Management's Discussion and Analysis

First Quarter Report

March 31, 2009

CHARTWELL
SENIORS HOUSING REIT

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SENIORS HOUSING REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three Months Ended March 31, 2009

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Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell" or the "Trust") has prepared the following discussion and analysis (the "MD&A") to provide information to assist its Unitholders' understanding of the financial results for the three months ended March 31, 2009. This MD&A should be read in conjunction with Chartwell's financial statements for the three months ended March 31, 2009 and the notes thereto (the "Financial Statements"), audited financial statements for the year ended December 31, 2008 and the notes thereto (the "2008 Financial Statements") and annual Management's Discussion and Analysis for the year ended December 31, 2008 (the "2008 MD&A"). This material is available on Chartwell's website at www.chartwellreit.ca. Additional information about Chartwell, including the Renewal Annual Information Form, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of May 13, 2009.

In this document, "Q1" refers to the three month period ended March 31; "Q2" refers to the three month period ended June 30; "Q3" refers to the three month period ended September 30; "Q4" refers to the three month period ended December 31; "2008" refers to the twelve months ended December 31, 2008.

Unless otherwise indicated, all comparisons of results for Q1 2009 are in comparison to results from Q1 2008.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States dollars are identified as U.S.$.

Business Overview

Chartwell commenced operations on November 14, 2003 following the completion of its Initial Public Offering. Chartwell did not hold any material assets prior to November 14, 2003.

Chartwell is an open-ended real estate investment trust established under the laws of the Province of Ontario. Chartwell indirectly owns and manages a portfolio of seniors housing communities across the complete spectrum of care from independent supportive living communities ("ISL" communities), through assisted living communities ("AL" communities), to long-term care communities ("LTC" communities), which are located in Canada and the United States. All references to "Chartwell", "we" or "Trust", unless the context indicates otherwise, refer to Chartwell Seniors Housing Real Estate Investment Trust and its subsidiaries. For ease of reference "Chartwell" and the "Trust" are used in reference to ownership of seniors housing communities and the operation of the seniors housing communities and the development management business. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust. As of March 31, 2009, Chartwell's portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 38,654 suites in 270 communities which are operating, under construction or in various stages of development. As of March 31, 2009, Chartwell's portfolio of owned and leased communities consisted of interests in 28,923 suites in 207 communities.

Chartwell is committed to the delivery of quality care and services to seniors and operates a variety of programs to meet the needs of our clients and the demands of their local marketplace.

Our Vision is… to create and operate seniors housing communities where our residents enjoy a lifestyle and quality of life exceeding their expectations.

Our Mission is…

- to be the most trusted name in seniors housing;
- to provide accommodation, care and services in every home, reflective of our residents' needs, preferences and interests, and adapt as they evolve;
- to ease the transition through the various stages of aging by providing a full continuum of care in the markets we serve;
- to provide comfort and assurance to the families of our residents that their loved ones are treated with the highest level of care, compassion and respect;
- to attract and retain the best employees by providing a rewarding and fulfilling work environment; and
- to generate reliable, sustainable and growing distributions for our Unitholders.

Our Values are…

RESPECT – We honour and celebrate seniors

EMPATHY – We believe compassion is contagious

SERVICE EXCELLENCE – We believe in providing excellence in customer service

PERFORMANCE – We believe in delivering and rewarding results

EDUCATION – We believe in life long learning

COMMITMENT – We value commitment to the Chartwell family

TRUST – We believe in keeping our promises and doing the right thing

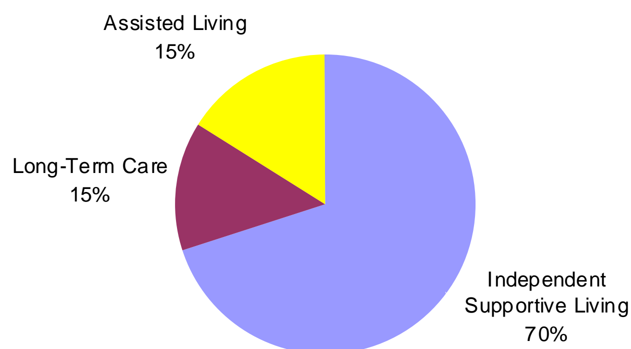
The following is the composition of Chartwell's owned, leased and managed portfolio of seniors housing communities in its four operating segments at March 31, 2009:

	Canadian Retirement Operations		Canadian Long-Term Care Operations		United States Operations		Canadian Management Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: [1]										
100% Owned										
Operating	98	11,413	16	1,779	23	2,294	-	-	137	15,486
Internal Growth	-	423	-	-	-	-	-	-	-	423
Total 100% Owned	98	11,836	16	1,779	23	2,294	-	-	137	15,909
50% Owned										
Operating	6	703	8	1,385	26	4,654	-	-	40	6,742
Internal Growth	-	-	-	-	-	98	-	-	-	98
Development	-	-	3	315	-	-	-	-	3	315
Total 50% Owned	6	703	11	1,700	26	4,752	-	-	43	7,155
Total Owned	104	12,539	27	3,479	49	7,046	-	-	180	23,064
Properties under Operating Lease:										
100% Interest	-	-	-	-	2	237	-	-	2	237
49% Interest	-	-	-	-	25	5,622	-	-	25	5,622
Total Leased	-	-	-	-	27	5,859	-	-	27	5,859
Total Owned and Leased	104	12,539	27	3,479	76	12,905	-	-	207	28,923
Other:										
Managed Properties	-	-	-	-	8	2,426	44[3]	5,310	52	7,736
Mezzanine Loans [2]	-	-	-	-	-	-	11	1,995	11	1,995
Total Other	-	-	-	-	8	2,426	55	7,305	63	9,731
Total	104	12,539	27	3,479	84	15,331	55	7,305	270	38,654

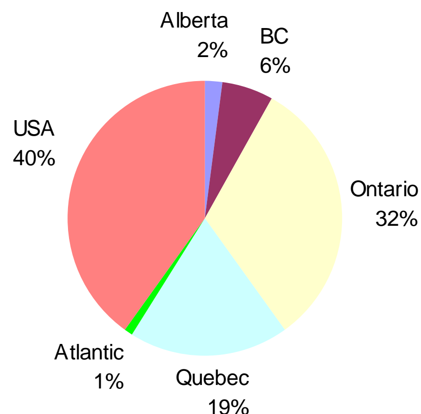
(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.
(2) Includes communities on which we have mezzanine loans outstanding and retain purchase options.
(3) Chartwell holds purchase options on 26 of these properties.

Composition of Portfolio of Owned, Leased and Managed Suites at March 31, 2009 by:

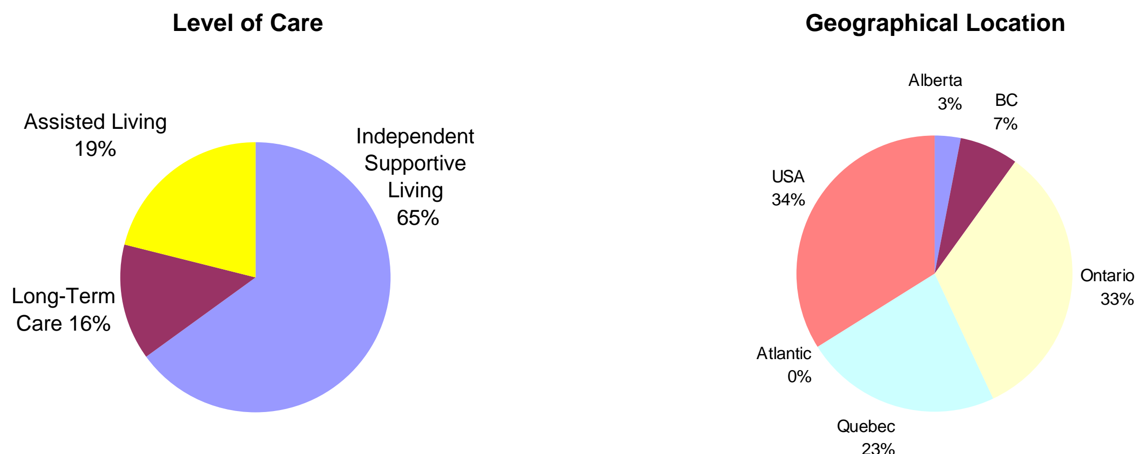
Level of Care



Geographical Location



Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Interest at March 31, 2009 by:



Chartwell has an option to purchase additional stabilized seniors housing communities under the terms of a development agreement with Spectrum Seniors Holdings LP ("Spectrum") formerly Spectrum Seniors Housing Development LP, a development entity in which certain of the Trust's senior executives have a minority ownership interest (Refer to the "Transactions with Related Parties" section of this MD&A). Chartwell has provided mezzanine financing to Spectrum and to certain of Spectrum's joint venture partners for the development of seniors housing communities. In return, Chartwell has the ability to purchase Spectrum's interest in such communities, when stabilized, at a discount to the appraised value. Stabilization occurs when a community has had an average suite occupancy rate of 90% or greater for the three preceding calendar months. As part of its seniors housing operations and development management business, Chartwell also provides management, financing, and advisory services, for a fee, to Spectrum and its joint venture partners in respect of their communities and development program. In February 2009, Chartwell provided a limited waiver of its option to purchase seniors housing communities from Spectrum.

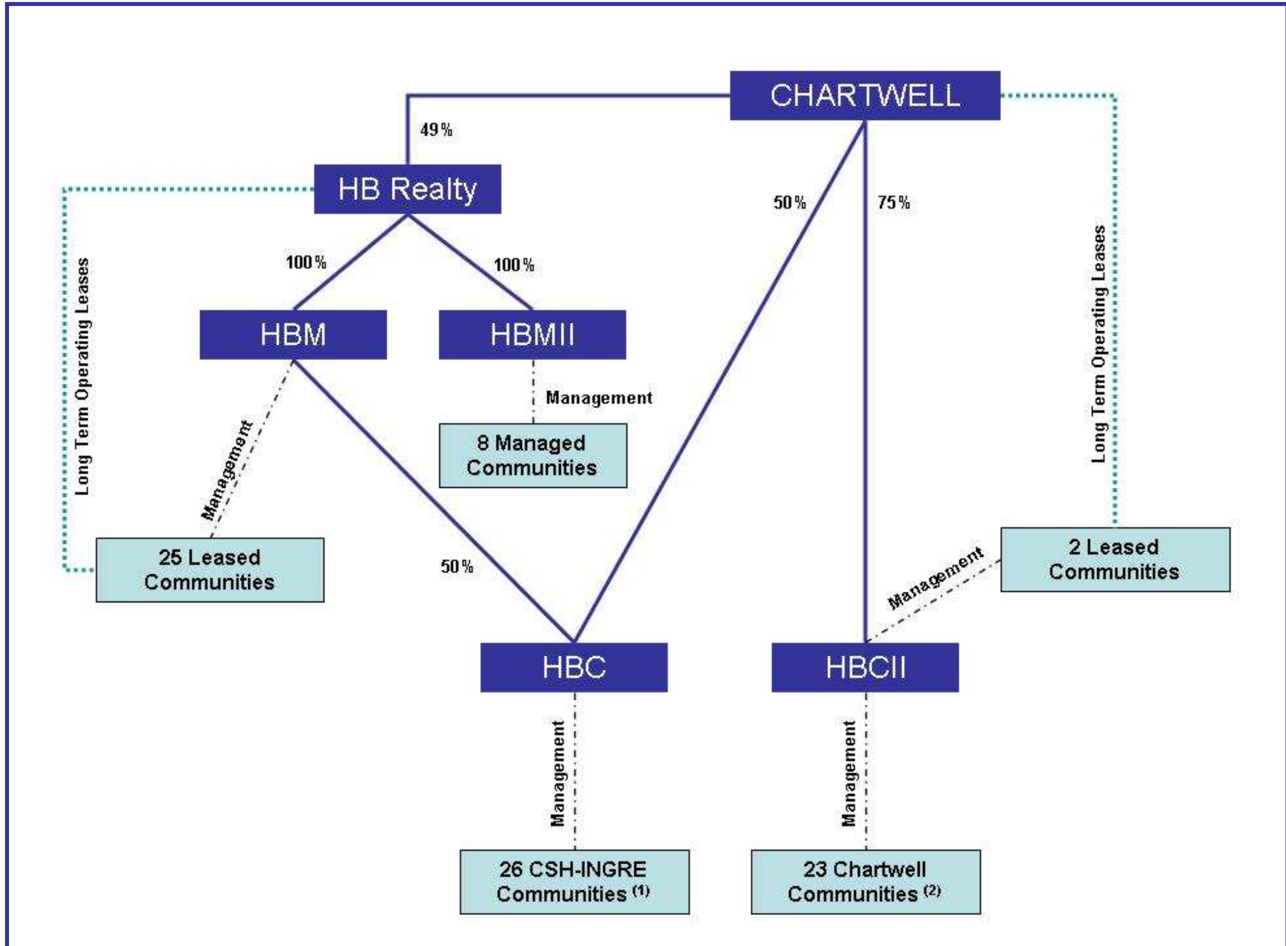
Chartwell has also provided mezzanine financing to entities affiliated with Le Groupe Melior ("Melior") and its joint venture partners to develop seniors housing communities. Chartwell has a right to purchase these communities upon stabilization at their fair market value. Melior and its joint venture partners can require Chartwell to acquire their interests in 11 of these projects at their appraised value, subject to the satisfaction of certain conditions. This put option can only be exercised by the borrower if the project has attained stabilized occupancy and the acquisition of such project is accretive to Chartwell based on a formula defined in the option agreements.

