property is independently appraised every year. Significant judgment is applied in arriving at these fair values. Changes in the value of the rental properties affect income.

Accrued liabilities

Entities must estimate accrued liabilities when invoices have not been received in order to ensure all expenditures have been recognized. If future expenditures differ from estimates, future income would be affected.

Capital adequacy

Management prepares estimated cash flow projections on a regular basis to ensure there will be adequate liquidity to maintain operating, capital and investment activities and uses these estimates to assess capital adequacy. Management reviews the current financial results and the annual business plan in determining appropriate capital adequacy.

Critical judgments in applying accounting policies

Investment properties

The Portfolio's investment properties are investment properties held to earn rental income, held for capital appreciation or for both. WCSCP has adopted the International Accounting Standard ("IAS") IAS 40 — Investment Property ("IAS 40"), and has chosen the fair value method of presenting its investment properties in these carve out financial statements. Management reviews the fair value of its investment property each reporting period and revises the carrying value when market circumstances change the underlying variables used to fair value the property. The fair value of investment property is the amount that the property should exchange at between a willing buyer and a willing seller in an arm's length transaction. Investment properties are measured initially at cost, including transaction costs, unless the acquisition is part of a business combination. Subsequent to initial recognition, investment properties are measured at fair value.

Management utilizes a carve out external valuation by independent appraisers and internal calculation approach to fair value its investment properties. Independent appraisers with expertise in the region in which WCSCP operates appraised 100% of the Portfolio. Management relied on the external investment property appraisals to determine fair value.

Investment property consists of several separate components which are included in the estimation of fair value for each property.

The fair value of investment property is based on valuations by a combination of independent appraisers and management estimates including any capital additions since the date of the most recent appraisal. Where increases or decreases are warranted, WCSCP adjusts the fair value of its investment properties. Unrealized gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

All WCSCP's investment properties were appraised in December 2009 by independent appraisers and fair value of the Portfolio was adjusted to reflect those appraisals. No external appraisals were performed during the year ended December 31, 2010. Fair value was increased for the year ended December 31, 2011 based on a purchase offer for the Portfolio from a third party acting at arm's length.

Capital improvements are capital repairs or additions, improvements to the properties to meet investment requirements and expenditures made in the 18 months following the acquisition of a property to complete any deferred maintenance.

The Portfolio's investment properties are measured initially at cost. Cost includes all amounts relating to the acquisition, including transaction costs, (except transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized as investment property. Costs that are directly attributable to investment properties under development or redevelopment are capitalized. These costs include direct development costs, realty taxes and borrowing costs directly attributable to the development.

Deferred rent receivable

Deferred rent receivables arise from the recognition of rental revenue on a straight line basis over the lease term in accordance with IAS 17 — Leases ("IAS 17").

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognized when the Portfolio becomes a party to the contractual provisions of the instrument. All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets and financial liabilities are initially recognized at fair value in accordance with IFRS 9 — Financial Instruments ("IFRS 9") and are subsequently accounted for based on their classification as described below. IFRS 9 simplifies accounting for financial assets by replacing the multiple measurement categories in IAS 39 — Financial Instruments ("IAS 39") with a single principle based approach to classification. Where the Portfolio's objective is to hold the financial asset to collect the contractual cash flows (Tenant accounts receivable), the financial assets are measured at amortized cost. Financial assets are classified as fair value through profit or loss ("FVTPL") when they do not meet the following criteria: i) the financial asset is not held to collect a contractual cash flow, and ii) the payments received are not solely principal and interest on the amount of principal outstanding. A hierarchical method is used to measure fair value: a) active market with quoted prices; b) no active market — requiring valuation techniques: recent market transactions, discounted cash flow, reference to a similar transaction; c) no active market — equity instruments: cost less impairment may be used if no reliable estimate of fair value can be made. WCSCP would derecognize a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial instruments that are subsequently measured at amortized cost are subject to testing for impairment each reporting period.

Financial liabilities are measured at fair value minus transaction costs directly attributable to the issue of the financial liability when the liability is not valued at FVTPL. A hierarchical method is used to measure fair value: a) active market with quoted prices; b) no active market — requiring valuation techniques: recent market transactions, discounted cash flow, reference to a similar transaction; c) no active market — equity instruments: cost less impairment may be used if no reliable estimate of fair value can be made. All other financial liabilities are carried at amortized cost. WCSCP would derecognize a financial liability when its obligations are discharged, cancelled or expire. Any difference between the amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Classification and measurement of financial assets and liabilities under IFRS 9:

Financial asset or financial liability	Measurement
Financial assets	
Non-current financial assets	
Deferred rent receivable	Amortized cost
Financial liabilities	
Non-current financial liabilities	
Mortgages	Amortized cost
Current financial liabilities	
Accounts payable and accrued liabilities	Amortized cost

Derivative instruments are recorded in the carve out statements of financial position at fair value, including those derivatives that are embedded in financial or non-financial contracts and which are not closely related to the host contract.

Impairment

Impairments are recorded on assets not carried at fair value when the recoverable amounts of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Financial assets

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to WCSCP on terms that WCSCP would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Interest expense

Interest earned from financial assets is recognized by applying the effective interest rate to the principal outstanding when it is probable that economic benefits will flow to the Portfolio.

Mortgage interest is recognized by applying the effective interest rate to the principal outstanding.

Income taxes

The investment properties are held indirectly by NPR through a limited partnership and as such, the taxable income from the Portfolio is allocated to the Owner. Therefore, no provision or liability for income taxes has been included in these carve out financial statements.

Deemed distribution

Deemed distribution represents the accumulated balance of cash transactions from the Portfolio, including operating, financing and investment activities as the Portfolio does not have bank accounts segregated from the Owner. The accumulated balance of cash transactions is deemed to be distributed to the Owner each year.

Revenue recognition

Revenue from an investment property is recognized when a tenant commences occupancy of a property and rent is due. WCSCP retains all benefits and risk of ownership of its rental properties, and therefore, accounts for leases with its tenants as operating leases. Rental revenue includes rent and other sundry revenue recoveries. Rental revenue to be received from leases with rental rates varying over the term of the lease is recorded on a straight-line basis over the term of the associated lease. Accordingly the difference between the rental revenue recorded on a straight line basis and the rent that is contractually due from the tenant has been recorded as deferred rent receivable for accounting purposes.

Other revenue consists of annual property taxes which are the responsibility of the tenant per the terms of the leases.

Administrative expenses

The Portfolio is leased on a triple net basis and is not operated directly by WCSCP. Administrative costs are estimated at $5,000 per facility annually based on independent appraisals. Estimated internal NPR personnel costs of $40,000 related to the sale of the Portfolio are included in administrative expenses for the year ended December 31, 2011.

