Management's Discussion and Analysis

Q2

Second Quarter Report
June 30, 2010

CHARTWELL
SENIORS HOUSING REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Six Months Ended June 30, 2010

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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 current and prospective investors' understanding of the financial results for the three and six months ended June 30, 2010. This MD&A should be read in conjunction with Chartwell's consolidated financial statements for the three and six months ended June 30, 2010 and the notes thereto (the "Financial Statements"), audited financial statements for the year ended December 31, 2009 and the notes thereto (the "2009 Financial Statements") and annual Management's Discussion and Analysis for the year ended December 31, 2009 (the "2009 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 August 11, 2010.

All references to "Chartwell", "we", "our", "us" 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 third-party management business. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

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; "2010" refers to the calendar year 2010; "2009" refers to the calendar year 2009 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q2 2010 are in comparison to results from Q2 2009.

In this document we use a number of key performance indicators for monitoring and analyzing our financial results such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI") and others. These key performance measures are not defined by Canadian generally accepted accounting principles ("CGAAP") and may not be comparable to similar measures presented by other income trusts or other companies. Please refer to the "Key Performance Indicators" section of the 2009 MD&A for details of each of these performance indicators.

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

Business Overview

Chartwell is an open-ended real estate investment trust established under the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete spectrum of care from independent supportive living ("ISL") communities, through assisted living ("AL") communities, to long-term care ("LTC") communities, which are located in Canada and the United States ("U.S.").

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 lifelong learning
Commitment – We value commitment to the Chartwell family
Trust – We believe in keeping our promises and doing the right thing

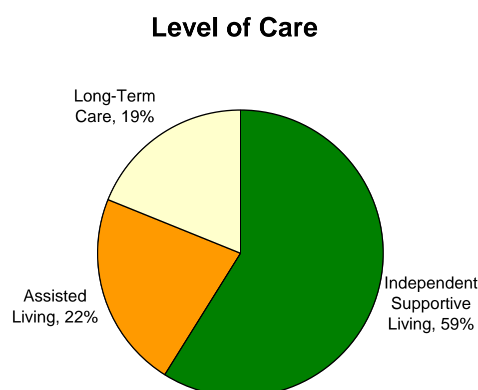
As of June 30, 2010, our portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 28,086 suites in 215 communities which are operating, under construction or in various stages of development. As of June 30, 2010, our portfolio of owned and leased communities consisted of interests in 22,871 suites in 182 communities.

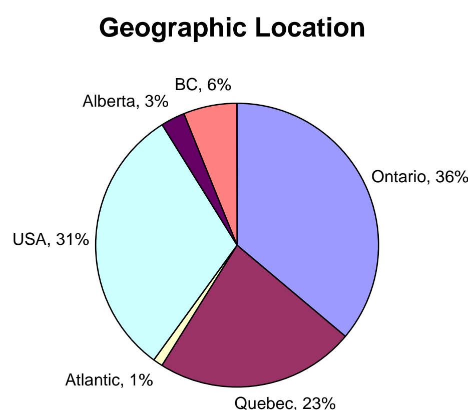
The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our four operating segments at June 30, 2010:

	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	101	11,121	24	3,164	29	3,366	-	-	154	17,651
Internal Growth	-	562	-	-	-	-	-	-	-	562
Total 100% Owned	101	11,683	24	3,164	29	3,366	-	-	154	18,213
50% Owned										
Operating	6	716	-	-	20	3,705	-	-	26	4,421
Total 50% Owned	6	716	-	-	20	3,705	-	-	26	4,421
Total Owned	107	12,399	24	3,164	49	7,071	-	-	180	22,634
Properties under Operating Lease:										
100% Interest	-	-	-	-	2	237	-	-	2	237
Total Leased	-	-	-	-	2	237	-	-	2	237
Total Owned and Leased	107	12,399	24	3,164	51	7,308	-	-	182	22,871
Other:										
Managed Properties							24 (3)	2,966	24	2,966
Mezzanine Loans (2)	-	-	-	-	-	-	7	1,336	7	1,336
Total Other	-	-	-	-	-	-	31	4,302	31	4,302
Properties Held for Sale: (4)										
100% owned	2	913	-	-	-	-	-		2	913
Total Properties Held	2	913	-	-	-	-	-	-	2	913
Total	109	13,312	24	3,164	51	7,308	31	4,302	215	28,086

(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) We hold purchase options on 9 of these communities.
(4) As described in note 7 of the consolidated financial statements, effective June 30, 2010, we committed to a plan to divest two retirement properties and have classified these as discontinued operations and held for sale in our financial statements.

Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Interest, at June 30, 2010 by:





Business Strategy and 2010 Outlook ♣

Our business strategy remains principally focused on providing quality care and services to our residents, which will allow us to grow AFFO from our owned and managed seniors housing properties. The following summarizes our strategic objectives:

- Grow property AFFO from our existing properties:
  - Achieve rental rate increases for 2010 of 2.0% to 4.5% while maintaining and improving on our high levels of service to and satisfaction of our residents.
  - Implement new initiatives to increase occupancy including new payment options in many Canadian jurisdictions to increase the percentage of seniors living in seniors housing properties ("penetration rate") and leveraging our new Canadian and U.S. websites to drive increased traffic to our properties.
  - Continue our initiatives to capture economies of scale and operational efficiencies.
  - Manage our portfolio of assets, including conducting asset management reviews of each property on a prioritized basis to identify its highest and best use.
- Pursue initiatives to reduce our exposure to third-party developers, including acquiring properties in satisfaction of outstanding mezzanine loans.
- Evaluate opportunities for on balance sheet development where we can achieve significant long-term value.
- Prudently expand our portfolio with an emphasis on newer properties, primarily in geographic regions where we are already operating, that meet our strict acquisition criteria, including AFFO accretion.
- Evaluate portfolio management opportunities with institutional partners.

Property Operations

Our focus on resident contact, quality of service and innovative marketing strategies allows us to maintain higher than industry average occupancies in many of our markets. We also continue our focus on controlling labour and supply costs. The following summarizes our outlook for 2010 for the markets in which we operate:

Canadian Operations

We expect a recovery in our Canadian Retirement Operations in the second half of 2010 and anticipate generating moderate growth through rate and occupancy increases supported by improving market conditions. In addition, we began implementation of a new sales approach throughout our Canadian Retirement Operations which has resulted in increased sales activity including an increased number of deposits on hand. The following summarizes our expectations:

- In Ontario, we anticipate average rental rates will continue to increase by 3.25% to 3.5% in 2010. Although occupancies softened slightly in Q2 2010, our metrics to track future arrivals are more favourable than we experienced at this time last year. We expect that these improvements, combined with the substantial waiting list for Ontario LTC accommodation that is currently in excess of 25,000 people and which creates a spillover effect to help support occupancies in retirement properties, should result in continued steady improvements in occupancies in the second half of 2010.
- In Alberta, we anticipate average rental rates will continue to increase by 3.25% to 3.5% in 2010 and occupancy levels are projected to continue to remain high.

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

- In British Columbia, we expect to continue to achieve average rental rate increases of 3.25% to 3.5% in 2010. Occupancies have been affected by oversupply conditions in two regional markets which, combined with reduced occupancies in one LTC property, have resulted in lower occupancy levels than our past performance. In Q2 2010 we observed positive occupancy trends and our future arrivals statistics remain positive. We anticipate that with the absorption of new supply and improved economic conditions, we will continue to see growth in occupancies in the second half of 2010.
- As a result of obtaining full control of our properties in Quebec, and the initiatives to reposition and renew many of these properties, we realized improved occupancy in our Quebec platform through 2009 and we anticipate this growth will continue steadily in 2010. We expect to achieve an average rental rate increase of 2.0% in 2010.

We continue to closely manage expenses in our Canadian Retirement Operations to ensure that we are mitigating the potential effects of the uncertain economic environment on NOI.

Our Canadian Long-Term Care Operations have achieved same property NOI growth of 10.5% in the first six months of 2010, which is attributed to a funding increase received in April of 2009, the timing of certain operating expenditures that are expected to be incurred in the second half of 2010, and a reduction in our estimate of property tax expense. We do not anticipate significant further increases in base funding in 2010 as the provincial government deficit is expected to constrain revenue growth.