Chartwell also provides due diligence project management and asset management services for a fee to ING Real Estate Investment Management Australia PTY Limited (collectively with its affiliates: "ING"). At March 31, 2009, Chartwell and ING each held a 50% interest in CSH-INGRE LLC ("CSH-INGRE"), which owned 26 seniors housing communities (4,752 suites) in the United States, In addition, Chartwell and ING each owned a 50% interest in eight seniors housing communities (1,385 suites) and three seniors housing communities (315 suites) that are currently in the planning stages of development in Canada.

In 2007, Chartwell acquired a 49% interest in Horizon Bay Realty LLC ("HB Realty"), which, through its subsidiaries, owns leased interests in 25 seniors housing communities (5,622 suites). One of HB Realty's subsidiaries – Horizon Bay Management LLC ("HBM") - owns long-term management contracts for these 25 communities. In addition, Chartwell owns 50% of HBMII which manages eight communities for

third-party owners. HBM owns a 50% interest in Horizon Bay Chartwell LLC ("HBC"), a manager for CSH-INGRE properties in the United States. The remaining 50% interest in HBC is owned directly by Chartwell. Chartwell's wholly owned properties in the United States are managed by HBCII Manager LLC ("HBCII"). Chartwell owns a 75% interest in HBCII.

The following chart shows the structure of Chartwell's U.S. portfolio:



[(1)] Management of five of these communities is currently performed by Ultimate Care Senior Living with financial management services provided by HBC.

[(2)] Management of one of these communities is currently performed by Merrill Gardens due to regulatory requirements.

2009 Outlook ♣

Over the past five and a half years Chartwell has achieved an enviable presence in the North American seniors housing market. We have acquired a portfolio of properties with significant competitive advantages: our portfolio is relatively new and well maintained; our portfolio is diversified geographically; and a large portion of our assets are independent supportive living, appealing to the leading edge of baby boomers that require supportive services. Chartwell's growth has also been based on the strong fundamentals present in the North American seniors housing market. Significant demand is being driven by powerful demographic trends that are resulting in the seniors population growing at approximately three to four times the general population.

Recognizing that Chartwell has reached a significant size and critical mass, our main objective is now to generate strong and sustainable organic growth on an annual basis, as measured by increased Adjusted Funds from Operations ("AFFO") per unit, through a continued focus on the efficient management of our operations and assets, and ensuring we capture all of the available economies of scale and operating synergies resulting from our growth while maintaining and improving upon our high levels of service to residents.

During 2008 and continuing in Q1 2009, both the Canadian and U.S. capital markets have experienced a high degree of volatility. Canadian and U.S economies are in recession while credit markets continue to remain tight.

We believe seniors housing has historically been a defensive asset class due to the following factors:

- Corporate earnings do not directly affect demand or the financial ability of seniors to live in our communities. Demand for seniors housing is more closely linked to the care needs of seniors than their ability to pay.
- Seniors' sources of income are generally more stable due to the typically lower risk profile and sources of income at this stage of life. At Chartwell, our target market is the over-75-year-old senior, and the average age of our residents approximately 84 years old. Income for these seniors is typically dependent on inflation indexed pensions and fixed income investments. However, a component of their income may be reduced due to the current low interest rate climate.
- In Canada, many seniors receive government pensions that cover approximately 40% of retirement home occupancy fees in our properties.
- In addition, this current market cycle may affect seniors' overall net worth through a potential reduction in the value of their primary residence relative to what might have been realized on disposition over the last few years. Our target market has generally experienced very high capital appreciation in their primary residence from the time of their original purchase. We are finding that the disappointment experienced in realizing lower values on the sale of their primary residence appears to be delaying the decision to live in our supported environment in several markets in the U.S. and certain localized regional markets in Canada, but does not ultimately result in a decision not to join our community.
- Our residents are retired and as a result are generally not directly affected by layoffs and other employment security issues; nor do our residents move because of job transfers.
- Our communities are more than just bricks and mortar; they are the home in which our residents often spend the rest of their lives. Their fellow residents are their neighbours and their social network. Our staff provides the care and support that residents need to live with dignity and respect. This community environment makes it much less likely that residents will choose to leave for the competition or return to a non-supported living environment.

♣ *This section contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

- Demand for our communities is needs driven and Chartwell's strategy is to offer a comprehensive continuum of care in the markets we serve. We are in the market to provide care and services to our residents in high-quality real estate rather than to simply provide discretionary hotel-style seniors living. Our properties are well-maintained and most offer state-of-the-art amenities that meet and exceed the needs of today's discriminating senior. We continuously strive to exceed resident expectations for quality of life while addressing frailties and physical needs effectively and respectfully. Our residents need our staff's helping hands and care, therefore, it is not a discretionary choice. We treat our responsibility to deliver this care with the utmost respect.

The recession in Canada and particularly in the U.S. is deeper and is lasting longer than most expected. As described below, this economic climate is affecting our results. To date, the measures that we are implementing to mitigate the effects of the current economic environment, have largely offset softer occupancies.

Property Operations

Our occupancies are higher than industry averages and our management team continues to be focused on implementing innovative sales and marketing strategies and tightly controlling labour and supply costs. We are dedicated to customer contact and quality of service and believe this gives Chartwell a competitive advantage. The following summarizes our Outlook for the remainder of 2009 for the markets we operate in:

Canadian Operations:

Our Canadian retirement operations are generating stable NOI despite difficult economic conditions:

- Overall occupancies in Ontario in Q1 2009 are softer than in Q1 2008. However, we are seeing improvements in customer traffic in our properties. We expect that this increased traffic, combined with a significant waiting list for Ontario Long-Term Care of greater than 25,000 which creates a spillover effect and helps to support occupancies in retirement homes, should result in improving occupancies in our spring leasing season. However, we remain cautious and we are managing expenses to ensure that we are mitigating potential effects of the uncertain economic environment on NOI.
- Alberta and British Columbia have significant potential for future growth due to positive demographic trends. Occupancy levels are projected to continue to remain high in Alberta. Due primarily to temporary oversupply conditions in two regional markets in British Columbia, combined with reduced occupancies in one long-term care property, we have seen a decrease in occupancy in Q1 2009 that was higher than our original expectations. We expect to see growth return later in 2009. Cost reduction initiatives are being implemented to offset reduced revenue.
- Our Quebec properties have returned to the higher occupancy levels experienced in January 2008, and we continue to realize steady growth in occupancy in this platform in 2009. Our Quebec properties have achieved the highest net new rentals in the portfolio in Q1 2009. We continue to forecast recovery of occupancy close to 90% by the end of 2009 in Quebec and higher same property NOI growth in the latter half of 2009.

U.S. Operations:

During Q2 2008, we began to find it more difficult in some of our U.S. properties than it had been in the past to replace residents on normal turnover. We typically experience seasonal occupancy trends during late November through March and, to a lesser degree, in the July to August periods; where we experience reduced occupancy with normal rebounding in the spring and fall, respectively. Consistent with these trends, our occupancies increased in Q4 2008 from Q3 2008 reflecting typical seasonality described above despite difficult economic times. During Q1 2009, we have also experienced a typical seasonal decline; however, despite reduced occupancy compared to Q1 2008 of 3.0 percentage points, same

property NOI remained flat due to the successful execution of cost reduction initiatives. As we expressed previously, due to the current economic environment in the U.S. we cannot be confident of the typical spring increase in occupancy and we are continuing with our expense reduction initiatives to mitigate the effects of softer occupancies on NOI as we successfully did in Q1 2009. We continue to monitor this platform very closely.

In addition, our U.S. management team has been awarded new operations management contracts due to our U.S. management team's strong track record of success and their innovative approaches to sales and marketing. Our U.S. management team is continuing to pursue further management contracts and other opportunities to augment future earnings in our U.S. management operations.

Liquidity and Debt Profile

- At March 31, 2009, we had $13.1 million of cash on hand.
- At March 31, 2009, our $90.0 million credit facility with $64.3 million borrowing capacity was drawn down by $8.0 million.
- Our debt leverage ratio is stable at 62.1% including convertible debentures, below the 65% limitation set by our Declaration of Trust.
- At March 31, 2009, we had $1.7 billion of mortgages payable with weighted average term to maturity of 8.3 years and weighted average contractual interest rate of 5.54%.
- At March 31, 2009, our 2009 debt maturities amounted to $113.9 million.
- Approximately 64% of our 2009 mortgage maturities are CMHC-insured. We expect to renew loans maturing in 2009 in due course.
- We have no U.S. debt maturities until 2013.
- Given current economic uncertainties, we are taking steps to improve our liquidity including deferring discretionary capital and other expenditures and arranging upward financing on mortgage renewals.

Development Management Activities

- It is Chartwell's understanding that Spectrum's current plan calls for reduced development activity while it is pursuing sales opportunities on a number of its assets.
- In light of the current market conditions, we are reviewing the size and scale of our development management activities.

Management of General, Administrative and Trust Expenses

Through 2008 and continuing into Q1 2009, we have been strictly managing spending on our general, administrative and trust ("G&A") expenses. We continue to delay or cancel certain corporate activities and are actively reducing costs to the extent possible while ensuring support to our field operations teams that drive the business remains strong.

Summary

Our properties are generating stable operating income and cash flow. Our industry, and in particular, Chartwell's market segment of the seniors housing industry, offers many defensive characteristics. Our financial position is stable and our debt portfolio is well managed. We will be cautious, however, in these uncertain times, and continue to reduce discretionary capital and other expenditures and evaluate other options to improve our liquidity, including new mortgage financings.

We believe that the outcome of the current economic climate will be positive in the mid-term for our sector as current significant reductions in new seniors housing starts due to tight credit markets will

reduce supply from previously anticipated levels. Demographics show increasingly strong demand for years to come which, combined with lower new supply, will result in very favourable market dynamics. As a result, for those industry participants that manage prudently through these difficult times, significant opportunities should become available.

Significant Events

The following events have had a significant effect on our financial results in Q1 2009 or may be expected to affect our results in the future.

Acquisitions

The following table summarizes acquisitions completed in the first three months of 2009:

($millions)	Q1 2009
Number of communities [1]	4
Number of suites	455
Purchase price (including closing costs)	50.7
Financed as follows:	
Mortgage debt assumed	35.7
Discharge of mezzanine loans receivable	5.7
Settlement of receivables from Spectrum	7.5
Cash	0.5
Acquisition costs	1.3
Total	50.7

(1) Chartwell acquired a 50% interest in these communities.

#	Community	Location	Type	Effective Date of Acquisition	Beds/Suites
2009 Acquisitions:					
1.	Chatsworth Suites and Bungalows [1]	Kelowna, BC	Retirement	February 1, 2009	103
2.	Churchill House Retirement Community [1]	North Vancouver, BC	Retirement	February 1, 2009	97
3.	Riverside Retirement Residence [1]	London, ON	Retirement	March 1, 2009	138
4.	Pickering City Centre [1]	Pickering, ON	Retirement	March 1, 2009	117
Total 2009 Acquisitions					**455**
2008 Acquisitions:					
1.	Cite-Jardin IIIA	Gatineau, QC	Retirement	January 9, 2008	173
2.	Chateau Gardens Elmira	Elmira, ON	Retirement	April 24, 2008	64
3.	Chartwell Kanata [1]	Kanata, ON	Retirement	May 29, 2008	80
4.	Residences St-Pierre [2]	Rouyn-Noranda, QC	Retirement	October 27, 2008	121
5.	Le Monastere d'Aylmer [2]	Aylmer, QC	Retirement	October 27, 2008	273
6.	Residence Principale [2]	Cowansville, QC	Retirement	October 27, 2008	197
7.	Residence Notre-Dame de Hull [2]	Hull, QC	Retirement	October 27, 2008	224
8.	Le Domaine de Chateau de Bordeaux [2]	Sillery, QC	Retirement	October 27, 2008	153
9.	Marquis de Tracy II [2]	Sorel, QC	Retirement	October 27, 2008	137
10.	Marquis de Tracy I [2]	Sorel, QC	Retirement	October 27, 2008	125
Total 2008 Acquisitions					**1,547**

(1) Chartwell acquired a 50% interest in these communities.
(2) Chartwell acquired the remaining 50% interest in these communities and CM Management LP, the management entity that provided management services to these communities as well as our other Quebec communities.

Internal Growth Initiatives

Chartwell is continuously seeking ways to improve its properties, and add new resident services and amenities. Under our internal growth program, we evaluate various strategies for revenue and expense optimization, including additions of new suites to existing communities.

Completed Internal Growth Projects

Chartwell completed the following internal growth projects in 2006, 2007 and 2008:

Project	Location	Suites	Total Cost ($million)	Debt ($million)	Construction Completion	Leased Suites at March 31, 2009
2008						
Collegiate Heights Retirement Residence	Sault Ste. Marie, ON	30	6.7	4.3	Q3 2008	16
Residence Ste-Marthe	St. Hyacinthe, QC	133	14.8	10.5	Q3 2008	62
Manoir Pierrefonds	Montreal, QC	83	9.8	7.0	Q3 2008	9
Maison Herron	Dorval, QC	72	9.7	5.4	Q4 2008	-
Total 2008		318	$41.0	$27.2		87
2007						
Birchwood Retirement Residence	Chilliwack, BC	12	2.5	2.5	Q4 2007	12
Hartford Retirement Centre	Morrisburg, ON	22	5.9	5.5	Q3 2007	22
Total 2007		34	$8.4	$8.0		34
2006						
L'Oasis	St. Jean, QC	86	14.5	10.4	Q4 2006	69
Marquis de Tracy II, Ph II[(1)]	Sorel, QC	72	10.0	7.7	Q4 2006	37
New Edinburgh Square	Ottawa, ON	16	3.6	1.0	Q1 2006	16
Total 2006		174	$28.1	$19.1		122
Total		**526**	**$77.5**	**$54.3**		**243**

(1) During Q4 2008, Chartwell acquired the remaining 50% interest in this community.