The $40,000 above relates to key management personnel.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 7 — Financial Instruments: Disclosures ("IFRS 7")

IFRS 7 which was amended in 2011, enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. WCSCP does not expect the amendments to IFRS 7 to have a material impact on the carve out financial statements because of the nature of the Portfolio and the types of financial assets that it holds.

IFRS 10 — Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It eliminates the risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. IFRS 10 supersedes IAS 27 — Consolidated and Separate Financial Statements and SIC — 12 Consolidation — Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP's carve out financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 11 — Joint Ventures (“IFRS 11”) and IAS 28 — Investment in Associates (“IAS 28”)

IAS 28 which was amended in 2011 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. It is expected this standard will have no impact on WCSCP’s carve out financial statements.

IFRS 12 — Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements is required. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP’s carve out financial statements.

IFRS 13 — Fair Value Measurement (“IFRS 13”)

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. It is expected this standard will have no impact on WCSCP’s carve out financial statements.

IAS 1 — Presentation of Financial Statements

On June 16, 2011, the IASB released amendments to IAS 1 related primarily to the presentation of Other Comprehensive Income. The changes are effective for annual periods beginning July 1, 2012, early adoption permitted. WCSCP does not expect the amendments to IAS 1 to have a significant impact on its carve out financial statements.

IAS 19 — Employee Benefits (“IAS 19”)

The amendments to IAS 19 relate to defined benefit assets and liabilities and related disclosures and to the accounting for termination benefits, as well as miscellaneous other matters. The changes to IAS 19 are effective on a modified retrospective basis for annual periods beginning January 1, 2013, early adoption permitted. WCSCP does not expect the amendments to IAS 19 to have a significant impact on its carve out financial statements.

IAS 32 — Financial Instruments Presentation (“IAS 32”)

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The changes to IAS 32 are effective for annual periods beginning January 1, 2014, early adoption permitted. WCSCP is presently evaluating the impact of this amendment on its carve out financial statements.

4. INVESTMENT PROPERTIES

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Investment properties	**150,012,450**	148,853,578	149,033,098
Investment properties under development	**—**	246,422	66,902
Balance	**150,012,450**	149,100,000	149,100,000

4. INVESTMENT PROPERTIES (Continued)

Changes to investment properties for the years:

	December 31, 2011	December 31, 2010
Balance, beginning of year (Note 10)	**149,100,000**	149,100,000
Capital improvements	**457,093**	180,385
Unrealized changes in fair value	**455,357**	(180,385)
Balance, end of year	**150,012,450**	149,100,000

5. MORTGAGE PAYABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgage payable	**93,206,665**	95,721,251	98,103,274
Fair value adjustment	**(4,884,592)**	(5,246,769)	(5,589,852)
Deferred financing costs	**(164,795)**	(180,865)	(196,737)
Total	**88,157,278**	90,293,617	92,316,685
Current	**2,654,536**	2,514,590	2,382,023
Non-current	**85,502,742**	87,779,027	89,934,662
Total	**88,157,278**	90,293,617	92,316,685

Mortgage payable bears interest at a rate of 5.49%. The mortgage is payable in monthly instalments of blended principal and interest of $637,385. The mortgage matures December 2021 and is secured by charges against WCSCP's properties. Land and buildings with a carrying value of $150.0 million (December 31, 2010 — $149.1 million, January 1, 2010 — $149.1 million) have been pledged to secure the mortgage payable. The fair value of mortgages payable at December 31, 2011 is approximately $96.3 million (December 31, 2010 — $92.3 million, January 1, 2010 — $97.0 million).

6. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, WCSCP becomes subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs relating to these claims. Management believes the outcome of claims of this nature at December 31, 2011 and at December 31, 2010 will not have a material impact on WCSCP.

7. FINANCIAL INSTRUMENTS

WCSCP has the following categories of financial instruments:

	December 31, 2011		December 31, 2010		January 1, 2010	
Financial asset or financial liability	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets carried at amortized cost						
Deferred rent receivable	**4,938,163**	**4,938,163**	4,416,361	4,416,361	3,599,871	3,599,871
Financial liabilities carried at amortized cost						
Mortgage payable	**88,157,278**	**96,327,227**	90,293,617	92,285,371	92,316,685	97,035,819
Accounts payable and accrued liabilities	**421,622**	**421,622**	558,199	558,199	443,773	443,773

WCSCP had no embedded derivatives requiring separate recognition.

WCSCP's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

7. FINANCIAL INSTRUMENTS (Continued)

The classification and measurement of financial assets and liabilities under IFRS 9 as compared to previous Canadian GAAP is below. The date of initial application was December 31, 2010 and IFRS 9 was applied retrospectively to January 1, 2010.

Financial asset or financial liability at January 1, 2010	Classification and Measurement under Canadian GAAP	New measurement category under IFRS 9
Financial assets		
Non-current financial assets		
Deferred rent receivable	Loans and receivables	Amortized cost
Financial liabilities		
Non-current financial liabilities		
Mortgage payable	Other financial liabilities	Amortized cost
Current financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

WCSCP had no credit derivatives over financial assets at December 31, 2011, December 31, 2010, January 1, 2010 and throughout the intervening periods.

Liquidity risk

Ultimate responsibility for liquidity risk management lies with the Owner of WCSCP. Cash flow projections are completed on a regular basis to ensure there will be adequate liquidity to maintain operating and investment activities.

Contractual maturity for non-derivative financial liabilities at December 31, 2011

	Carrying Amount	Contractual Cash Flows	0 - 6 months	6 months to 1 year	1 - 5 years	Over 5 Years
Accounts payable and accrued liabilities	**421,622**	**421,622**	**421,622**	**—**	**—**	**—**
Mortgage payable	**88,157,278**	**135,410,021**	**3,824,311**	**3,824,311**	**30,594,485**	**97,166,914**

Contractual maturity for non-derivative financial liabilities at December 31, 2010

	Carrying Amount	Contractual Cash Flows	0 - 6 months	6 months to 1 year	1 - 5 years	Over 5 Years
Accounts payable and accrued liabilities	558,199	558,199	558,199	—	—	—
Mortgage payable	90,293,617	143,058,643	3,824,311	3,824,311	30,594,485	104,815,536

Management believes that future cash flows from operations and cash available under the current operating facilities provide sufficient available funds through the foreseeable future to support these financial liabilities.

Credit risk

WCSCP's credit risk primarily arises from the possibility that the tenant may not be able to fulfill its lease commitments. WCSCP's exposure to this risk is significant because the rental properties are leased to a single operator.