In Ontario and British Columbia, operations are expected to be affected by the harmonization of provincial sales taxes with the federal Goods and Services Tax ("GST") on July 1, 2010. Harmonization with the GST will result in Ontario and British Columbia increasing the tax burden in the seniors housing sector by broadening the scope of their current sales taxes to include items such as utilities and contracted services, including maintenance contracts. We are expecting that in the case of our Long-Term Care Operations, provincial governments will not adversely affect the health services provided to seniors with this additional new tax and the Province of British Columbia recently announced that long-term care operators will be eligible for relief. We continue to advocate for similar relief in Ontario. In respect of our Retirement Operations in Ontario and British Columbia, we anticipate implementing rental rate increases to absorb the new costs beginning in 2011. The additional cost to Chartwell of the harmonization of provincial sales tax and GST in 2010 is estimated to be approximately $1.2 million.

U.S. Operations

Occupancies in our U.S. Operations experienced some improvement in the latter half of 2009 and we were cautiously optimistic that this would continue into 2010. However, we have experienced softening in occupancies in 2010 relative to Q4 2009. We continue to monitor trends very closely and with the exception of certain specific properties, have begun to see improvements. Continued uncertainty in the U.S. economy makes it difficult to predict future trends. Reduced occupancy has been partially offset by lower salary costs to date in 2010. We anticipate that average rental rates will increase by 3.5% to 4.5% in 2010. However, incentive programs for new residents will likely result in limited rate growth on suite turnover.

Management of General, Administrative and Trust Expenses

In 2009, we diligently managed our general, administrative and trust ("G&A") expenses, delayed or cancelled certain corporate activities and actively reduced costs to the extent possible while ensuring that support to our field operations teams remained strong. We continue to contain G&A expenses in 2010 to priority initiatives that drive increased property revenues and/or operational and administrative efficiencies.

Canadian Management Operations

We provide operations management services to a number of owners of seniors housing communities, and asset management services to ING Real Estate Investment Management Australia PTY Limited and its affiliates ("ING"). While we ensure that our existing clients receive the highest quality service, we do not seek to grow the number of "one off" management contracts. We would, however, consider portfolio management opportunities with institutional partners in the future.

As of March 31, 2010, we managed six communities owned by partnerships controlled by an institutional investor ("Seasons"). In Q1 2010, Seasons repaid mezzanine loans on two of these properties and internalized management of these two properties effective June 30, 2010.

In Q2 2010, we completed previously announced acquisitions of the Meridian and Regency portfolios from ING. As a result, operations and asset management fees have been replaced with property operating income.

With our reduced emphasis on development management activities and the wind down of our relationship with Spectrum Seniors Holdings LP ("Spectrum"), we expect development and operations management fee income to continue to decline in the second half of 2010.

Mezzanine Loan Interest Income

We continue working with the borrowers in order to collect amounts due from them. It is possible that we may acquire or receive in payment, a limited number of their properties, with their remaining properties being refinanced or sold to third parties. As a result, we expect mezzanine loan interest income to continue to decline in the second half of 2010.

Development

We continue to evaluate other opportunities for on balance sheet development on a limited scale. Subsequent to June 30, 2010 we commenced development of two retirement residences adjacent to our existing LTC properties in Kitchener and Oshawa, Ontario. These developments will add 215 retirement suites at a total development cost of approximately $50.0 million and are expected to be completed in Q1 2012. In addition, in 2010 we anticipate commencing redevelopment of 128 LTC beds in one community in British Columbia at a total development cost of approximately $26.6 million with the expected completion in Q2 2012.

The redevelopment of 35,000 LTC beds in Class B and C homes is required by the government of Ontario over the next 10 years and capital funding is provided for this renewal initiative. We have 12 Class B and C LTC properties in Ontario with a total of 1,166 beds that will be able to access this redevelopment program. In 2010, we anticipate that we will develop our overall plan for these properties as well as starting the physical redevelopment of three of these properties.

Acquisitions

We are working with Spectrum, Melior and their joint venture partners to collect the remaining outstanding mezzanine loans or, where appropriate, convert them into equity in the properties. We also remain open to opportunities to acquire newer properties on an accretive basis in geographic regions in which we already operate.