Internal Growth Projects in Progress

There are currently three internal growth projects (203 suites) in various stages of development, as follows:

Project	Location	Suites	Estimated Total Cost ($million) *	Expected Construction Financing ($million) *	Estimated Construction Completion *
Canada					
Quail Creek Retirement Centre	Renfrew, ON	34	6.3	5.5	Q2 2009
Carrington Place	Vernon, BC	71	10.9	9.2	Q1 2010
Total Canada		105	$17.2	$14.7	
United States					
Gayton Terrace[(1)]	Richmond, VA	98	22.1	17.7	Q2 2009
Total United States		98	U.S.$22.1	U.S.$17.7	

(1) Chartwell owns a 50% interest in this property.

* *This chart contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

We are currently in the planning stage of development of 315 suites at three Ontario sites. In addition, we have identified further potential to add over 1,100 suites at our communities in markets with significant demand for new seniors housing suites. We will continue our evaluation of these internal growth projects in 2009.*

Mezzanine Loans

The following table summarizes the changes in our investments in mezzanine loans:

($millions)	Q1 2009	December 31, 2008
Gross mezzanine loans outstanding (beginning of period)	108.1	112.0
Advances in the period to Spectrum, Melior and their joint venture partners	-	8.5
Discharge of mezzanine loans on our acquisition of an interest in the related properties	(5.7)[1]	(8.6)[2]
Other repayments of mezzanine loans	-	(3.8)
	102.4	108.1
Fees, net of costs recorded as a reduction of mezzanine loan balances	(4.7)	(4.9)
Allowance for impairment of mezzanine loans	(6.4)	(6.4)
Net mezzanine loans outstanding (end of period)	91.3	96.8

(1) Relates to four properties.
(2) Relates to eight properties.

In Q1 2009, Chartwell acquired Spectrum's 50% interest in four seniors housing communities. As a result, mezzanine loans of $5.7 million were discharged.

In Q4 2008, Chartwell recorded a provision for impairment of mezzanine loans of $6.4 million related to three Melior projects in Quebec. Completion of these projects in a timely manner became uncertain due to continuing deterioration of general credit conditions affecting availability of debt for development projects. Chartwell is working with Melior on settlement arrangements for these loans, failing which we will exercise our legal rights under the loan agreements.*

Taxation Related Matters

Chartwell currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, legislation relating to the federal income taxation of a "specified investment flow-through" trust or partnership (a "SIFT" and together with the legislation, the "SIFT Rules") received Royal Assent. A SIFT includes certain publicly-listed or traded partnerships and trusts, such as an income trust and a real estate investment trust (a "REIT").

Under the SIFT Rules, the new taxation regime does not apply to a REIT that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, Chartwell does not meet the REIT Conditions and therefore is a SIFT.

Under the SIFT Rules, following a transition period for SIFTs existing on October 31, 2006, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Under the SIFT Rules, distributions paid by a SIFT as returns of capital will not be subject to the tax. In 2008, 100% of Chartwell's distributions were non-taxable returns of capital compared to approximately 97.7% in 2007.

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

A SIFT which was publicly listed before November 1, 2006 (an "Existing Trust") is subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain safe harbour limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006 (the "Safe Harbour Limits"). On April 20, 2007, Chartwell issued equity capital in excess of these Safe Harbour Limits. Therefore, commencing in fiscal 2007, Chartwell became subject to tax on certain income.

A flow-through subsidiary of Chartwell was considered a SIFT prior to December 31, 2008. This entity has been restructured such that it will not be subject to SIFT tax in 2009.

Key Performance Indicators

Chartwell uses a number of key performance indicators for monitoring and analyzing its financial results. These key performance measures are not defined by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other income trusts or other companies. Key financial performance measures are described below.

Funds from Operations

Funds from Operations ("FFO") is not a recognized measure under GAAP and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO is defined as net income computed in accordance with GAAP, excluding gains or losses from sales of depreciable real estate and extraordinary items, and adds back the following: depreciation and amortization, future income taxes, and adjustments for equity-accounted-for entities and non-controlling interests. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, Chartwell presents FFO consistent with the definition adopted by the Real Property Association of Canada ("REALpac").

In the opinion of management, the use of FFO, combined with the required primary GAAP presentations, has been fundamentally beneficial to the users of the financial information, improving their understanding of the operating results of Chartwell. Management generally considers FFO to be a useful measure for reviewing Chartwell's operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one to compare the operating performance of the Trust's real estate portfolio between financial reporting periods.

The tables presented under the "Consolidated Results of Operations, Non-GAAP Measures" section of this MD&A provide a reconciliation of FFO to net income, as reported in Chartwell's consolidated financial statements.

Normalized Funds from Operations

In addition to presenting FFO in accordance with the definition adopted by REALpac, Chartwell also discloses Normalized FFO which excludes the effects of recording operating lease expense on a straight-line basis and unrealized foreign exchange gains and losses to allow for better comparability to prior periods.

Normalized Funds from Operations ("NFFO") is not a GAAP measure and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. NFFO as presented may not be comparable to similar measures presented by other companies. Management believes NFFO is useful in the assessment of the operating performance of Chartwell and that this measure is also useful for valuation purposes. Management calculates NFFO by adding or subtracting certain items to FFO as defined by REALpac, as follows:

Straight-line adjustment to lease expense: GAAP requires that operating lease expenses be recognized over the term of related leases using the straight-line method. Generally, lease payments increase over time to account for inflation. As the corresponding inflationary revenue increases will only be realized in the future, we adjust for this non-cash expense in NFFO calculations.

Unrealized gains and losses on derivative financial instruments and unrealized foreign exchange gains and losses: These non-cash items are adjusted for as these amounts may fluctuate significantly over time and we believe that this adjustment improves comparability across periods.

SIFT income tax expense: Current income tax expense arising from the probability that one of Chartwell's subsidiaries will be taxed as a SIFT is added back to income in our calculation of NFFO. We restructured such that this entity will not be subject to the SIFT tax in 2009.

The tables presented under the "Consolidated Results of Operations, Non-GAAP Measures" section of this MD&A provide details of NFFO calculations.

Adjusted Funds from Operations

Adjusted Funds from Operations ("AFFO") is not a GAAP measure and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. AFFO as presented may not be comparable to similar measures presented by other companies. Management believes AFFO is useful in the assessment of the operating performance of Chartwell and that this measure is also useful for valuation purposes. Management calculates AFFO by adding or subtracting certain items to or from FFO as defined by REALpac, as follows:

Straight-line adjustment to lease expense: GAAP requires that operating lease expenses be recognized over the term of related leases using the straight-line method. Generally, lease payments increase over time to account for inflation. As the corresponding inflationary revenue increases will only be realized in the future, we adjust for this non-cash expense in AFFO calculations.

Unrealized gains and losses on derivative financial instruments and unrealized foreign exchange gains and losses: These non-cash items are adjusted for as these amounts may fluctuate significantly over time and we believe that this adjustment improves comparability across periods.

Amortization of below-market leases: This non-cash item increases GAAP revenue and is commonly adjusted in AFFO calculations. On acquisition of a property, as required by GAAP, management records a liability for below-market leases that exist on acquisition. This liability is amortized to revenue, as required by GAAP, over time with no effect on cash.

Principal portion of capital subsidy receivable: This item represents a portion of the long-term (maximum 20-year) cash flow stream provided by Ontario Ministry of Health and Long-Term Care to communities which meet certain design criteria. We include this item in AFFO calculations.

Amounts received under income guarantees: This item represents cash flow received from vendors of acquired communities. It is generally applicable to communities in lease-up.

Amortization of debt mark-to-market adjustments, including accretion on the convertible debentures, and amortization of financing costs: Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: In order to account for financing costs routinely incurred on re-financing of existing debt, we included this reserve in the calculation of AFFO. We calculate this reserve based on our estimate of normalized costs of re-financing (60 basis points) applied to the debt balances outstanding at the end of the reporting period taking into account weighted average term to maturity of our mortgage portfolio.

Capital maintenance reserve: Capital maintenance reserve is estimated at 2% of property revenue.

The tables presented under the "Consolidated Results of Operations, Non-GAAP Measures" section of this MD&A provide details of AFFO calculations.

Per Unit Amounts

In our calculations of FFO, NFFO and AFFO per unit, we include the Class B Units of Chartwell Master Care LP ("Master LP") and the AFFO allocable to the related non-controlling interest as the Class B Units are exchangeable into Trust Units at any time at the option of the Unitholder.

Net Operating Income

Net operating income ("NOI") is calculated as revenue, excluding below-market lease amortization, adding equity income from Quebec Co-owned properties (prior to acquiring the remaining 50% interest in these properties), less direct operating expenses and is reported for each operating segment. Management uses this measure to evaluate individual and divisional property performance.

Same Property Performance

The Trust evaluates its financial performance by analyzing its same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year. In addition, to improve comparability, beginning in 2009 we have designated properties where we have added significant capacity or expect in the current year to open new suites to be excluded from the Same Property Portfolio. The following table summarizes the Same Property Portfolio for 2009:

	Properties	Suites/Beds
Canadian Retirement Operations	86	9,816
Canadian Long-Term Care Operations	23	3,100
U.S. Operations (owned and leased)	75	12,709
Total Same Property Portfolio	184	25,625

Operating Margins

Operating margins are calculated as revenue less direct operating expenses divided by revenue. This measure is sometimes used as an indicator of segment performance as management monitors its ability to translate changes in revenue into net operating income. However, as operating margins typically vary by the level of care offered, the mix of our portfolio's various levels of care needs to be considered when conducting performance analysis. In addition, as higher acuity levels of service generally have a lower operating margin, the benefit of the additional NOI generated by these services is not reflected in the operating margin statistic.

Occupancy Percentage

Occupancy percentages are calculated as the number of days a suite is occupied divided by the maximum number of days available in the period. Occupancy is calculated including both owned and leased properties at Chartwell's share of ownership or leasehold interest and excluding second occupants (e.g. spouses) and any suites under construction or in lease-up as part of an internal growth project.

General, Administrative and Trust Expenses as a Percentage of Revenue

Chartwell monitors general, administrative and trust expenses on a consolidated basis as a percentage of revenue.

Consolidated Results of Operations

Overview of Consolidated Results of Operations

Same Property Portfolio [1]

Same property NOI decreased by $0.4 million or 0.8% for Q1 2009 compared to Q1 2008 as follows:

- Our Canadian retirement portfolio same property NOI decreased $0.4 million or 1.5%. Reduced occupancy and increased utility, property tax and commodity tax costs, combined with costs associated with advancing the timing of marketing initiatives were partially offset by strong average rate increases, which range between 2.5% and 5.0%, and our yield management program that continues to generate rent increases on turnover in excess of inflationary rate increases for existing residents.
- In our U.S. same property portfolio, reduced occupancy was largely offset by regular annual rent increases, targeted cost reduction initiatives, and tight management of expenses. As a result, same property NOI contraction was limited to a decrease of U.S.$0.2 million or 0.7%.
- Our same property Canadian long-term care portfolio increased same property NOI by $0.1 million or 2.7%.

Same property occupancy continued to be relatively high at 92.0% in Q1 2009. However, this represents a 1.7 percentage point decrease from 93.7% in Q1 2008.

[1] *Note: statistics in this section exclude the effects of foreign exchange translation.*

Acquisition Portfolio Highlights

For Q1 2009, acquisitions contributed $4.8 million of NOI, or an additional $2.3 million compared to Q1 2008, excluding the impact of foreign exchange.

General, Administrative and Trust Expenses

Excluding Special Committee, related advisory costs and severance costs, G&A expenses decreased as a percentage of revenues to 2.3% of revenues for Q1 2009 compared to 2.7% for Q1 2008.

Per Unit Analysis

AFFO for Q1 2009 was $0.21 per unit diluted, an increase of $0.05 per unit diluted compared to $0.16 per unit diluted for Q1 2008 primarily due to the following:

- In Q1 2009 we realized a foreign exchange gain of $4.9 million ($0.05 per unit diluted) related to the settlement of a foreign currency SWAP contract.
- Current income tax expense in Q1 2009 was approximately $1.0 million ($0.01 per unit diluted) lower than in Q1 2008.
- Improved contribution from the property portfolio primarily due to acquisitions completed subsequent to January 1, 2008 and positive impact of foreign exchange rates added approximately $1.6 million ($0.02 per unit diluted).
- Lower mezzanine loan interest resulting from the lower loan balances outstanding and lower management fee income combined, reduced AFFO by $0.8 million ($0.01 per unit diluted).
- G&A expenses increased by $0.6 million ($0.01 per unit diluted) primarily due to severance and re-branding costs incurred in Q1 2009.

For Q1 2009, FFO diluted per unit was $19.3 million or $0.19 per unit diluted, which was relatively flat compared to Q1 2008. FFO diluted per unit is described more fully in the "Funds from Operations" section of this MD&A.

For Q1 2009, NFFO, which excludes the effect of unrealized foreign exchange gains and losses, straight-line lease expense adjustments and current SIFT income tax expense, diluted per unit was $0.23 or $0.04 per unit diluted, higher than Q1 2008.

Net loss increased to $0.14 per unit diluted for Q1 2009, an increase of $0.01 per unit diluted compared to Q1 2008. Increased depreciation and amortization, interest, lease expenses and future income taxes in Q1 2009 were partially offset by increased net operating income compared to prior periods, changes in unrealized and realized foreign exchange gains and losses, and lower SIFT tax-related provisions for current income tax expense.