Interest rate risk

WCSCP is exposed to interest rate risk on its mortgage payable and does not hold any financial instruments to mitigate that risk. In the current economic environment, it is difficult to predict what future interest rates will be and as such, WCSCP may not be able to continue to renew mortgage loans with interest rates that are lower than those currently in place. Management mitigates interest rate risk by utilizing fixed rate mortgages and ensuring access to a number of sources of funding.

8. CAPITAL MANAGEMENT

WCSCP's objectives when managing its capital are to safeguard its assets while maximizing the growth of its business and returns to the Owner. WCSCP's capital consists of its mortgage payable and net equity in portfolio.

Management monitors WCSCP's capital structure on an ongoing basis to determine the appropriate level of mortgages payable to be placed on specific properties at the time of acquisition or when existing debt matures. In determining the most appropriate debt, consideration is given to strength of cash flow generated from the specific property, interest rate, amortization period, maturity of the debt in relation to the existing debt of WCSCP, and interest and debt service ratios.

WCSCP's calculations of its adherence to bank covenants are considered non-IFRS measures.

WCSCP is subject to financial covenants for debt service and interest coverage in its mortgage payable. The financial covenant relating to WCSCP is described as follows:

(i) Debt Service Coverage — calculated as Rental revenue from investment properties; add other revenue; less deferred rent receivable; less property operating expenses divided by the debt service payments (total interest expense, and principal repayments);

	Year Ended December 31, 2011	Year Ended December 31, 2010
Rental revenue from investment properties	**12,890,756**	12,819,338
Other revenue	**361,718**	372,064
Deferred rent receivable	**(521,803)**	(816,490)
Property operating expenses	**(372,797)**	(383,440)
Earnings before interest	**12,357,874**	11,991,472
Interest on mortgage	**5,134,031**	5,266,599
Principal repayments	**2,514,590**	2,382,023
Debt Service Payments	**7,648,621**	7,648,622
Debt Service Coverage	**1.62**	1.57

As at and during the years ended December 31, 2011 and December 31, 2010, WCSCP complied with all externally imposed capital requirements and all covenants relating to its debt facilities.

9. OPERATING LEASES

WCSCPs are investment property held under operating leases (Note 4). Investment properties are leased to a single operator under commercial leases with terms of 20 years, with an option to extend for a further period. The operating leases contain a market review clause in the event that the lessee exercises its option to renew.

The future minimum lease payments are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	**12,504,156**	12,373,885	12,002,838
Between 1 and 5 years	**50,521,094**	50,016,625	49,886,354
More than 5 years	**125,015,515**	138,024,140	150,528,296
	188,040,765	200,414,650	212,417,488

10. IFRS 1 RECONCILIATIONS

This reconciliation of the previous Canadian GAAP carve out statements of financial position at January 1, 2010 and December 31, 2009, is shown on the following page, including separate explanations of the effects of applying IFRS.

10. IFRS 1 RECONCILIATIONS (Continued)

In preparing these carve out financial statements in accordance with IFRS 1, WCSCP has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below:

- Fair value as deemed cost

WCSCP has elected to measure land and buildings at fair value as at the transition date and use that amount as its deemed cost in the opening IFRS balance sheet.

WESTERN CANADA SENIOR CARE PORTFOLIO

Carve Out Statements of Financial Position

	Notes	December 31, 2009 GAAP Balance	IFRS Adjustment	January 1, 2010 IFRS Balance
ASSETS				
Non-current assets				
Investment properties	(a)	134,202,318	14,897,682	149,100,000
Capital improvements in progress	(a)	66,902	(66,902)	—
Deferred rent receivable		3,599,871	—	3,599,871
		137,869,091	14,830,780	152,699,871
Current assets				
Prepaid expenses		6,684	—	6,684
		6,684	—	6,684
		137,875,775	14,830,780	152,706,555
LIABILITIES				
Non-current liabilities				
Mortgage payable	(b)	92,316,685	(2,382,023)	89,934,662
		92,316,685	(2,382,023)	89,934,662
Current liabilities				
Accounts payable and accrued liabilities		443,773	—	443,773
Current portion of mortgage payable	(b)	—	2,382,023	2,382,023
		443,773	2,382,023	2,825,796
		92,760,458	—	92,760,458
EQUITY				
Equity in Portfolio	(c)	45,115,317	14,830,780	59,946,097
TOTAL EQUITY		45,115,317	14,830,780	59,946,097
		137,875,775	14,830,780	152,706,555

This reconciliation of the Canadian GAAP carve out statements of financial position at December 31, 2010 is shown on the following page, including separate explanations of the effects of applying IFRS.

10. IFRS 1 RECONCILIATIONS (Continued)

WESTERN CANADA SENIOR CARE PORTFOLIO

Carve Out Statements of Financial Position

	Notes	December 31, 2010 GAAP Balance	IFRS Adjustment	December 31, 2010 IFRS Balance
ASSETS				
Non-current assets				
Investment properties	(a)	130,853,848	18,246,152	149,100,000
Capital improvements in progress	(a)	246,422	(246,422)	—
Deferred rent receivable		4,416,361	—	4,416,361
		135,516,631	17,999,730	153,516,361
Current assets				
Prepaid expenses		6,567	—	6,567
		6,567	—	6,567
		135,523,198	17,999,730	153,522,928
LIABILITIES				
Non-current liabilities				
Mortgage payable	(b)	90,293,617	(2,514,590)	87,779,027
		90,293,617	(2,514,590)	87,779,027
Current liabilities				
Accounts payable and accrued liabilities		558,199	—	558,199
Current portion of mortgage payable	(b)	—	2,514,590	2,514,590
		558,199	2,514,590	3,072,789
		90,851,816	—	90,851,816
EQUITY				
Equity in Portfolio		44,671,382	17,999,730	62,671,112
TOTAL EQUITY		44,671,382	17,999,730	62,671,112
		135,523,198	17,999,730	153,522,928

Impact of IFRS on Financial Position

The following paragraphs quantify and describe the impact of significant differences between previous Canadian GAAP and IFRS on WCSCP's carve out statements of financial position:

(a) Investment property

Management considers seniors' properties to be investment properties under IAS 40. IAS 40 defines investment property as property that includes land and buildings held primarily to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. Similar to previous Canadian GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property. The fair value of WCSCP's investment property is the amount that the property should exchange at between a willing buyer and a willing seller in an arm's length transaction. Management elected to use the fair value model and implemented an external appraisal approach to fair value WCSCP's investment properties. All of WCSCP's properties were selected for independent external appraisal. The services of an independent appraisal company were commissioned during the fourth quarter of 2009 to perform external property appraisals. The adjustments from historical cost to fair

10. IFRS 1 RECONCILIATIONS (Continued)

value at transition to IFRS are recorded in retained earnings. Subsequent fair value gains and losses are recorded in net income in the period in which they arise.