Dispositions

In Q2 2010, we disposed of our 50% interest in one retirement community in British Columbia and committed to a plan to divest two other Canadian retirement communities (Refer to the “Significant Events” section of this MD&A).

As part of our asset management review program, we may dispose of other select properties if we determine that such properties do not fit into our long-term strategy.

Liquidity and Debt Profile

At June 30, 2010 we had cash on hand in the amount of $7.8 million and available borrowing capacity of $69.2 million under our secured revolving operating facility (“Credit Facility”).

Our strategy in managing our mortgage profile is to spread our maturities over time so that no more than 10% of the total debt comes due in any given year. In 2009, due to the challenging credit market conditions, we did not have sufficient access to competitively-priced, longer-term debt and therefore, completed most of our financings on a 5-year basis. This results in a slightly higher weighting in our 2014 maturities. We expect, subject to availability of competitively-priced debt, to continue refinancing our remaining 2010 maturing mortgages with longer-term, fixed-rate debt.

In Canada we have access to low-cost mortgage financing insured by the Canada Mortgage and Housing Corporation (“CMHC”). At June 30, 2010, approximately 65% of our total Canadian mortgage debt was CMHC-insured. Subsequent to June 30, 2010, we refinanced a $3.9 million CMHC-insured mortgage on one of our properties with a 15-year mortgage bearing interest at 4.40%, a $10 million CMHC-insured mortgage on another property with a 10-year mortgage bearing interest at 4.33% and replaced a $4.6 million CMBS mortgage on another property with a CMHC-insured, 10-year mortgage bearing interest at 3.94%. We expect to continue utilizing CMHC-insured financing in our debt management program in 2010 and beyond.

In the U.S. we have no debt maturities until 2013.

Taxation

We currently qualify as a mutual fund trust for Canadian income tax purposes, and under legislation that became law on June 22, 2007 (the “SIFT Rules”), we became a specified investment flow-through trust (a “SIFT”).

Under the SIFT Rules, distributions paid by a SIFT as returns of capital will not be subject to the tax. In both 2009 and 2008, 100% of our distributions were characterized as tax-deferred returns of capital. We believe that it is likely that a high return of capital component would continue for the next several years mitigating the impact of the SIFT Rules on Trust Unitholders.

Summary

Our properties are generating stable operating income and cash flows and our emphasis on growth in AFFO from our property portfolio will continue. We believe that the outcome of the current economic climate will be positive in the mid-term for our sector as significant reductions in new seniors housing starts, due to tight credit markets, will reduce future supply from previously anticipated levels. Demographic trends in most markets we operate, should result in increasingly strong demand in the coming years which, combined with lower new supply expectations, will result in favourable market dynamics. As a result, significant opportunities may become available for prudent industry participants.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2009 MD&A. The following section contains updates to these significant events as of the date of this MD&A.

Acquisitions

In line with our strategy to acquire newer properties in geographic regions in which we already operate, in Q1 2010 we acquired, through foreclosure proceedings, two operating properties and one parcel of vacant land from Melior and one operating property from Melior and Spectrum in Quebec. As a result, mezzanine loans with the carrying amount of $12.8 million were settled. The original amount of these loans was $22.6 million which was reduced by fees recorded as a reduction of mezzanine loan balances of $1.0 million and previously recorded impairment provisions of $8.8 million. In addition, as part of the settlement agreement with Melior, we acquired one parcel of vacant land in Quebec, adjacent to our existing community for $1.75 million.

In Q2 2010, we completed previously announced acquisitions of ING's 50% interest in the Regency and Meridian portfolios as well as Spectrum's 50% interest in Valley Vista Retirement Residence.

The Regency portfolio is comprised of eight LTC communities consisting of 1,384 Class A beds situated in southern Ontario and was originally acquired in a joint venture with ING in July 2007. The purchase price for ING's 50% interest in the Regency portfolio was $79.5 million (before closing costs) and was settled through the assumption of the existing mortgages payable of approximately $68.0 million bearing interest at a weighted average interest rate of 7.41% and a weighted average term to maturity of 17.9 years, with the remaining balance, subject to working capital adjustments, being paid in a cash.