The following table presents a summary of selected financial and operating performance measures:

($000s, except per unit amounts, occupancy rates, and operating margins)	**Q1 2009**	**Q1 2008**	**Increase / (Decrease)**
Property revenue	193,197	166,387	26,810
Total revenues	199,130	174,349	24,781
Net loss	(13,945)	(11,521)	2,424
Net loss per unit (basic and diluted)	(0.14)	(0.13)	0.01
Distributions declared	18,621	23,784	(5,163)
Distributions declared per unit	0.1850	0.2392	(0.0542)
FFO [(1)]	19,309	18,900	409
Diluted FFO per unit	0.19	0.19	-
NFFO [(2)]	23,956	18,702	5,254
Diluted NFFO per unit	0.23	0.19	0.04
AFFO [(3)]	21,908	16,013	5,895
Diluted AFFO per unit	0.21	0.16	0.05
Weighted average occupancy rate - same property portfolio	92.0%	93.7%	(1.7pp)[(4)]
Operating margin – same property portfolio	30.5%	31.2%	(0.7pp)
Weighted average number of units including Class B Units of Chartwell Master Care LP [(5)]:			
Basic	99,436,296	98,047,731	1,388,565
Diluted (includes LTIP)	102,053,286	100,368,148	1,685,138

(1) Refer to the “Non-GAAP Measures - Funds from Operations” section of this MD&A for the reconciliation of FFO to Net Loss.
(2) Refer to the “Key Performance Indicators - Normalized Funds from Operations” section of this MD&A for the details of the NFFO calculation.
(3) Refer to the “Key Performance Indicators - Adjusted Funds from Operations” section of this MD&A for the details of the AFFO calculation.
(4) Percentage points.
(5) Refer to the “Non-GAAP Measures - Funds from Operations; Normalized Funds from Operations; and Adjusted Funds from Operations” sections of this MD&A.

Summary of Property Revenue

($000s, except occupancy rates)	Q1 2009	Q1 2008	Increase / (Decrease)
Same property[1]	164,211	161,501	2,710
Acquisitions[1]	13,475	7,612	5,863
Equity-accounted VIEs	-	(2,989)	2,989
Foreign exchange on U.S. dollar revenue	15,511	263	15,248
Total property revenue	193,197	166,387	26,810
Weighted average occupancy rate - same property portfolio	92.0%	93.7%	(1.7pp)

(1) Excluding the effect of foreign exchange on U.S. dollar revenue.

Total property revenue increased by 16.1% in Q1 2009 compared to Q1 2008 due to the strengthening of the U.S dollar and the corresponding effect on U.S. dollar-denominated revenues, contributions from acquisitions completed subsequent to January 1, 2008 and same property revenue growth.

Same property revenue increased by approximately $2.7 million or 1.7% in Q1 2009 compared to Q1 2008, despite softer occupancies. We continue to drive revenue growth with our proven strategies as follows:

- Yield management programs in the Canadian retirement home portfolio to establish increased market-based rates on suite turnover.
- Regular annual rent increases that are competitive to local market conditions.
- The addition of new services for residents at some of Chartwell's communities.
- Maximizing asset performance through investment in internal growth projects.

On October 27, 2008, Chartwell acquired from Melior the remaining 50% interest in seven operating companies in the Province of Quebec (the "Co-ownerships"). Prior to the acquisition, the Co-ownerships were structured to lease the respective communities from the co-owners and were considered Variable Interest Entities ("VIEs") under GAAP. As Chartwell was not considered to be the primary beneficiary of these entities, we were required to account for them using the equity method of accounting. Operating results of these communities are now included in the acquisition portfolio for presentation purposes in the above table.

Weighted average occupancy rates in the same property portfolio were 92.0% in Q1 2009, a decrease of 1.7 percentage points from 93.7% in Q1 2008. The following factors have contributed to the decrease:

- We noted a softening of occupancies, primarily in the U.S., toward the end of 2008 and this trend has continued in Q1 2009 with U.S. occupancy at 91.3% or 3.0 percentage points lower than Q1 2008. As described in the "2009 Outlook" section of this MD&A, we are cautious in predicting the typical seasonal spring increase in occupancy due to uncertain U.S. economic conditions.*
- Compared to Q1 2008, our Quebec business continues to strengthen as we fully integrate the portfolio subsequent to acquiring the remaining 50% interest, and occupancy is steadily improving. However, as occupancy principally declined in the latter three quarters of 2008, occupancy in this platform was 85.8% or 0.5 percentage points lower than Q1 2008.

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

- In addition, occupancies are 94.0% in our Western Canadian platform, 1.7 percentage points lower than Q1 2008 due to over-supply in certain regional markets and one long-term care home, as described in the "2009 Outlook" section of this MD&A.

Summary of Direct Operating Expenses

($000s)	Q1 2009	Q1 2008	Increase / (Decrease)
Same property[1]	114,153	111,039	3,114
Acquisitions[1]	8,666	5,124	3,542
Equity-accounted VIEs	-	(2,133)	2,133
Foreign exchange on U.S. dollar expenses	9,583	166	9,417
Total direct operating expenses – properties	132,402	114,196	18,206
Direct operating expenses – management operations	1,025	1,025	-
Total direct operating expenses	133,427	115,221	18,206

(1) Excluding the effect of foreign exchange on U.S. dollar expenses.

Total direct operating expenses increased by 15.8% in Q1 2009 compared to Q1 2008 primarily due to the strengthening of the U.S. dollar and the corresponding effect on U.S. dollar-denominated expenses and additional expenses from acquisitions completed subsequent to January 1, 2008.

Same property direct operating expenses increased by approximately $3.1 million or 2.8% for Q1 2009 compared to Q1 2008. Increased costs related to utilities, property tax, commodity tax and the timing of marketing expenses were offset by cost reduction initiatives in labour and discretionary costs.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	Q1 2009	Q1 2008	Increase / (Decrease)
General, administrative and trust expenses ("G&A")	4,489	4,718	(229)
Special Committee and Other costs	1,331	482	849
Total G&A per financial statements	5,820	5,200	620
As % of revenue:			
Including Special Committee and other costs	2.9%	3.0%	(0.1pp)
Excluding Special Committee and other costs	2.3%	2.7%	(0.4pp)

In Q1 2009, G&A expenses before Special Committee and other costs decreased by approximately $0.2 million compared to Q1 2008 due to recovery of previously paid eligible GST input tax credits of approximately $0.6 million, offset by rebranding costs related to our U.S. and Quebec divisions of approximately $0.4 million.

Special Committee and other costs increased by $0.8 million in Q1 2009 as compared to Q1 2008 primarily due to $1.1 million of severance costs incurred in Q1 2009, offset by a reduction in Special Committee expenses.

Interest and Property Lease Expense

($000s)	Q1 2009	Q1 2008	Increase / (Decrease)
Interest Expense			
Mortgages and loans payable	23,764	20,709	3,055
Convertible debentures	2,979	2,979	-
Operating credit facility and other	81	63	18
Interest capitalized to properties under development	(322)	-	(322)
	26,502	23,751	2,751
Accretion adjustment to convertible debenture liability	731	671	60
Amortization of debt mark-to-market adjustments arising on acquisition	(247)	(278)	31
Amortization of financing costs	1,326	1,208	118
Total Interest Expense:	28,312	25,352	2,960
Property Lease Expense			
Contractual lease payments for the period	12,388	9,769	2,620
Adjustment to record lease expense on a straight-line basis over the lease term	1,767	1,652	114
Total Property Lease Expense	14,155	11,421	2,734

The increase in interest expense is consistent with the growth in Chartwell's debt portfolio. In addition, interest expense related to our U.S. debt portfolio increased in Q1 2009 as compared to Q1 2008 due to the increase in foreign exchange rates.

During Q1 2009, we capitalized interest of $0.3 million, which relates to our net investment in internal growth projects.

Contractual property lease expense increased $2.6 million for Q1 2009 compared to Q1 2008 due to regular annual lease rate increases of 3.35%, financing payments related to landlord's capital expenditures and increase in foreign exchange rates.

Mezzanine Loans, Mezzanine Loan Interest Income and Impairment of Mezzanine Loans

($000s)	Q1 2009	Q1 2008	Increase / (Decrease)
Gross mezzanine loan balances outstanding (end of the period)	102,415	106,178	(3,763)
Fees net of costs recorded as a reduction of mezzanine loan balances	(4,704)	(4,265)	(439)
Allowance for impairment of mezzanine loans	(6,406)	-	(6,406)
Net mezzanine loan receivable	91,305	101,913	(10,608)
Mezzanine loan interest based on gross loan balances	2,437	2,893	(456)
Effective yield adjustments for:			
Placement fees integral to lending activities	305	285	20
Legal costs integral to lending activities	(171)	(150)	(21)
Total Mezzanine Loan Interest Income	2,571	3,028	(457)

Mezzanine loan interest decreased $0.5 million for Q1 2009 compared to Q1 2008 due to lower balances of mezzanine loans outstanding. Mezzanine loan interest and related placement fees are recognized in income using the effective interest rate method. Under this method, we update our expectations for targeted stabilization dates of the underlying development projects and re-discount the expected cash flows for the life of the project over the revised expected time to complete using the effective interest rate.

As described more fully in the “Significant Events” section of this MD&A, Chartwell recorded a provision for impairment of mezzanine loans of $6.4 million before future tax recoveries in Q4 2008.

Other Items

($000s)	Q1 2009	Q1 2008	Increase / (Decrease)
Bank interest and other income	837	1,262	(425)
Below-market lease amortization revenue	437	478	(41)
Gain/(Loss) on sale of assets	-	8	(8)
Realized foreign exchange gain	4,987	-	4,987
Unrealized gains and (losses) on derivative financial instruments and unrealized foreign exchange gains and (losses)	(2,971)	2,849	(5,820)
Depreciation of properties	(19,720)	(16,468)	(3,252)
Amortization of limited life intangible assets	(12,194)	(14,594)	2,400
Current income tax (expense) recovery	(6)	(999)	993
Future income tax (expense) recovery	(1,752)	(237)	(1,515)
Non-controlling interest	295	765	(470)
Net loss	(13,945)	(11,521)	(2,424)

Bank Interest and Other Income

The decrease in bank interest and other income during Q1 2009 compared to Q1 2008 of $0.4 million is primarily due to lower invested cash balances and non-property miscellaneous income.

Realized Gains (Losses)

Chartwell recorded a realized foreign exchange gain of $4.9 million in Q1 2009 which relates to the settlement of a foreign currency SWAP contract during Q1 2009.

Unrealized Gains (Losses)

The unrealized foreign exchange loss primarily related to the intercompany cross-border U.S. dollar-denominated loans receivable and payable used by Chartwell to finance its operations in a tax efficient manner. At March 31, 2009, Chartwell had net loans outstanding of approximately U.S.$43.8 million from our U.S. subsidiaries and loans payable of $1.2 million to our U.S. subsidiaries. Although the principal amount of this debt eliminates on consolidation, unrealized foreign exchange gains and losses are required to be recorded in income under GAAP.

Depreciation and Amortization

The increase in depreciation of properties is consistent with the growth in Chartwell's property portfolio. Amortization of limited life intangible assets decreased in Q1 2009 as compared to Q1 2008 as approximately $70.1 million of intangible assets were fully amortized during 2008 and in Q1 2009.

Current and Future Income Tax (Expense) Recovery

Under the SIFT Rules, Chartwell became subject to SIFT tax on certain income beginning in 2007 as described in the "Significant Events" section of this MD&A. During Q1 2009, we recorded a future income tax expense of $1.8 million. The provision for future income tax expense relates to the temporary differences between the carrying amounts and tax bases of assets and liabilities, including those that are expected to reverse on or after March 31, 2009. These temporary differences are tax effected using the estimated substantively enacted SIFT tax rate at the time that these differences are expected to reverse.

As described in the "Significant Events" section of this MD&A, in 2008, the Department of Finance issued draft legislation which described potential changes in the determination of which legal entities are considered SIFTs. Enabling legislation received Royal Assent on March 12, 2009. The clarifications set out in the draft legislation likely result in a subsidiary partnership of Chartwell REIT being considered to be a SIFT in 2007 and 2008. Prior to January 1, 2009, Chartwell completed a capital reorganization in its subsidiary partnership. As a result, the subsidiary partnership meets the definition of an excluded subsidiary and is no longer subject to SIFT income tax in 2009.

Net Loss

Net loss for Q1 2009 increased in comparison to Q1 2008 by $2.4 million primarily due to increased depreciation and amortization, interest, future income taxes and lease expenses. This was partially offset by improvements in net operating income, changes in realized/unrealized foreign exchange gains and losses, lower SIFT tax provisions.

Summary of Results of Operations by Division

The following section provides an analysis of the operating performance of each of our operating segments for Q1 2009 compared Q1 2008.