Management has determined that the fair value of WCSCP's investment property portfolio at January 1, 2010 is approximately $149.1 million (Historical cost at December 31, 2009 — $134.2 million) $14.8 million greater than the carrying value under previous Canadian GAAP. The adjustment to retained earnings under the fair value model represents the cumulative unrealized gain in respect of WCSCP's investment property and the reclassification of straight-line rent receivable.

WCSCP reports investment property at fair value each reporting period. The resulting changes in fair value of investment property are recorded in the carve out statements of net earnings and comprehensive earnings. IAS 40 does not allow depreciation to be calculated and reported in the carve out statements of net earnings and comprehensive earnings for any revenue producing properties classified as investment property. Management has determined that the fair value of WCSCP's investment property portfolio at December 31, 2010 is approximately $149.1 million compared to the previous Canadian GAAP value of $130.9 million which is an increase of $18.2 million.

Investment properties	December 31, 2010	January 1, 2010
Fair value adjustment[1]	18,246,152	14,897,682
Reclassification of capital improvements in progress[2]	(246,422)	(66,902)
	17,999,730	14,830,780

(1) Fair value adjustment — Revenue producing properties that were reported at historical cost under previous Canadian GAAP are reported at fair value under IFRS. The net increase in reported value is $18.0 million (January 1, 2010 — $14.8 million).

(2) Reclassification of capital improvements in progress — Under IFRS, improvements in progress for part of investment properties. The fair value of these assets reclassified from capital improvements at transition to IFRS was $246,422 (January 1, 2010 — $66,902).

(b) Mortgage

Mortgage payable	December 31, 2010	January 1, 2010
Mortgage payable[1]	87,779,027	89,934,662
Mortgage payable — total[1]	90,293,617	92,316,685
	(2,514,590)	(2,382,023)

(1) Under IFRS a classified statement of financial position is presented requiring mortgages to be allocated between the current and non-current portions.

10. IFRS 1 RECONCILIATIONS (Continued)

(c) Reconciliation of comprehensive income under Canadian GAAP to IFRS

	Note	Year ended December 31, 2010
Comprehensive income as reported under previous Canadian GAAP		3,813,848
Differences increasing (decreasing) reported amounts		
Investment properties	(1)	
Fair value loss		(180,385)
Reverse previous Canadian GAAP depreciation expense		3,349,335
Comprehensive income as reported under IFRS		6,982,798

(1) Investment properties — As discussed above in the changes to equity, WCSCP values its investment properties at fair value under IFRS, changed from cost with a provision for depreciation. Fair value losses have been recorded under IFRS and Canadian GAAP depreciation expense on these properties has been reversed.

(d) Material adjustments to cash flows

The transition from Canadian GAAP to IFRS had no impact on the actual cash flows of WCSCP; however, the changes in presentation of the carve out statements of net earnings and comprehensive earnings require changes in the presentation of the carve out statements of cash flows. The key changes in presentation relate to:

- Investment property fair value adjustments including the elimination of depreciation on these assets.

(e) Mandatory exceptions to full retrospective application

(i) Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by WCSCP under previous Canadian GAAP are consistent with their application under IFRS.

11. SUBSEQUENT EVENT

On May 1, 2012 NPR announced it has entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

WESTERN CANADA SENIOR CARE PORTFOLIO

Combined Financial Statements
as at December 31, 2010 and 2009

INDEPENDENT AUDITOR'S REPORT

To the Owner of
Western Canada Senior Care Portfolio

We have audited the accompanying combined financial statements of Western Canada Senior Care Portfolio, which comprise the combined balance sheets as at December 31, 2010 and 2009, and the combined statements of net earnings and comprehensive earnings, changes in net equity in portfolio and cash flows for the years then ended, and notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Western Canada Senior Care Portfolio as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

June 4, 2012
Calgary, Alberta

WESTERN CANADA SENIOR CARE PORTFOLIO

COMBINED BALANCE SHEETS

As at December 31, 2010 and 2009

	Note	2010	2009
ASSETS			
Rental properties and other capital assets	**4**	**130,853,848**	134,202,318
Capital improvements in progress		**246,422**	66,902
Deferred rent receivable		**4,416,361**	3,599,871
Prepaid expenses		**6,567**	6,684
		135,523,198	137,875,775
LIABILITIES			
Mortgage payable	**5**	**90,293,617**	92,316,685
Accounts payable and accrued liabilities		**558,199**	443,773
		90,851,816	92,760,458
NET EQUITY IN PORTFOLIO		**44,671,382**	45,115,317
		135,523,198	137,875,775

Commitments and contingencies (Note 6)

See accompanying notes to the combined financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF NET EARNINGS AND COMPREHENSIVE EARNINGS

Years ended December 31, 2010 and 2009

	Note	2010	2009
Rental revenue from rental properties		**12,819,338**	12,801,381
Other revenue		**372,064**	286,970
		13,191,402	13,088,351
Property operating expenses		**(383,440)**	(299,146)
Property operating income		**12,807,962**	12,789,205
Interest on mortgage		**(5,614,779)**	(5,722,605)
Amortization		**(3,349,335)**	(3,314,535)
Administration expenses		**(30,000)**	(30,000)
NET EARNINGS AND TOTAL COMPREHENSIVE EARNINGS		**3,813,848**	3,722,065

See accompanying notes to the combined financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CHANGES IN NET EQUITY IN PORTFOLIO

Years ended December 31, 2010 and 2009

	Note	2010	2009
Balance of net equity in portfolio, January 1		**45,115,317**	45,621,161
Net earnings and total comprehensive earnings		**3,813,848**	3,722,065
Deemed distribution		**(4,257,783)**	(4,227,909)
BALANCE OF NET EQUITY IN PORTFOLIO, DECEMBER 31		**44,671,382**	45,115,317

See accompanying notes to the combined financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	Note	2010	2009
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING			
Net earnings and total comprehensive earnings		**3,813,848**	3,722,065
Adjustments for:			
Deferred rental revenue		**(816,490)**	(816,490)
Amortization		**3,349,335**	3,314,535
Amortization of fair value of debt		**343,083**	324,996
Amortization of deferred financing fees		**15,872**	15,639
		6,705,648	6,560,745
Changes in non-cash working capital			
Prepaid expenses		**117**	717
Accounts payable and accrued liabilities		**(10,775)**	(10,208)
		(10,658)	(9,491)
		6,694,990	6,551,254
FINANCING			
Repayment of mortgages		**(2,382,023)**	(2,256,443)
Deemed distribution		**(4,257,783)**	(4,227,909)
		(6,639,806)	(6,484,352)
INVESTING			
Capital improvements		**(54,319)**	(66,902)
Capital maintenance		**(865)**	—
		(55,184)	(66,902)
NET INCREASE IN CASH		**—**	—
CASH, BEGINNING OF YEAR		**—**	—
CASH, END OF YEAR		**—**	—

See accompanying notes to the combined financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009
(Columnar amounts expressed in Canadian dollars except where indicated)

1. NATURE OF OPERATIONS

Western Canada Senior Care Portfolio ("WCSCP" or "the Portfolio") as presented in these combined financial statements is not a legal entity. These combined financial statements and notes thereto represent the combination of five senior care properties located in the province of Alberta and one senior care property located in the province of British Columbia. These senior care properties have been wholly owned directly or indirectly by Northern Property Real Estate Investment Trust ("NPR" or "the Owner") for all periods presented. NPR is an unincorporated open-ended real estate investment trust domiciled in Canada, located at #110, 6131 - 6th Street SE, Calgary, Alberta, T2H 1L9.