Canadian Retirement Operations

The following table summarizes the composition of our Canadian Retirement Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property					
100% Owned	84	6,725	2,098	745	9,568
50% Owned	2	248	-	-	248
Total Same Property	86	6,973	2,098	745	9,816
Acquisitions & Internal Growth					
100% Owned:					
Operating	14	1,428	163	254	1,845
Internal growth	-	268	-	155	423
	14	1,696	163	409	2,268
50% Owned	4	418	37	-	455
Total Acquisitions & Internal Growth	18	2,114	200	409	2,723
Total	104	9,087	2,298	1,154	12,539

The following table presents the results of operations of our Canadian Retirement Operations segment:

($000s, except occupancy rates and operating margins)	Q1 2009	Q1 2008	Increase / (Decrease)
Revenues			
Same property	67,718	66,165	1,553
Acquisitions, Internal Growth and Other:			
Acquisitions and internal growth	11,766	4,325	7,441
Equity-accounted VIEs	-	2,989	(2,989)
Total Acquisitions, Internal Growth and Other	11,766	7,314	4,452
Total Revenue	79,484	73,479	6,005
Direct Operating Expenses			
Same property	44,348	42,442	1,906
Acquisitions, Internal Growth and Other:			
Acquisitions and internal growth	8,527	3,202	5,325
Equity-accounted VIEs	-	2,133	(2,133)
Total Acquisitions, Internal Growth and Other	8,527	5,335	3,192
Total Direct Operating Expenses	52,875	47,777	5,098
Net Operating Income			
Same property	23,370	23,723	(353)
Acquisitions, Internal Growth and Other:			
Acquisitions and internal growth	3,239	1,123	2,116
Equity-accounted VIEs	-	856	(856)
Total Acquisitions, Internal Growth and Other	3,239	1,979	1,260
Total Net Operating Income	26,609	25,702	907
Overall operating margins	33.5%	35.0%	(1.5pp)
Same property statistics:			
Operating margins	34.5%	35.8%	(1.3pp)
Weighted average occupancy rate	91.2%	91.8%	(0.6pp)

Same property revenues increased by 2.3% as regular rental increases, which ranged between 2.5% and 5.0%, have offset a 0.6 percentage point decline in same property occupancy compared to Q1 2008. Same property average occupancy remains relatively high at 91.2%.

Same property direct operating expenses increased by 4.5% in Q1 2009 compared to Q1 2008 as follows:

- increased utilities due primarily to additional amenity spaces added in certain repositioned homes,
- increased property tax expense as a result of increased market value assessments,
- increased goods and services taxes on contracted out services in our Western properties previously treated as exempt, and
- additional marketing costs due to timing in deploying our annual marketing program as we are moving certain initiatives ahead of previous years to drive increased traffic in our homes and improvements in occupancy.

Same property NOI decreased by 1.5% in Q1 2009 compared to Q1 2008. Our same property Quebec platform NOI decreased by 6.4%, which represents a significant decrease in the rate of NOI contraction in this platform compared to the trends experienced in 2008 as described below. Our Western Canadian platform same property NOI decreased by 2.2%, which is the net effect of reduced occupancies in certain local markets offset by achieving regular annual rental increases and implementing cost control initiatives. Same property NOI in our Eastern Canadian retirement properties (outside Quebec) for Q1 2009 increased 0.3%, as growth in this platform was reduced from previous levels primarily due to increased utilities and property taxes as described above.

In 2008, our Quebec platform had been undergoing significant renovation and construction activity. Typically, where we add new capacity to a property, the construction activity temporarily depresses occupancy in the existing building. In addition, in some cases, existing suites needed to be removed from inventory and were temporarily unavailable for rental during the construction program. Similar conditions exist in properties we reposition. For example, where we are upgrading key service amenities, such as dining and kitchen facilities, temporarily services will not be of the same quality and until the newly renovated amenities are available, the building is temporarily less marketable.

As a result of these initiatives to renew and reposition many of our Quebec properties, occupancy decreased primarily from Q2 2008 through to the end of 2008. The majority of construction activity was completed in the second half of 2008 and we are now beginning to realize the benefits. Occupancy has grown steadily in Q1 2009 and, with respect to net new rentals, Quebec is our best performing platform to date in 2009.

Canadian Long-Term Care Operations

The following table summarizes the composition of our Canadian Long-Term Care Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property					
100% Owned	15	-	99	1,616	1,715
50% Owned	8	-	-	1,385	1,385
Total Same Property	23	-	99	3,001	3,100
Acquisitions & Internal Growth					
100% Owned Acquisition	1	64	-	-	64
50% Owned Development	3	315	-	-	315
Total Acquisitions & Internal Growth	4	379	-	-	379
Total	27	379	99	3,001	3,479

The following table presents the results of operations of our Canadian Long-Term Care Operations segment:

($000s, except occupancy rates and operating margins)	**Q1 2009**	**Q1 2008**	**Increase / (Decrease)**
Revenues			
Same property	34,532	33,471	1,061
Acquisitions	521	-	521
Total Revenues	35,053	33,471	1,582
Direct Operating Expenses			
Same property	30,599	29,640	959
Acquisitions	328	-	328
Total Direct Operating Expenses	30,927	29,640	1,287
Net operating income			
Same property	3,933	3,831	102
Acquisitions	193	-	193
Total Net Operating Income	4,126	3,831	295
Overall operating margins	11.8%	11.4%	0.4pp
Same property statistics:			
Operating margins	11.4%	11.4%	-
Weighted average occupancy rate	97.6%	99.1%	(1.5pp)

Same property revenues and direct operating expenses increased 3.2%. This is primarily due to increased government funding provided for direct resident care services, primarily staffing related, thereby resulting in an increase in both revenue and direct operating expenses. Same property NOI increased $0.1 million or 2.7% for Q1 2009 compared to Q1 2008.

Weighted average occupancies in the same property portfolio are at 97.6% for Q1 2008, a decrease of 1.5 percentage points from Q1 2008. Occupancy in the Ontario long-term care communities exceeded 97% for 2008 in all properties. As a result, these communities receive funding as though fully occupied.

U.S. Operations

The following table summarizes the composition of our U.S Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property					
100% Owned	23	1,527	767	-	2,294
50% Owned:	25	3,126	1,240	190	4,556
Total Same Property Owned	48	4,653	2,007	190	6,850
Properties under Operating Lease					
Same property – 100% Interest	2	129	108	-	237
Same property – 49% Interest	25	4,714	757	151	5,622
Total Same Property Leased	27	4,843	865	151	5,859
Total Same Property Owned and Leased	75	9,496	2,872	341	12,709
Internal Growth					
50% Owned:					
Operating	1	63	35	-	98
Internal growth	-	98	-	-	98
	1	161	35	-	196
Other					
Managed Properties	8	2,316	110	-	2,426
Total Internal Growth and Other	9	2,477	145	-	2,622
Total	84	11,973	3,017	341	15,331

The following table presents the results of operations of our U.S. Operations segment:

(U.S.$000s, except as noted otherwise)	Q1 2009	Q1 2008	Increase / (Decrease)
Revenues			
Same property	61,961	61,865	96
Internal growth and other	1,188	298	890
Total Revenues	63,149	62,163	986
Direct Operating Expenses			
Same property	39,206	38,957	249
Internal growth and other	(189)	(211)	22
Total Direct Operating Expenses	39,017	38,746	271
Net Operating Income			
Same property	22,755	22,908	(153)
Internal growth and other	1,377	509	868
Total Net Operating Income	24,132	23,417	715
Foreign exchange in CDN	5,928	97	5,831
Total Net Operating Income in CDN	30,060	23,514	6,546
Overall operating margins[1]	38.2%	37.7%	0.5pp
Same property statistics:			
Operating margins [1]	36.7%	37.0%	(0.3pp)
Weighted average occupancy rate	91.3%	94.3%	(3.0pp)

[1] Calculated based on U.S. dollars.

Same property revenue increased by U.S.$0.1 million or 0.2% for Q1 2009 compared to Q1 2008. Increased revenue from regular annual rent increases, which range between 5% and 7%, offset by a 3.0 percentage point decrease in average occupancies.

During Q2 2008, we began to find it more difficult in some of our U.S. properties than it had been in the past to replace residents on normal turnover. We typically experience seasonal occupancy trends with reduced occupancy during late November through March and, to a lesser degree, in the July to August periods; and experience normal rebounding in the spring and fall, respectively. Consistent with these trends, our occupancies increased in Q4 2008 from Q3 2008 reflecting typical seasonality described above despite the difficult economic times. During Q1 2009, we have also experienced a typical seasonal decline. However, due to the current economic environment in the U.S. we cannot be confident of the typical spring increase in occupancy.*

To mitigate reduced NOI during the U.S. slowdown, we are continuing the implementation of strategies to provide more payment flexibility to existing and potential residents, and continue to invest in marketing and advertising initiatives. In addition we are focused on both cost reduction initiatives as well as continuing with our cost control initiatives including procurement and labour cost management strategies. As a result, of our cost reduction and control measures, same property direct operating expenses have only increased by $0.2 million or 0.6%, for Q1 2009 compared to Q1 2008.

Same property NOI decreased by U.S.$0.2 million or 0.7% in Q1 2009 compared to Q1 2008.

During Q1 2009, our U.S. management operations added incremental NOI of U.S.$0.9 million compared to Q1 2008 as a result of new operations and development management contracts. Our U.S. management

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

team continues to pursue further management contracts and other opportunities in an effort to augment future earnings in our U.S. management operations.

The operating results for our U.S. operating segment in Canadian dollars were impacted by fluctuations in foreign exchange rates. The average exchange rates were as follows:

	Q1 2009	Q1 2008	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.2456	1.0042	0.2414

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar changes AFFO by approximately $0.2 million on an annualized basis.

Canadian Management Operations

The following table summarizes the composition of our Canadian Management Operations segment:

		Composition of Suites			
	Properties	ISL	AL	LTC	Total
Managed properties	44	3,577	396	1,337	5,310
Mezzanine loans	11	1,879	116	-	1,995
Total	55	5,456	512	1,337	7,305

The following table presents the results of operations of our Canadian Management Operations segment:

($000s)	Q1 2009	Q1 2008	Increase / (Decrease)
Management and Other Fee Revenue			
Spectrum:			
Development management	377	412	(35)
Operations management	555	504	51
Other	17	17	-
Total Spectrum	949	933	16
ING	595	617	(22)
Other	544	789	(245)
Total Management and Other Fee Revenue:	2,088	2,339	(251)
Direct operating expenses	1,025	1,025	-
Income from Management Operations	1,063	1,314	(251)

In Q1 2009, management operations revenue decreased by $0.3 million as compared to Q1 2008.

In Q1 2009, development management fees from Spectrum were relatively flat as compared to Q1 2008. Operations management fees from Spectrum increased due to a larger number of projects currently in the lease-up phase. We anticipate development management fees from Spectrum will continue to decline in 2009 as Spectrum reduces its development activities.*

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

Direct operating expenses principally represent the allocation of compensation and related costs of individuals involved in management operations.

Non-GAAP Measures

The following measures included in this MD&A do not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP"):

- Funds from Operations ("FFO")
- Normalized Funds from Operations ("NFFO")
- Adjusted Funds from Operations ("AFFO")

Refer to the "Key Performance Indicators" section of this MD&A for a detailed discussion of the nature of various adjustments made in the calculation of FFO, NFFO and AFFO, along with Management's discussion of the usefulness of these measures in evaluating our performance.

Funds from Operations (FFO)

The following table provides a reconciliation of funds from operations to net loss:

($000s, except per unit amounts)	Q1 2009	Q1 2008	Increase / (Decrease)
Net loss per financial statements	(13.945)	(11,521)	(2,424)
Add (Subtract):			
Depreciation of properties	19,720	16,468	3,252
Amortization of limited life intangible assets	12,194	14,594	(2,400)
Depreciation of leasehold improvements included in depreciation of properties	(117)	(105)	(12)
Loss/ (Gain) on sale of assets	-	(8)	8
Future income tax expense/ (recovery)	1,752	237	1,515
Non-controlling interest	(295)	(765)	470
Funds from operations [1]	19,309	18,900	409
Funds from operations per unit:			
Basic	0.19	0.19	-
Diluted	0.19	0.19	-

(1) Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

FFO increased by $0.4 million, and FFO per unit diluted was relatively flat for Q1 2009 compared to Q1 2008 as follows:

- Increased contribution from the property portfolio primarily due to the incremental contribution from the properties acquired subsequent to January 1, 2008, and positive impact of foreign exchange rates.
- Current income tax expense in Q1 2009 was approximately $1.0 million lower than in Q1 2008 as effective January 1, 2009 we restructured one of our subsidiary limited partnerships to ensure it is no longer subject to SIFT tax.
- One-time severance costs of $1.1 million included in Q1 2009 G&A.
- Reduced mezzanine loan interest income due to lower balances of mezzanine loans outstanding and lower fee income.

Normalized and Adjusted Funds from Operations (NFFO and AFFO)

The following table provides the calculation of NFFO and AFFO:

($000s, except per unit amounts)	Q1 2009	Q1 2008	Increase / (Decrease)
FFO [1]	19,309	18,900	409
Add (Subtract):			
Adjustment to record lease expense on a straight-line basis over the lease term	1,767	1,652	115
Unrealized foreign exchange and derivative (gains)/losses	2,971	(2,849)	5,820
SIFT Income Tax Expense (Recovery)	(91)	999	(1,090)
NFFO[2]	23,956	18,702	5,254
Add (Subtract):			
SIFT Income Tax (Expense) Recovery	91	(999)	1,090
Amortization of below-market leases	(437)	(478)	41
Principal portion of capital subsidy receivable from Health Authorities	532	501	31
Amounts received under income guarantees	118	263	(145)
Amortization of financing costs	1,327	1,207	120
Accretion adjustment to convertible debenture liability	731	671	60
Amortization of debt mark-to-market adjustments arising on acquisition	(247)	(277)	30
Deferred financing fee reserve [3]	(299)	(249)	(50)
AFFO before Capex reserve	25,772	19,341	6,431
Maintenance Capex reserve - 2% of property revenue	(3,864)	(3,328)	(536)
AFFO[4]	21,908	16,013	5,895
NFFO per unit			
Basic	0.24	0.19	0.05
Diluted	0.23	0.19	0.04
AFFO per unit			
Basic	0..22	0.16	0..06
Diluted	0.21	0.16	0.05

(1) Refer to the “Key Performance Indicators – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Refer to the “Key Performance Indicators – Normalized Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in the NFFO calculations.