The six senior care properties are leased to a single operator on a triple net basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These combined financial statements present the financial position, results of operations and cash flows of the Portfolio had they been accounted for on a stand-alone basis, and include the assets, liabilities, revenue and expenses of the Portfolio that are expected to be included in NPR. Management has extracted the information used to prepare these combined financial statements from the financial statements of NPR.

The combined financial statements of the Portfolio are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") Part V of the CICA Handbook.

Management believes that the preservation of historic fees and an allocation of other costs to the WCSCP reflect a reasonable method of allocating an appropriate portion of the historic property operating and other costs of NPR related to the management of the WCSCP. Other corporate costs, such as public company costs of NPR have not been allocated to these combined financial statements.

Due to the inherent limitations of carving out activities from larger entities, these combined financial statements may not necessarily reflect the Portfolio's results of operations, financial position and cash flows for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the Portfolio been a stand-alone entity during the periods presented.

Use of estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses for the reported period. Actual results could differ from those estimates. Estimates include estimated useful lives of rental properties, impairment of rental properties, accrued liabilities, and allocation of costs from NPR. Actual amounts could differ from those estimates.

Rental properties and capital improvements in progress

Rental properties, other capital assets and capital improvements in progress are stated at the lower of cost less accumulated amortization and net recoverable amount. Cost of the properties includes the original acquisition costs of the property and other acquisition related costs. Costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized as capital improvements. Amortization of capital improvements in progress commences on completion of the project. The net recoverable amount represents the undiscounted, estimated future net cash flow expected to be received from the ongoing use of the property plus its residual worth and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

All capital assets are recorded at cost and are amortized using the following annual rates and methods:

Buildings	30 - 40 years	straight-line basis
Capital and leasehold improvements	3 - 10 years	straight-line basis

Estimated useful lives of capital assets are periodically evaluated by management and any changes in these estimates are accounted for on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management allocates acquisition costs to land and building based upon the best information available at the time of preparation of the combined financial statements. Any adjustments to these allocations will be reflected in the combined financial statements prospectively in subsequent combined financial statements.

Management reviews the capital assets for recoverability annually and, if it is determined that the carrying value of a building exceeds the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual value of the property, the carrying value of the building is reduced to its estimated fair value. Based on this review, no provision for impairment has been recorded for the years ended December 31, 2010 and 2009.

Deferred financing costs

Deferred financing costs are amortized using the effective interest method over the amortization period of the related loans.

Deemed distribution

Deemed distribution represents the accumulated balance of cash transactions from the Portfolio, including operating, financing and investment activities as the Portfolio does not have bank accounts segregated from the Owner. The accumulated balance of cash transactions is deemed to be distributed to the Owner each year.

Revenue recognition

Revenue from a rental property is recognized when a tenant commences occupancy of a property and rent is due. WCSCP retains all benefits and risk of ownership of its rental properties, and therefore, accounts for leases with its tenants as operating leases. Rental revenue to be received from leases with rental rates varying over the term of the lease is recorded on a straight-line basis over the term of the associated lease. Accordingly the difference between the rental revenue recorded on a straight line basis and the rent that is contractually due from the tenant has been recorded as deferred rent receivable for accounting purposes.

Other revenue consists of annual property taxes which are the responsibility of the tenant per the terms of the leases.

Administrative expenses

Seniors' facilities are leased on a triple net basis and are not operated directly by WCSCP. Administrative costs are estimated at $5,000 per facility annually based on independent appraisals.

Income taxes

The rental properties and other capital assets are held indirectly by NPR through a limited partnership and as such, the taxable income from the Portfolio is allocated to the Owner. Therefore, no provision or liability for income taxes has been included in these combined financial statements.

Financial Instruments

WCSCP has determined that its financial assets are designated as loans and receivables, as defined by Section 3855 of the CICA Handbook, and are carried at amortized cost. WCSCP has also determined that all of its financial liabilities have been designated as other financial liabilities and are carried at amortized cost utilizing the effective interest method. Financial instruments include deferred rent receivable, mortgage payable, and accounts payable and accrued liabilities. Unless otherwise specified, the fair value of these instruments approximates their carrying values.

3. CHANGE IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

The CICA has issued a new accounting framework applicable to Canadian private enterprises. Effective for fiscal years beginning on January 1, 2011, private enterprises will have to choose between International Financial Reporting Standards ("IFRS") and Accounting Standards for Private Enterprises. WCSCP will adopt IFRS commencing on January 1, 2011.

4. RENTAL PROPERTIES AND OTHER CAPITAL ASSETS

		2010	
	Cost $	Accumulated Amortization $	Net Book Value $
Land	**12,466,050**	**—**	**12,466,050**
Buildings	**133,496,533**	**15,340,735**	**118,155,798**
Capital and leasehold improvements	**328,516**	**96,516**	**232,000**
	146,291,099	**15,437,251**	**130,853,848**

		2009	
	Cost $	Accumulated Amortization $	Net Book Value $
Land	12,466,050	—	12,466,050
Buildings	133,496,533	12,057,058	121,439,475
Capital and leasehold improvements	327,651	30,858	296,793
	146,290,234	12,087,916	134,202,318

5. MORTGAGE PAYABLE

	December 31, 2010	December 31, 2009
Mortgage payable	**95,721,251**	98,103,274
Fair value adjustment	**(5,246,769)**	(5,589,852)
Deferred financing costs	**(180,865)**	(196,737)
Total	**90,293,617**	92,316,685

Mortgage payable bears interest at a rate of 5.49% (2009 — 5.49%). The mortgage is payable in monthly instalments of blended principal and interest of $637,385 (2009 — $637,385). The mortgage matures December 2021 and is secured by charges against WCSCP's properties. Land and buildings with a carrying value of $130.9 million (2009 — $134.2 million) have been pledged to secure the mortgage payable. Minimum future principal payments required are as follows:

	$
2011	2,514,590
2012	2,654,536
2013	2,802,270
2014	2,958,227
2015	3,122,862
Thereafter	81,668,766
	95,721,251

The fair value of mortgage payable at December 31, 2010 is approximately $92.3 million (2009 — $97.0 million).

6. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, WCSCP becomes subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs relating to these claims. Management believes the outcome of claims of this nature at December 31, 2010 and at December 31, 2009 will not have a material impact on the Portfolio.

7. FINANCIAL INSTRUMENTS

WCSCP's deferred rent receivable and accounts payable and accrued liabilities are carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

WCSCP has no embedded derivatives requiring separate recognition.

Liquidity risk

Ultimate responsibility for liquidity risk management lies with the Owner of WCSCP. Cash flow projections are completed on a regular basis to ensure there will be adequate liquidity to maintain operating and investment activities.

Credit risk

WCSCP's credit risk primarily arises from the possibility that the tenant may not be able to fulfill its lease commitments. WCSCP's exposure to this risk is significant because the rental properties are leased to a single operator.

Interest rate risk

WCSCP is exposed to interest rate risk on its mortgage payable and does not hold any financial instruments to mitigate that risk. In the current economic environment, it is difficult to predict what future interest rates will be and as such, WCSCP may not be able to continue to renew mortgage loans with interest rates that are lower than those currently in place. Management mitigates interest rate risk by utilizing fixed rate mortgages and ensuring access to a number of sources of funding.

8. CAPITAL MANAGEMENT

WCSCP's objectives when managing its capital are to safeguard its assets while maximizing the growth of its business and returns to the Owner. WCSCP's capital consists of its mortgage payable and net equity in portfolio.

Management monitors WCSCP's capital structure on an ongoing basis to determine the appropriate level of mortgages payable to be placed on specific properties at the time of acquisition or when existing debt matures. In determining the most appropriate debt, consideration is given to strength of cash flow generated from the specific property, interest rate, amortization period, maturity of the debt in relation to the existing debt of WCSCP, and interest and debt service ratios.

WCSCP's calculations of its adherence to bank covenants are considered non-GAAP measures.

WCSCP is subject to financial covenants for debt service and interest coverage in its mortgage payable. The financial covenant relating to WCSCP is described as follows:

(i) Debt Service Coverage — calculated as Rental revenue from income properties; add other revenue; less deferred rent receivable; less property operating expenses divided by the debt service payments (total interest expense, and principal repayments);

	Year Ended December 31, 2010	Year Ended December 31, 2009
Rental revenue from income properties	**12,819,338**	12,801,381
Other revenue	**372,064**	286,970
Deferred rent receivable	**(816,490)**	(816,490)
Property operating expenses	**(383,440)**	(299,146)
Earnings before interest	**11,991,472**	11,972,715
Interest on mortgage	**5,266,599**	5,392,178
Principal repayments	**2,382,023**	2,256,443
Debt Service Payments	**7,648,622**	7,648,621
Debt Service Coverage	**1.57**	1.57

8. CAPITAL MANAGEMENT (Continued)

As at and during the years ended December 31, 2010 and December 31, 2009, WCSCP complied with all externally imposed capital requirements and all covenants relating to its debt facilities.

9. ECONOMIC DEPENDENCE

WCSCP's operations consist of leasing rental properties. The leases with the operator of the Portfolio account for 100% of rental revenue from income properties and other revenue for the year ended December 31, 2010 and 2009. These leases expire in 2026.

10. SUBSEQUENT EVENT

On May 1, 2012 NPR announced it has entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

WESTERN CANADA SENIOR CARE PORTFOLIO

Unaudited Condensed Carve Out Financial Statements
as at March 31, 2012 and 2011

WESTERN CANADA SENIOR CARE PORTFOLIO

UNAUDITED CONDENSED CARVE OUT STATEMENT OF FINANCIAL POSITION

(Canadian dollars)

	Note	March 31, 2012	December 31, 2011
ASSETS			
Non-current assets			
Investment properties	3	**150,012,450**	150,012,450
Deferred rent receivable		**5,031,779**	4,938,163
Current assets			
Prepaid expenses		**98,611**	81,318
		155,142,840	155,031,931
LIABILITIES			
Non-current liabilities			
Mortgage payable	4	**84,914,035**	85,502,742
Current liabilities			
Accounts payable and accrued liabilities		**418,682**	421,622
Current portion of mortgage payable	4	**2,690,723**	2,654,536
		88,023,440	88,578,900
NET EQUITY IN PORTFOLIO		**67,119,400**	66,453,031
		155,142,840	155,031,931

Commitments and contingencies (Note 5)

See accompanying notes to the condensed carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

UNAUDITED CONDENSED CARVE OUT STATEMENT OF NET EARNINGS AND COMPREHENSIVE EARNINGS

Three months ended March 31
(Canadian dollars)

	Note	March 31, 2012	March 31, 2011
Rental revenue from investment properties		**3,219,654**	3,204,831
Other revenue		**90,430**	90,430
		3,310,084	3,295,261
Property operating expenses		**93,136**	93,244
Property operating income		**3,216,948**	3,202,017
Interest on mortgage		**1,356,700**	1,388,933
Administration expenses		**27,500**	7,500
INCOME BEFORE FAIR VALUE ADJUSTMENT		**1,832,748**	1,805,584
Unrealized fair value changes to investment properties	**3**	**—**	—
NET EARNINGS AND TOTAL COMPREHENSIVE EARNINGS		**1,832,748**	1,805,584

See accompanying notes to the condensed carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

UNAUDITED CONDENSED CARVE OUT STATEMENT OF CHANGES IN NET EQUITY IN PORTFOLIO

Three months ended March 31
(Canadian dollars)

	Note	March 31, 2012	March 31, 2011
Balance of net equity in portfolio, January 1		**66,453,031**	62,671,112
Net earnings and total comprehensive earnings		**1,832,748**	1,805,584
Deemed distribution		**(1,166,379)**	(614,286)
BALANCE OF NET EQUITY IN PORTFOLIO, MARCH 31		**67,119,400**	63,862,410

See accompanying notes to the condensed carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

UNAUDITED CONDENSED CARVE OUT STATEMENT OF CASH FLOWS

Three months ended March 31
(Canadian dollars)

	Note	2012	2011
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING			
Net earnings and total comprehensive earnings		**1,832,748**	1,805,584
Adjustments for:			
Deferred rental revenue		**(93,616)**	(204,122)
Interest on mortgage		**1,356,700**	1,388,933
Interest paid on mortgage		**(1,261,938)**	(1,296,217)
		1,833,894	1,694,178
Changes in non-cash working capital			
Prepaid expenses		**(17,293)**	2,815
		1,816,601	1,696,993
FINANCING			
Repayment of mortgages		**(650,222)**	(615,938)
Deemed distribution		**(1,166,379)**	(614,286)
		(1,816,601)	(1,230,224)
INVESTING			
Capital improvements		**—**	(466,769)
		—	(466,769)
NET INCREASE IN CASH		**—**	—
CASH, BEGINNING OF PERIOD		**—**	—
CASH, END OF PERIOD		**—**	—

See accompanying notes to the condensed carve out financial statements.