(3) Deferred financing fee reserve is calculated quarterly as 0.6 basis points applied to our mortgages payable at the end of the quarter, pro-rated based on the weighted average term to maturity.

(4) Refer to the “Key Performance Indicators – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

An analysis of AFFO is described under the “Overview of Consolidated Results of Operations” section of this MD&A.

Quarterly Financial Information

The following table summarizes Chartwell's quarterly unaudited financial information:

($000s, except per unit amounts)	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	199,130	195,943	180,319	174,698	174,349	173,165	177,231	156,299
Direct operating expenses	(133,427)	(133,062)	(117,428)	(115,155)	(115,221)	(115,064)	(113,240)	(99,840)
General, administrative and trust expenses	(5,820)	(5,302)	(4,098)	(5,302)	(5,200)	(5,935)	(5,832)	(5,129)
	59,883	57,579	58,793	54,241	53,928	52,166	58,159	51,330
Interest expense	(28,312)	(27,309)	(25,287)	(25,841)	(25,352)	(24,931)	(25,483)	(23,426)
Property lease expenses	(14,155)	(13,529)	(11,670)	(11,339)	(11,421)	(10,731)	(11,565)	(11,785)
Foreign exchange gains/(losses)	2,016	12,534	3,358	(559)	2,849	(122)	(4,898)	(5,279)
Depreciation and amortization	(31,914)	(31,607)	(29,520)	(30,191)	(31,062)	(28,243)	(32,344)	(27,869)
Write down of carrying value of management contracts	-	-	-	-	-	(1,284)	-	(172)
Provision for impairment of goodwill	-	(64,506)	-	-	-	-	-	-
Provision for impairment of mezzanine loans	-	(6,406)	-	-	-	-	-	-
(Loss)/Gain on sale of assets	-	63	126	(102)	8	(413)	11	320
Non-controlling interest	295	1,989	378	786	765	1,179	982	2,117
Current income tax (expense) recovery	(6)	496	(629)	133	(999)	(2,004)	-	-
Future income tax (expense) recovery	(1,752)	1,568	(1,500)	-	(237)	4,267	(1,802)	(16,389)
Net loss for the period	(13,945)	(69,128)	(5,951)	(12,872)	(11,521)	(10,116)	(16,940)	(31,153)
Net loss per unit diluted	(0.14)	(0.72)	(0.06)	(0.14)	(0.13)	(0.11)	(0.19)	(0.36)
FFO	19,309	23,249	24,451	16,524	18,900	14,317	16,160	10,785
FFO per unit diluted	0.19	0.23	0.24	0.16	0.19	0.14	0.16	0.11

Chartwell's quarterly results for the past eight quarters have been affected by the acquisitions of new seniors housing communities and the corresponding revenue increases from management and lending activities.

Per unit amounts on a quarterly basis were affected by the timing of the issuance of Trust Units and Convertible Debentures by Chartwell, as well as by the timing of fee income from development and other activities.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and Unitholders' equity for March 31, 2009 compared to December 31, 2008:

	Increase / (Decrease) ($millions)	**Explanation**
Properties	66.4	Properties increased as follows: properties acquired during Q1 2009 added $47.2 million; internal growth developments, building improvements and other capital expenditures added $8.9 million; foreign exchange translation added $30.0 million. These increases were offset by depreciation and amortization of $19.7 million.
Mezzanine loans	(5.5)	Mezzanine loans outstanding decreased due to the discharge of $5.7 million of mezzanine loans on the acquisition of the related properties, and was offset by the amortization of placement fees and lending expenses of $0.2 million.
Total assets	50.8	The increase in total assets in Q1 2009 is principally due to the increase in properties and cash, which was offset by a decrease in mezzanine loans and limited life intangible assets.
Mortgages payable	64.6	Mortgages payable increased as a result of new mortgage financings of $15.0 million, assumed mortgages on acquired properties of $35.6 million and foreign exchange translation of $22.8 million. These increases were offset by regular amortizing principal repayments of $7.8 million and amortization of financing costs, net of additions, of $1.0 million.
Total liabilities	76.2	The increase in total liabilities is primarily due to increases in mortgages payable, accounts payable and accrued liabilities.
Non-controlling interest	(5.0)	Non-controlling interest decreased primarily due to exchanges of Class B Units of Master LP for Trust Units of $4.3 million and distributions to the holders of the Class B Units of Master LP of $0.5 million.
Unitholders' equity	(20.4)	The decrease in Unitholders' equity in Q1 2009 is due primarily to cash distributions and the allocation of the net loss to the Trust's Unitholders which were offset by income from foreign exchange translation in other comprehensive income and the exchange of Class B Units of Master LP for Trust Units described above.

Mortgage Debt

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at March 31, 2009.

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Maturing Debt	Weighted Average Interest Rate of Maturing Debt
Remainder of 2009	21,643	113,932	135,575	8.49%	5.17%
2010	28,601	81,166	109,767	6.05%	5.40%
2011	29,398	49,111	78,509	3.66%	5.67%
2012	30,592	95,871	126,463	7.15%	5.45%
2013	30,668	115,879	146,547	8.64%	5.34%
2014	26,718	65,400	92,118	4.88%	4.95%
2015	26,214	97,110	123,324	7.24%	5.38%
2016	22,333	201,239	223,572	15.00%	6.04%
2017	18,043	301,616	319,659	22.48%	5.69%
2018	15,585	32,625	48,210	2.43%	5.56%
2019-2023	67,262	143,114	210,376	10.67%	6.14%
Thereafter	81,003	44,409	125,412	3.31%	5.43%
Total	398,060	1,341,472	1,739,532	100.00%	
Mark-to-market adjustments arising on acquisition			14,993		
Less: Financing costs			(21,487)		
Total Mortgage Debt			1,733,038		

The following table provides selected financial statistics for our mortgage debt portfolio:

	As at March 31, 2009	As at December 31, 2008
Average term to maturity	8.3 years	8.7 years
Weighted average contractual interest rate	5.54%	5.65%
Variable rate mortgage debt	$50.7 million	$28.9 million

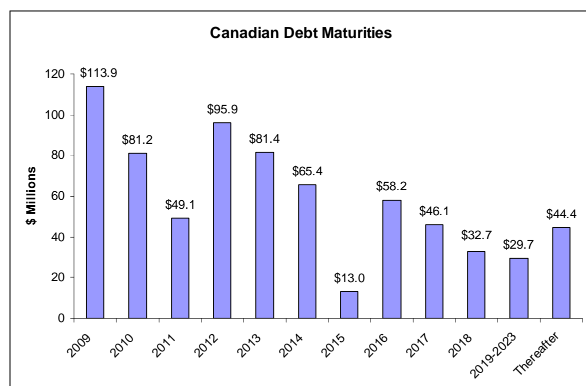
Our strategy is to mitigate interest rate risk of our debt portfolio by staggering maturities over time and financing our properties with longer term, fixed rate mortgage debt.

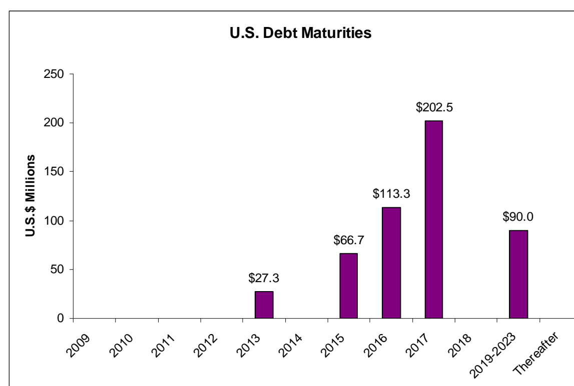
Our variable rate mortgages primarily relate to three communities acquired from Spectrum in Q1 2009 ($24.4 million) and our internal growth projects. We anticipate refinancing variable-rate loans on acquired properties into fixed-rate debt in 2009. Variable-rate loans on internal growth projects are expected to be refinanced with fixed-rate debt upon completion of the internal growth projects.*

Debt maturing in 2009 through to 2012 relates exclusively to mortgages on properties in our Canadian portfolio of assets. We have no U.S. debt maturities until 2013. In Canada, we have access to low cost CMHC-insured debt and we intend to continue financing our properties through this program. During Q1 2009, we refinanced $65.0 million of our debt with 3 to 10 year CMHC-insured mortgages bearing interest at the weighted average rate of 3.43% to take advantage of current low rates as well as to improve the balance of our maturity schedule. Of the remaining $113.9 million 2009 maturities, 64% are already CMHC-insured. We anticipate renewing this maturing debt in due course.*

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

The following charts provide the breakdown of our debt maturities in Canada and the United States:





Convertible Debentures

At March 31, 2009 Chartwell had $124.9 million of 6% convertible unsecured subordinated debentures and $75 million of 5.9% convertible unsecured subordinated debentures outstanding. The 6% Convertible Debentures are convertible at the holder's option into Trust Units at a conversion price of $15.60 per unit and mature on December 1, 2011. The 5.9% Convertible Debentures are convertible at the holder's option into Trust Units at a conversion price of $16.25 per unit and mature on May 1, 2012.

Debt Leverage

The maximum debt leverage permitted by Chartwell's Declaration of Trust is 60% (65% including convertible debentures).

The following table presents the calculation of the debt leverage ratio as at March 31, 2009, including the indebtedness of third parties guaranteed by Chartwell:

($000s)	**March 31, 2009**
Mortgages payable	1,739,532
Loans payable [1]	1,070
Guarantees	18,762
Revolving operating credit facility	8,000
Total indebtedness excluding convertible debentures	1,767,364
Convertible debentures (face value)	199,925
Indebtedness	1,967,289
Total assets	2,756,290
Accumulated depreciation and amortization[2]	435,005
Gross book value ("GBV") of assets	3,191,295
Less: Assets financed by deferred purchase consideration on acquisition properties	24,336
Gross book value of assets (net of deferred consideration)	3,166,959
Debt to GBV before convertible debentures	55.8%
Debt to GBV including convertible debentures	62.1%

[1] Included in accounts payable and accrued liabilities.
[2] Includes accumulated depreciation and amortization related to fully amortized intangible assets of $105,926.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q1 2009:

	Trust Units	**LTIP Units under Subscription**	**Class B Units of Master LP**	**Total**
Balance December 31, 2008	96,369,598	2,571,990	2,865,472	101,807,061
Trust Units issued pursuant to Dividend Reinvestment Plan ("DRIP")	367,044	-	-	367,044
Trust Units issued under the Long-Term Incentive Plan ("LTIP")	-	50,000	-	50,000
LTIP Units under subscription surrendered	-	(32,501)		(32,501)
Units transferred to treasury	-	-	-	-
Exchange of Class B Units of Master LP	754,758	-	(754,758)	-
Balance March 31, 2009	97,491,400	2,589,489	2,110,714	102,191,603

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2009 and Q1 2008:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	(5.3)	Cash flows from operating activities decreased primarily due to decrease in non-cash working capital items.
Financing activities	(1.2)	Cash flows from financing activities decreased by $1.2 million in Q1 2009 compared to Q1 2008. This decrease is primarily attributable to a decrease in proceeds from mortgage financings which, net of repayments, decreased cash flow from financing activities by $4.8 million. The above decrease in cash inflow from financing activities was partially offset by lower distributions paid.
Investing activities	(42.3)	Cash flow used in investing activities decreased by $42.3 million for Q1 2009 compared to Q1 2008 which is primarily attributable to lower acquisition activity, payments for deferred consideration on business combinations and reduced capital expenditures.

Distributions

The declaration and payment of distributions is subject to the discretion of the Board of Trustees. The Trustees rely upon forward-looking cash flow information including internal forecasts and budgets to establish the level of cash distributions. It is Chartwell's intention that annual distributions will be at least equal to 70% of the Trust's adjusted funds from operations for the year, as disclosed in the relevant year's Management's Discussion and Analysis for the Trust.

Effective with the payment to Unitholders for March 2008, which was paid on April 17, 2008, cash distributions were reduced to $0.74 per annum per unit from the previous level of $1.065 per annum per unit.

In 2008, 100% of Chartwell's distributions were characterized as tax-deferred returns of capital (97.7% in 2007).

Chartwell's Distribution Reinvestment Plan ("DRIP") allows Unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP plan receive additional bonus units in an amount equal to 3% of their distributions which they have elected to reinvest, and this amount is paid in the form of additional units. Unitholders who are Canadian residents and beneficial holders of 1,000 units or more are eligible to participate.

The following table summarizes distributions made in Q1 2009 and the years ended December 31, 2008, 2007 and 2006:

($000s)	Q1 2009	Years Ended December 31 2008	2007	2006
Distributions declared	18,183	75,670	94,145	65,378
Distributions on Class B Units of Master LP	438	3,595	6,839	5,744
Distributions reinvested under DRIP	(1,752)	(9,230)	(4,317)	(2,476)
Distributions applied against LTIP installment loan receivable	(470)	(2,144)	(2,557)	(1,848)
Distributions paid or payable in cash	16,399	67,891	94,110	66,798

The following table summarizes cash distributions made by Chartwell in Q1 2009 and the years ended December 31, 2008 and 2007 in relation to net loss and cash flows from operating activities:

($000s)	Q1 2009	Years Ended December 31 2008	2007
Cash flows from operating activities	19,745	101,525	101,435
Loss before non-controlling interest	(14,240)	(103,390)	(72,347)
Cash distributions declared[1]	16,399	67,891	94,110
Excess (shortfall) of cash flows from operating activities over cash distributions paid	3,346	33,634	7,325
Excess (shortfall) of net loss before non-controlling interest over cash distributions paid	(30,639)	(171,281)	(166,457)

(1) Cash distributions do not include distributions satisfied through issuance of units under the DRIP or distributions applied against the LTIP installment loan receivable.