WESTERN CANADA SENIOR CARE PORTFOLIO

NOTES TO THE CONDENSED CARVE OUT FINANCIAL STATEMENTS (UNAUDITED)

Three months ended March 31, 2012 and 2011
(Columnar amounts expressed in Canadian dollars except where indicated)

1. NATURE OF OPERATIONS

Western Canada Senior Care Portfolio ("WCSCP" or "the Portfolio") as presented in these condensed carve out financial statements is not a legal entity. These condensed carve out financial statements and notes thereto represent the combination of five senior care properties located in the province of Alberta and one senior care property located in the province of British Columbia. These senior care properties are wholly owned directly or indirectly by Northern Property Real Estate Investment Trust ("NPR" or "the Owner") for all periods presented. NPR is an unincorporated open-ended real estate investment trust domiciled in Canada, located at #110, 6131 - 6th Street SE, Calgary, Alberta, T2H 1L9.

The six senior care properties are leased to a single operator on a triple net basis.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed carve out financial statements for the three months ended March 31, 2012 have been prepared in accordance with IAS 34 — Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board of Canada.

These condensed carve out financial statements should be read in conjunction with WCSCP's audited carve out financial statements for the year ended December 31, 2011 prepared in accordance with IFRS. The same accounting policies, presentation and methods of computation have been followed in these condensed carve out financial statements as were applied in WCSCP's first annual financial statements for the year ended December 31, 2011.

The condensed carve out financial statements were approved and authorized for issue by the Board of Trustees of NPR on June 4, 2012.

3. INVESTMENT PROPERTIES

	March 31, 2012	December 31, 2011
Investment properties	**150,012,450**	150,012,450
Balance	**150,012,450**	150,012,450

Changes to investment properties for the periods:

	March 31, 2012	December 31, 2011
Balance, beginning of year	**150,012,450**	149,100,000
Capital improvements	**—**	457,093
Unrealized changes in fair value	**—**	455,357
Balance	**150,012,450**	150,012,450

4. MORTGAGE PAYABLE

	March 31, 2012	December 31, 2011
Mortgage payable	**92,556,443**	93,206,665
Fair value adjustment	**(4,790,941)**	(4,884,592)
Deferred financing costs	**(160,744)**	(164,795)
Total	**87,604,758**	88,157,278
Current	**2,690,723**	2,654,536
Non-current	**84,914,035**	85,502,742
Total	**87,604,758**	88,157,278

4. MORTGAGE PAYABLE (Continued)

Mortgage payable bears interest at a rate of 5.49%. The mortgage is payable in monthly instalments of blended principal and interest of $637,385. The mortgage matures December 2021 and is secured by charges against WCSCP's properties. Land and buildings with a carrying value of $150.0 million (December 31, 2011 — $150.0 million) have been pledged to secure the mortgage payable. The fair value of mortgages payable at March 31, 2012 is approximately $93.6 million (December 31, 2011 — $96.3 million).

5. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, WCSCP becomes subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs relating to these claims. Management believes the outcome of claims of this nature at March 31, 2012 and at December 31, 2011 will not have a material impact on WCSCP.

6. FINANCIAL INSTRUMENTS

WCSCP has the following categories of financial instruments:

	March 31, 2012		December 31, 2011	
Financial asset or financial liability	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets carried at amortized cost				
Deferred rent receivable	**5,031,779**	**5,031,779**	4,938,163	4,938,163
Financial liabilities carried at amortized cost				
Mortgage payable	**87,604,758**	**93,646,636**	88,157,278	96,327,227
Accounts payable and accrued liabilities	**418,682**	**418,682**	421,622	421,622

WCSCP had no embedded derivatives requiring separate recognition.

WCSCP's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts WCSCP might pay or receive in actual market transactions.

WCSCP had no credit derivatives over financial assets at March 31, 2012 or December 31, 2011 and throughout the intervening periods.

Liquidity risk

Ultimate responsibility for liquidity risk management lies with the Owner of WCSCP. Cash flow projections are completed on a regular basis to ensure there will be adequate liquidity to maintain operating and investment activities.

Contractual maturity for non-derivative financial liabilities at March 31, 2012

	Carrying Amount	Contractual Cash Flows	0 - 6 months	6 months to 1 year	1 - 5 years	Over 5 Years
Accounts payable and accrued liabilities	**418,682**	**418,682**	**418,682**	**—**	**—**	**—**
Mortgage payable	**87,604,758**	**133,497,866**	**3,824,311**	**3,824,311**	**30,594,485**	**95,254,759**

Contractual maturity for non-derivative financial liabilities at December 31, 2011

	Carrying Amount	Contractual Cash Flows	0 - 6 months	6 months to 1 year	1 - 5 years	Over 5 Years
Accounts payable and accrued liabilities	421,622	421,622	421,622	—	—	—
Mortgage payable	88,157,278	135,410,021	3,824,311	3,824,311	30,594,485	97,166,914

Management believes that future cash flows from operations will provide sufficient available funds through the foreseeable future to support these financial liabilities.

6. FINANCIAL INSTRUMENTS (Continued)

Credit risk

WCSCP's credit risk primarily arises from the possibility that the tenant may not be able to fulfill its lease commitments. WCSCP's exposure to this risk is significant because the rental properties are leased to a single operator.

Interest rate risk

WCSCP is exposed to interest rate risk on its mortgage payable and does not hold any financial instruments to mitigate that risk. In the current economic environment, it is difficult to predict what future interest rates will be and as such, WCSCP may not be able to continue to renew mortgage loans with interest rates that are lower than those currently in place. Management mitigates interest rate risk by utilizing fixed rate mortgages and ensuring access to a number of sources of funding.

7. CAPITAL MANAGEMENT

WCSCP's objectives when managing its capital are to safeguard its assets while maximizing the growth of its business and returns to the Owner. WCSCP's capital consists of its mortgage payable and net equity in portfolio.

Management monitors WCSCP's capital structure on an ongoing basis to determine the appropriate level of mortgages payable to be placed on specific properties at the time of acquisition or when existing debt matures. In determining the most appropriate debt, consideration is given to strength of cash flow generated from the specific property, interest rate, amortization period, maturity of the debt in relation to the existing debt of WCSCP, and interest and debt service ratios.