The following table provides the details of additional sources of cash available to Chartwell to fund its distributions to Unitholders in Q1 2009, and the years ended December 31, 2008 and 2007:

($000s)	Q1 2009	Years Ended December 31 2008	2007
Principal portion of capital subsidy receivable from Health Authorities [1]	532	2,077	1,343
Amounts received under income guarantees [1]	118	740	1,548

(1) Refer to the "Key Performance Indicators – Adjusted Funds from Operations" section of this MD&A for the description of these items.

The excess of cash flow from operating activities over cash distributions in the years ended December 31, 2008 and 2007, partially relates to the positive changes in non-cash working capital balances. Changes in non-cash working capital fluctuate from period to period and we do not consider this to be a sustainable source of cash inflow. In Q1 2009, changes in non-cash working capital reduced cash flows from operating activities by approximately $1.4 million.

We anticipate that cash distributions will be covered by operating cash flows and believe our current anticipated capital commitments and purchase obligations are within our expected financial capacity for the remainder of 2009.*

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

Liquidity and Capital Resources

Chartwell's cash commitments include payments related to long-term debt and convertible debentures, cash distributions to Unitholders, operating leases and deferred purchase obligations.

Chartwell's principal source of liquidity is cash flow from operations. In order to provide for its operating and capital requirements, Chartwell raises funds through the capital markets, arranges mortgage debt financing and has arranged for a secured revolving operating facility ("Credit Facility") of up to $90.0 million. As of March 31, 2009, Chartwell had a borrowing capacity under the credit facility of approximately $64.3 million based on available security.

Amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1% or at the applicable banker's acceptances rate plus 2.25%. The terms of the Credit Facility include minimum equity requirements and covenants requiring a limitation of cash distributions that can be paid to Unitholders. At March 31, 2009, there was $8.0 million drawn under the Credit Facility. The Credit Facility matures on June 28, 2009. We have commenced discussions with the syndicate of lenders regarding renewal of the Credit Facility and expect to renew the Credit Facility on maturity.*

Management expects that our principal use of funds in the future will be for regular amortizing debt repayments, distributions, capital expenditures on our existing property portfolio, payment of deferred purchase consideration on acquisitions of properties and acquisition of seniors housing properties.* As at March 31, 2009, Chartwell had cash on hand of approximately $13.1 million.

Capital Expenditures

Chartwell classifies its capital expenditures under the following categories:

- Building expansions – capital expenditures in respect of our internal growth projects as described in the "Significant Events" section of this MD&A.
- Acquisition-related capital expenditures – capital expenditures which were identified during the acquisition due diligence process for newly acquired assets.
- Building improvements include capital expenditures that improve/sustain the revenue generating potential of Chartwell's properties.
- Long-term replacement items include expenditures for assets that will likely be replaced several times over the life of the building, such as roofing, paving, HVAC equipment, etc.
- Furniture, fixtures and equipment ("FF&E") purchases.

The following table summarizes additions to properties during Q1 2009:

($000s)	Q1 2009
Building expansions (internal growth)	4,279
Acquisition-related capital expenditures	574
Building improvements	1,784
Long-term replacement items	413
Furniture, fixtures and equipment	1,649
Other	179
Total	8,878

Contractual Obligations and Guarantees

Contractual Obligations

Chartwell's major contractual obligations as at March 31, 2009 were as follows:

($000s)	Total	2009	2010	2011	2012	2013	Thereafter
Mortgages payable	1,739,532	135,575	109,767	78,509	126,463	146,547	1,142,671
Convertible debentures	199,925	-	-	124,925	75,000	-	-
Loans payable	877	877	-	-	-	-	-
Revolving operating credit facility	8,000	8,000	-	-	-	-	-
Purchase obligations	52,631	25,858	13,838	8,127	4,808	-	-
Property operating leases	588,119	36,929	50,970	52,765	54,619	56,536	336,300
Other operating leases	10,677	1,656	2,129	2,057	2,096	1,359	1,380
Land leases	11,320	184	245	245	245	245	10,156
Total contractual obligations	2,611,081	209,079	176,949	266,628	263,231	204,687	1,490,507

Purchase obligations relate to the following:

- Deferred purchase obligations with respect to previously closed acquisitions in the amount of approximately $24.3 million payable generally on the earlier of the maturity date or the property achieving certain operating results as defined in the respective purchase and sale agreements.
- Purchase obligations with respect to previously closed acquisitions up to the amount of approximately $2.8 million payment which is contingent upon the property achieving certain operating results as defined in the respective purchase and sale agreements.
- Commitments with respect to various construction contracts of approximately $14.9 million.
- Commitments with respect to fixed contracts for the purchase of natural gas and electricity of approximately $10.6 million.

Property operating leases relate to Chartwell's leased interests in 25 seniors housing communities in which Chartwell holds a 49% interest and two communities that are 100% owned by Chartwell.

Other operating leases relate to the agreements entered into by Chartwell for office space in Ontario, Quebec, British Columbia and Florida.

Land leases relates to an obligation assumed by Chartwell in respect of the three leases which expire between 2044 and 2061 with annual payments of approximately $0.3 million

Other Contracts

In accordance with contracts between Chartwell and Melior, Chartwell is committed to the following:

(i) For a period of 10 years, expiring February 5, 2016, payment to Melior of a referral and due diligence fee of 2.5% of the purchase amount of properties acquired by Chartwell in the Province of Quebec provided such acquisitions are introduced, presented or referred by Melior. In addition, 2.0% of the purchase price of all acquisitions by Chartwell of properties in Canada, excluding the Province of Quebec, which are introduced, presented or referred by Melior.

(ii) Reimbursement of legal fees incurred by Melior in relation to mezzanine financings in excess of the lesser of $50,000 and 3% of total budgeted development costs for the related project.

CSH-INGRE's properties in the U.S. are managed by HBC. The property management agreements are for a term of 20 years and call for payment of management fees between 4% and 5% of gross revenues plus incentive fees based on achieving certain operating targets. Chartwell owns an effective 74.5% interest in HBC.

Chartwell's 100% owned properties in the U.S. are managed by HBCII. The management agreements are for a term of 30 years and call for payment of management fees between 5.0% and 5.5% of gross revenues plus an incentive fee based on achieving certain specified operating targets.

Guarantees

Chartwell provides a guarantee of the debt of one property that it sold to Spectrum in 2005 for which it receives an annual guarantee fee. The obligation outstanding on March 31, 2009 was $18.0 million. The maximum amount of the guarantee is $22.9 million. Spectrum has indemnified Chartwell in respect of this guarantee.

In addition, on March 27, 2009, Chartwell guaranteed indebtedness of Devonshire Pine Grove Inc. ("Devonshire") to the Toronto Dominion Bank. The guarantee is limited to a maximum amount of $803,000 and expires on November 30, 2009. Stephen A. Suske, former Vice Chair and Chief Executive Officer of Chartwell, and Richard Noonan, Chief Operating Officer, are shareholders of Devonshire. Messrs. Suske and Noonan have provided indemnities and other security to Chartwell in respect of this guarantee.

Transactions with Related Parties

In the normal course of operations, Chartwell enters into transactions with various related parties. The following is a summary of significant related-party transactions for the three months ended March 31, 2009:

Spectrum

At March 31, 2009, Chartwell's senior management (including Stephen A. Suske, former Vice Chair and Chief Executive Officer; Brent Binions, President and Chief Executive Officer; Richard Noonan, Chief Operating Officer and Evan Miller, Vice President Development) owned a minority interest in Spectrum. Subsequent to March 31, 2009, Brent Binions has made arrangements with respect to his holdings in Spectrum such that the Trustees of Chartwell are satisfied that no conflict exists between him and Chartwell. The remaining minority interest in Spectrum owned by Messrs. Noonan and Miller represents less than 5% of Spectrum's equity.
Under the terms of the Development Agreement with Spectrum, Chartwell provides mezzanine financing to Spectrum's development projects and provides development and operating management services for a fee.

During Q1 2009, Chartwell earned mezzanine loan interest of $1.2 million and fee and other income from Spectrum of $1.1 million.

At March 31, 2009, principal amount of mezzanine loans receivable from Spectrum was $45.2 million. These loans are secured by second charges or pledges of Spectrum's interests in 30 seniors housing projects. These loans are cross-defaulted and Spectrum provides its corporate guarantee to Chartwell.

At March 31, 2009, other assets included $4.8 million due from Spectrum. A portion of these amounts is past due. Past due amounts bear interest at 15% and Chartwell is working with Spectrum to collect these amounts.

These past due amounts are secured by a general security agreement against Spectrum's interest in one property in lease-up.

At March 31, 2009, Spectrum was in breach of certain covenants under its agreements with Chartwell. Chartwell has not delivered a default notice and is currently working with Spectrum to have these breaches corrected.

In Q1 2009, Chartwell completed acquisitions of Spectrum's 50% interest in four seniors housing communities in British Columbia and Ontario. The purchase price for these assets (before closing costs) amounted to $50.1 million and was settled by assumption of debt and working capital of $36.4 million offset by mezzanine loans of $5.7 million and offset by amounts due from Spectrum of approximately $7.5 million with the remainder paid in cash to Spectrum.

In Q1 2009, Chartwell agreed to a limited waiver of its option to purchase additional seniors housing properties from Spectrum in order to facilitate potential sales of such properties by Spectrum to third parties. Chartwell is entitled to five percent of the purchase price, net of transaction costs, of any such properties that are sold to third parties pursuant to Chartwell's limited waiver.

Chartwell has completed an evaluation of the security underlying each mezzanine loan as well as the evaluation of Spectrum's corporate guarantee based upon Spectrum's financial information as at December 31, 2008. As described in the "Critical Accounting Estimates" section of this MD&A, the process of determining fair values is subjective and requires management to exercise a significant amount of judgment in making valuation assumptions including revenue and expense projections, capitalization and discount rates. In developing our valuation assumptions we held extensive consultations with valuation and other professionals. We have updated our analysis based on the information available to us to date. Based on our updated evaluation, we believe that under current market conditions Spectrum has sufficient equity value to allow it to satisfy its obligations to Chartwell in due course.[*]

Other

Included in accounts receivable at March 31, 2009 is $0.04 million due from an entity controlled by Stephen A. Suske related to the previous sale of a property to the Trust. Subsequent to March 31, 2009, this amount was collected.

[*] *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

Changes to Significant Accounting Policies

Chartwell prepares its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). Chartwell's significant accounting policies are summarized in note 1 to its annual consolidated Financial Statements.

Management monitors the Canadian Institute of Chartered Accountants' ("CICA") recently issued accounting pronouncements to assess the applicability and impact, if any, of these pronouncements on Chartwell's consolidated financial statements and note disclosures.

Changes Adopted in 2009

On January 1, 2009, Chartwell adopted the new CICA Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"). The adoption of this section was applied retrospectively. The adoption of this standard did not have a significant impact on Chartwell's consolidated financial statements.

In January 2009, the Emerging Issues Committee of the CICA issued Abstract EIC-173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires the Trust to take into account its own credit risk and the credit risk of the counterparty in determining the fair values of its financial assets and financial liabilities including derivative instruments. EIC-173 is applicable to the Trust for its first quarter of fiscal 2009 with retrospective application, if any, to the beginning of its current fiscal year. The adoption of EIC-173 did not have a significant impact on its consolidated financial statements.

Ontario Long-Term Care Licensing:

- The new legislation governing long-term care communities in Ontario, which, among other things, contemplates the granting of licenses for fixed terms of up to 25 years has not yet been fully proclaimed into effect. If it is proclaimed into effect in the current form, the Trust may be required to start amortizing the value of its long term care licenses over the respective license term.

International Financial Reporting Standards:

- Canada's Accounting Standards Board recently confirmed its strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IFRS-IASB") over a transitional period to be completed by 2011. Chartwell will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011.
- Canadian GAAP will be fully converged with IFRS-IASB through a combination of two methods: first, as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the publicly accountable enterprises' transition date to IFRS-IASB; and secondly, standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises' transition date to IFRS-IASB. The IASB currently has projects underway that are expected to result in new pronouncements that continue to evolve.
- Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses (including debt covenants), employee compensation plans and performance metrics. Accordingly, Chartwell's implementation plan will include measures to provide extensive training to key finance personnel, to review relevant contracts and agreements and to increase the level of awareness and knowledge amongst Management, the Board, the Audit Committee and Investors.

The following provides a summary of Chartwell's IFRS implementation plan and status:

Initial Assessment Phase: This phase included the identification of significant differences between existing Canadian GAAP and IFRS-IASB at a high level as relevant to Chartwell. Based upon the current state of IFRS-IASB, this phase identified a modest number of topics that may possibly impact Chartwell's financial results and/or the necessary effort to make the transition to IFRS-IASB. Targeted training and communication activities, leveraging both internal and external resources, occurred during this phase. Chartwell has substantially completed its initial assessment phase.

Detailed Assessment Phase: Building upon the assessment performed in the Initial Assessment Phase, this phase will include:

- identification, evaluation and selection of accounting policies necessary for Chartwell to change over to IFRS-IASB;
- identification of the business impacts resulting from the identified accounting differences. Business impacts to be considered in Chartwell's Project Plan are: business units, control processes, information technology, stakeholders, regulatory matters and others as identified during this phase;
- assessment of IFRS 1 elections. This aspect of the project plan will follow the detailed assessment of the financial statement items and will be revisited periodically throughout the project;
- an initial training analysis and information systems impact analysis are also components of this phase, and are currently in the draft stage.

The detailed assessment phase will progress from Q1 2009 through to Q2 2010.