WCSCP's calculations of its adherence to bank covenants are considered non-IFRS measures.

WCSCP is subject to financial covenants for debt service and interest coverage in its mortgage payable. The financial covenant relating to WCSCP is described as follows:

(i) Debt Service Coverage — calculated as Rental revenue from investment properties; add other revenue; less deferred rent receivable; less property operating expenses divided by the debt service payments (total interest expense, and principal repayments);

	Three months ended March 31, 2012	Year Ended December 31, 2011
Rental revenue from investment properties	**3,219,654**	12,890,756
Other revenue	**90,430**	361,718
Deferred rent receivable	**(93,616)**	(521,803)
Property operating expenses	**(93,136)**	(372,797)
Earnings before interest	**3,123,332**	12,357,874
Interest on mortgage	**1,261,938**	5,134,031
Principal repayments	**650,222**	2,514,590
Debt Service Payments	**1,912,160**	7,648,621
Debt Service Coverage	**1.63**	1.62

As at and during the three months ended March 31, 2012 and the year ended December 31, 2011, WCSCP complied with all externally imposed capital requirements and all covenants relating to its debt facilities.

8. OPERATING LEASES

WCSCPs are investment property held under operating leases (Note 3). Investment properties are leased to a single operator under commercial leases with terms of 20 years, with an option to extend for a further period. The operating leases contain a market review clause in the event that the lessee exercises its option to renew.

8. OPERATING LEASES (Continued)

The future minimum lease payments are as follows:

	March 31, 2012	December 31, 2011
Less than 1 year	**12,504,156**	12,504,156
Between 1 and 5 years	**50,689,251**	50,521,094
More than 5 years	**121,721,320**	125,015,515
	184,914,727	188,040,765

9. SUBSEQUENT EVENT

On May 1, 2012 NPR announced it has entered into a conditional agreement to sell the Portfolio to HealthLease Properties REIT for gross proceeds of $160.0 million.

APPENDIX A

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

CHARTER OF THE AUDIT COMMITTEE

(the "Charter")

1. General

A. Purpose

The Audit Committee (the "**Committee**") is a committee of the Board of Trustees (the "**Board**") of HealthLease Properties Real Estate Investment Trust (the "**REIT**"). The members of the Committee and the chair of the Committee (the "**Chair**") are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the REIT's financial controls and reporting and monitoring whether the REIT complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

2. Composition

The Committee should be comprised of a minimum of three trustees and a maximum of five trustees.

(1) The Committee must be constituted as required under National Instrument 52-110 — *Audit Committees*, as it may be amended or replaced from time to time ("**NI 52-110**").

(2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

(3) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the REIT or any of its related parties or subsidiaries.

(4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT's financial statements).

(5) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

3. Limitations on Committee's Duties

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the REIT ("**Management**") as to the non-audit services provided to the REIT by the external auditor, (iv) financial statements of the REIT represented to them by a member of Management or in a written report of the external auditors to present fairly

the financial position of the REIT in accordance with applicable generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Meetings

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the REIT and shall meet within 90 days following the end of the fiscal year of the REIT. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine. The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the REIT (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the REIT (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the REIT with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with the REIT's Management quarterly in connection with the REIT's interim financial statements.

The Committee shall determine any desired agenda items.

5. Committee Activities

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

A. Financial Disclosure

(1) Review, approve and recommend for Board approval the REIT's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related Management's Discussion & Analysis and press release.

(2) Review, approve and recommend for Board approval the REIT's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related Management's Discussion & Analysis and press release.

(3) Review and approve any other press releases that contain financial information and such other financial information of the REIT provided to the public or any governmental body as the Committee requires.

(4) Satisfy itself that adequate procedures have been put in place by Management for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and the related Management's Discussion & Analysis.

(5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the REIT and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

(6) Receive periodically Management reports assessing the adequacy and effectiveness of the REIT's disclosure controls and procedures.

B. Internal Control

(1) Review Management's process to identify and manage the significant risks associated with the activities of the REIT.

(2) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.

(3) Have the authority to communicate directly with the internal auditor.

(4) Receive periodical Management reports assessing the adequacy and effectiveness of the REIT's internal control systems.

(5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

C. Relationship with the External Auditor

(1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.

(2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.

(3) Advise the external auditor that it is required to report to the Committee, and not to Management.

(4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.

(5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the REIT, Management or employees that might interfere with the independence of the external auditor.

(7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

(8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

(9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the REIT, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the REIT, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the REIT.

D. Audit Process

(1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The

Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.

(4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

(5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

(6) Review the system in place to seek to ensure that the financial statements, Management's Discussion & Analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

E. Financial Reporting Processes

(1) Review the integrity of the REIT's financial reporting processes, both internal and external, in consultation with the external auditor.

(2) Periodically consider the need for an internal audit function, if not present.

(3) Review all material balance sheet issues, material contingent obligations and material related party transactions.

(4) Review with Management and the external auditor the REIT's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

F. General

(1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.

(2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.

(3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.

(4) Review the public disclosure regarding the Committee required from time to time by NI 52-110.

(5) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT) the compensation for any such advisors.

(6) Review in advance, and approve, the hiring and appointment of the REIT's senior financial executives.

(7) Perform any other activities as the Committee or the Board deems necessary or appropriate.

6. Complaint Procedures

(1) Anyone may submit a complaint regarding conduct by the REIT or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair of the Committee will have the power and authority to oversee treatment of such complaints.

(2) Complaints are to be directed to the attention of the Chair of the Committee.

(3) The Committee should endeavour to keep the identity of the complainant confidential.

(4) The Chair of the Committee will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: June 8, 2012

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

HEALTHLEASE PROPERTIES REAL ESTATE INVESTMENT TRUST

(Signed) PAUL EZEKIEL TURNER
Chief Executive Officer

(Signed) ADLAI CHESTER
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) DAVID BEIRNES
Trustee

(Signed) RICHARD TURNER
Trustee

MAINSTREET PROPERTY GROUP, LLC
(as Promoter)

(Signed) PAUL EZEKIEL TURNER
Chief Executive Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: June 8, 2012

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CANACCORD GENUITY CORP.	**NATIONAL BANK FINANCIAL INC.**
By: (Signed) JUSTIN BOSA	By: (Signed) ANDREW WALLACE
BMO NESBITT BURNS INC.	**CIBC WORLD MARKETS INC.**
By: (Signed) DEREK DERMOTT	By: (Signed) MARK JOHNSON

DUNDEE SECURITIES LTD.	**GMP SECURITIES L.P.**	**RAYMOND JAMES LTD.**
By: (Signed) ONORIO LUCCHESE	By: (Signed) ANDREW KIGUEL	By: (Signed) GRAHAM FELL

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