Design Phase: The Design Phase will integrate the solutions from the Detailed Assessment Phase into our underlying financial system and processes that are necessary for us to change over to IFRS-IASB. In addition, we will have designed business process changes and developed detailed training programs. The Design Phase is expected to be completed by Q2 2010.

Testing & Implementation Phase: During 2010, we will be testing our IFRS-IASB systems, processes, financial statements, notes, policies, internal controls and internal reporting throughout the period in preparation of our conversion date of January 1, 2011.
Status of Convergence Plan: Currently, impact assessment and training activities are underway and progressing according to plan.

Business combinations, Section 1582; Consolidated financial statements, Section 1601 and Non-controlling Interests, Section 1602:

On January 1, 2009, the CICA issued three new standards which are applicable to Chartwell on January 1, 2011:

Business combinations, Section 1582: The new section expands the definition of a business subject to an acquisition and establishes significant new guideline on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combinations are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

Consolidated financial statements, Section 1601 and Non-controlling Interests, Section 1602: These two sections replace Section 1600, Consolidated Financial Statements. These two sections are the equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of Unitholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. The new standards are applicable to Chartwell prospectively to business combinations for which the acquisition date is on or January 1, 2011. Early adoption is permitted, if all three sections are applied at the same time. At present, Chartwell has no plan to adopt these sections earlier than the effective date.

Critical Accounting Estimates

Under Canadian GAAP, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Management's estimates are based on past experience and other factors that it believes are reasonable under the circumstances. As this involves varying degrees of judgment and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Chartwell's Annual MD&A sets out the nature of critical accounting estimates that may affect our financial statements. There have not been any significant changes in the nature of the critical accounting estimates that could affect Chartwell's financial statements in Q1 2009.

Controls and Procedures

Chartwell is committed to maintaining effective disclosure control procedures and internal controls over financial reporting ("internal controls"). Over the past two years, we made significant investments in improvements to our information systems and financial processes. We expect to continue these efforts to further strengthen our internal controls in 2009. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Evaluation of Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The President and Chief Executive Officer and the Chief Financial Officer of the Trust have evaluated, or caused an evaluation under their direct supervision, of the design of the Trust's disclosure controls and

procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2009. Based on this evaluation, we have concluded that Chartwell has a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There were no changes in the Trust's internal controls over financial reporting that occurred during the interim period ended March 31, 2009 that have significantly affected, or are reasonably likely to significantly affect the Trust's internal controls over financial reporting.

Forward–Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or other similar variations. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Chartwell's control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- possible benefits from the implementation of new purchasing programs, which is subject to the risk and uncertainty that economic conditions result in increased costs of goods that offset any benefits from our purchasing power and is subject to the assumption that we can negotiate favourable terms with our vendors in the future;
- growth or lack thereof of G&A expenses, which is subject to the risk and uncertainty that economic conditions result in increased costs of goods and services and management expense and is subject to the assumption that our need for corporate overhead does not substantially decrease or increase;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing or due to other general business risks;

- our ability to predict seasonal increases in occupancy rates due to uncertain economic conditions;
- the decline in anticipated development management fees due to Spectrum's reduced development activities; and
- our ability to renew maturing debt in due course.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See "Risks and Uncertainties" below and risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent annual information form.

Risks and Uncertainties ♦

(a) **Business Risks**: Chartwell is subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economically viable residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to Chartwell.

(b) **Taxation**: Chartwell currently qualifies as a mutual fund trust for Canadian income tax purposes. For a description of the recent tax developments relating to the SIFT Rules, please refer to the "Significant Events – Taxation Related Matters" section of this MD&A.

With the enactment of the SIFT Rules and the issuance of equity capital in excess of the normal growth guidelines established by the Department of Finance ("Finance"), Chartwell is subject to SIFT tax effective January 1, 2007.

Under the SIFT Rules, distributions paid by a SIFT as returns of capital will not be subject to the tax. Such distributions are not currently taxable to Unitholders but serve to reduce the adjusted cost base of a Unitholder's units. In 2008, 100% of Chartwell's distributions were characterized as return of capital (2007, 97.7%). Management believes it is likely that a high return of capital component would continue in the reasonably foreseeable future and that any impact of the SIFT

♦ *For a complete description of the Risks and Uncertainties, please refer to Chartwell's Annual Information Form ("AIF").*

Rules on Unitholders will be significantly mitigated due to the large proportion of distributions which are expected to be a return of capital.

(c) **Geographic Concentration**: Chartwell's business and operations are conducted in the United States and Canada, and within Canada primarily in Ontario and Quebec. At March 31, 2009, a geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, as a percentage of total suites was: U.S. – 34%; Canada – 66%; by province as a percentage of total suites as follows: Ontario – 33%; Quebec – 23%; and other Canadian provinces – 10%. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.

(d) **Maintenance of Productive Capacity**: Chartwell is committed to keep its communities in a good state of repair. We fundamentally believe that by investing back into our communities we increase resident and staff satisfaction which ultimately results in better profitability of the business. We estimate that based on the average age, market position and state of repairs of our existing portfolio, the annual capital maintenance requirements are approximately 2% of annual gross property revenues. In addition to recurring capital maintenance projects, we invest in revenue enhancement and internal growth programs. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the capital maintenance requirements of our communities in our determination of future cash flows available for distributions to Unitholders. A significant increase in capital maintenance requirements of our communities could adversely impact cash available to Chartwell. The details of our actual capital asset spending for Q1 2009 can be found in the "Capital Expenditures" section of this MD&A.

(e) **Acquisition and Development**: Chartwell's external growth prospects depend in part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating the seniors housing communities acquired by the Trust. Chartwell has significantly reduced its focus on external growth over the past year. If Chartwell is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

(f) **Competition:** Numerous other owners, managers and developers of seniors housing communities compete with Chartwell in seeking residents. The existence of competing owners, managers and developers and competition for Chartwell's residents could have an adverse effect on the Trust's ability to find residents for its seniors housing communities and on the rents charged, and could adversely affect Chartwell's revenues and, consequently, cash available to Chartwell. The supply of long-term care suites in the regions in which Chartwell owns seniors housing may have an impact on the demand for retirement community suites.

(g) **Government Regulation**: Healthcare in Canada is subject to extensive regulation and regulatory changes. As a result, there can be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing industry, will not adversely affect Chartwell. In addition, new regulatory standards and requirements are being considered in a number of provinces which may affect all types of seniors housing communities.

Currently, the long-term care beds in Ontario are operated pursuant to the Nursing Homes Act, the Charitable Institutions Act or Homes for the Aged and Rest Homes Act. On October 3, 2006, the Government of Ontario introduced Bill140, now known as the Long-Term Care Homes Act, 2007 ("LTC Act 2007") which will consolidate the three pieces of legislation currently governing the LTC Communities. Aspects of the LTC Act 2007 which could affect Chartwell's LTC

Communities include: new licensing procedures based on more rigorous standards for license review, the granting of licenses for fixed-terms of up to 25 years, depending on bed classifications; the granting of replacement licenses to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in communities, including the requirement that a registered nurse be on-site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of community staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of homes. In addition, there will be a notice given three years before the end of the term of a license as to whether a new license will be issued. The LTC Act 2007 received third reading on June 4, 2007.

The LTC Act 2007 can not be fully proclaimed into force until regulations are drafted. It is anticipated that the regulations will be completed in the fall of 2009 at which time the LTC Act 2007 could be fully in force.

(h) **Personnel Costs**: Chartwell competes with other healthcare providers with respect to attracting and retaining qualified personnel. Chartwell is also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require the Trust to enhance its wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.

(i) **Labour Relations**: Chartwell, directly and indirectly, employs or supervises over 15,000 persons, of whom approximately 40% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that Chartwell will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on Chartwell's business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services.

There can be no assurance that the seniors housing communities owned by Chartwell that are not currently unionized will not in the future be subject to unionization efforts or that any such efforts will not result in the unionization of such seniors housing communities' employees.

(j) **Debt Financing**: Chartwell has and will continue to have substantial outstanding consolidated indebtedness comprised primarily of mortgages on our retirement and long-term care communities.

Over the past 18 months, lenders' credit spreads have increased substantially from the levels experienced in the past. However, the continuing decline in Government of Canada's bond yields made "all-in" debt costs lower than previously.

Lenders may have suffered losses related to their lending and other financial relationships, especially because of the general weakening of the economy and the increased financial instability of many borrowers. As a result, lenders may further tighten their lending standards, which could make it more difficult for Chartwell to obtain financing on favourable terms, or at all.

Chartwell may not be able to renegotiate the terms of renewal of its debt at favourable rates. To the extent that any financing requiring CMHC consent or approval is not obtained, or such consent or approval is only available on unfavourable terms, the Trust may be required to finance a conventional mortgage which may be less favourable to the Trust than a CMHC-insured mortgage. In addition, the terms of the Trust's indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the Trust and its subsidiaries. Therefore, upon an event of default under such indebtedness, Chartwell's ability to make distributions will be adversely affected.

A portion of Chartwell's cash flow is devoted to servicing its debt, and there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Chartwell were 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. Chartwell is also subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of its existing indebtedness.

(k) **Mezzanine Financing**: The mezzanine financing that has been provided by Chartwell to Spectrum pursuant to the Development Agreement, to Melior, and to Spectrum's joint venture partners, is generally secured by second charges or pledges of the borrowers' interests in development projects and ranks behind construction financing. Consequently, if mezzanine loan borrowers face financial difficulty and are not able to meet their commitments to their lenders, including Chartwell, the Trust could suffer a loss of management fees and of either interest or principal or both on the mezzanine loans it has advanced since lenders under the construction financing will rank ahead of Chartwell in any recovery from the assets of mezzanine loan borrowers. Further, Chartwell may not, at the applicable time, have the financial capacity to acquire all communities that it is entitled to acquire from mezzanine loan borrowers. In the event that Chartwell does not exercise its purchase option, the Trust would expect to have the principal and any unpaid interest relating to its mezzanine financing returned to it at which time Chartwell would cease to receive mezzanine loan interest income, and/or may cease to receive its management fees when mezzanine loan borrowers sell the property to a third-party. There is no guarantee that the level of development carried on by mezzanine loan borrowers will be maintained at current levels. Mezzanine loan borrowers' level of development activity may be constrained by their capital resources.

(l) **U.S./Canadian Exchange Rate Fluctuations**: Chartwell has interests in seniors housing communities located in the United States. Chartwell will therefore be subject to foreign currency fluctuations which may, from time to time, have an impact upon its financial position and results. Chartwell may enter into hedging arrangements to mitigate a portion of this risk; however, there can be no assurance that such hedging agreements, if any, would be sufficient to protect against currency rate losses that could adversely affect cash available to Chartwell.

(m) **Environmental Liabilities**: Under various environmental laws and regulations, Chartwell, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in its properties or disposed of at other locations sometimes regardless of whether or not the Trust knew of or was responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. Notwithstanding the above, management of Chartwell is not aware of any material non-compliance, liability or other claim in connection with any of our owned properties and properties

in respect of which mezzanine financing has been provided, nor is management aware of any environmental condition with respect to any of the properties that it believes would involve material expenditure by the Trust.

Environmental laws and regulation may change and Chartwell may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Chartwell's business, financial condition or results of operation and distributions.

(n) **Liability and Insurance**: The businesses, which are carried on, directly or indirectly, by Chartwell, entail an inherent risk of liability. Management expects that from time to time Chartwell may be subject to such lawsuits as a result of the nature of its businesses. The Trust maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

(o) **Joint Venture Interests**: Chartwell has entered into joint venture arrangements in respect of certain of its seniors housing operations. These joint venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing facilities including those risks described above. However, Chartwell relies, in part, on its joint venture partners to successfully manage and operate certain of its seniors housing operations, including those owned by certain of the joint ventures. Such reliance may include, but is not limited to: personnel; local, regional and/or industry expertise and licensing; historical performance; technical resources and information systems; financial strength and access to capital; economies of scale; and operations management. Therefore, Chartwell may be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on, or termination of, Chartwell's interests in its joint ventures and could affect the value of the joint ventures to Chartwell and/or cause Chartwell to incur additional costs if it were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint venture arrangements themselves, including: the risk that the other joint venturer may exercise buy-sell, put or other sale or purchase rights which could obligate Chartwell to sell its interest or buy the other joint venturer's interest at a price which may not be favourable to Chartwell or at a time which may not be advantageous to Chartwell, the effect of which could be materially adverse to Chartwell's financial position or resources.

(p) **Variable Interest Entities:** In June 2003, the CICA issued Accounting Guideline 15 ("AcG-15"), Consolidation of Variable Interest Entities ("VIE"). AcG-15 provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interest. AcG-15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG-15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or entitle it to receive a majority of the VIE's expected residual returns or both.

Chartwell continuously evaluates the impact of AcG-15 on the accounting for its relationships with and interests in various entities. In order to complete its evaluation under AcG-15, management is required, among other things, to make estimates of expected losses and/or residual returns, the probabilities of any such losses and/or residual returns relating to Spectrum, Melior,

joint ventures, mezzanine financings and other relationships, and the impact of changing economic conditions. These estimates are based on historical and available market information. Imprecision in these estimates can affect the assessment of expected losses and/or residual returns.

At March 31, 2009, Chartwell holds, directly or indirectly, variable interests in 19 variable interest entities. Although these entities were identified as VIEs, it was determined that Chartwell is not the primary beneficiary and, therefore, these VIEs are not subject to consolidation.

If based on Chartwell's evaluation of its relationships with Spectrum, Melior, or other entities and the surrounding circumstances at any particular time, Chartwell determines that Spectrum, Melior and/or other entities are subject to consolidation under the AcG-15, there would be a material adverse effect on Chartwell's results of operations and financial position as presented in Chartwell's financial statements.