The Meridian portfolio consists of 1,045 suites in five properties in the Denver, Colorado area and one property in Temple, Texas. The Meridian portfolio was originally acquired in a joint venture with ING in August 2005. Our U.S. joint venture property management company, Horizon Bay Chartwell ("HBC"), will continue managing these properties. The purchase price for ING's 50% interest in the Meridian portfolio was U.S.$110.5 million (before closing costs), and was settled through the assumption of the existing mortgages in respect of the properties of approximately U.S.$74.6 million bearing interest at 5.41% and maturing in September 2015, settlements of outstanding amounts due from ING of U.S.$6.0 million, with the remaining balance, subject to working capital adjustments, being paid in cash.

Valley Vista is a 139-suite retirement residence located in Vaughan, Ontario. The purchase price for Spectrum's 50% interest was $17.4 million and was partially settled by the assumption of the existing mortgage payable of $15.1 million. The existing mortgage is a demand loan maturing on December 31, 2012 which bears interest at prime plus 1.50%, subject to the minimum rate of 4.00%. The remaining portion of the purchase price, subject to working capital adjustments and settlement of certain amounts owing to us, was paid in cash.

The following tables summarize acquisitions completed in the first six months of 2010:

($millions, except communities and suites)	Q1 2010	Q2 2010	2010 YTD
Number of communities	3	15	18
Number of suites	598	2,568	3,166
Purchase price (including closing costs)	82.8	216.4	299.2
Financed as follows:			
Mortgage debt assumed	67.7	165.9	233.6
Discharge of mezzanine loans receivable	12.8	-	12.8
Settlement of accounts receivable and management contracts	-	8.4	8.4
Cash	1.8	40.2	42.0
Acquisition costs	0.5	1.9	2.4
Total	82.8	216.4	299.2

Acquisitions completed in the first six months of 2010 are subject to the final settlement of the working capital adjustments. In addition, we continue to assess the initial valuations of the net assets acquired for each of these acquisitions. Therefore, the purchase price allocation for accounting purposes may be adjusted in future periods.

#	Community	Location	Type	Effective Date of Acquisition	Beds/Suites
2010 Acquisitions:					
1.	Les Seigneuries du Carrefour	Sherbrooke, QC	Retirement	March 9, 2010	275
2.	Les Appartements du Château de Bordeaux	Sillery, QC	Retirement	March 9, 2010	150
3.	Cite-jardin IV	Gatineau, QC	Retirement	March 9, 2010	173
4.	Arvada Meridian (1)	Arvada, CO	Retirement	May 14, 2010	125
5.	Boulder Meridian (1)	Boulder, CO	Retirement	May 14, 2010	96
6.	Englewood Meridian (1)	Englewood, CO	Retirement	May 14, 2010	266
7.	Lakewood Meridian (1)	Lakewood, CO	Retirement	May 14, 2010	173
8.	Temple Meridian (1)	Temple, TX	Retirement	May 14, 2010	232
9.	Westland Meridian (1)	Lakewood, CO	Retirement	May 14, 2010	153
10.	Regency Care – The Waterford (1)	Oakville, ON	Long-term care	June 1, 2010	168
11.	Regency Care – The Wenleigh (1)	Mississauga, ON	Long-term care	June 1, 2010	161
12.	Regency Care – The Westbury (1)	Etobicoke, ON	Long-term care	June 1, 2010	187
13.	Regency Care – The Woodhaven (1)	Markham, ON	Long-term care	June 1, 2010	192
14.	Regency Care – The Wynfield (1)	Oshawa, ON	Long-term care	June 1, 2010	172
15.	Regency Care – The Westmount (1)	Kitchener, ON	Long-term care	June 1, 2010	160
16.	Regency Care – The Willowgrove (1)	Ancaster, ON	Long-term care	June 1, 2010	169
17.	Regency Care – The Brant Centre (1)	Burlington, ON	Long-term care	June 1, 2010	175
18.	Valley Vista Retirement Residence (2)	Vaughan, ON	Retirement	June 1, 2010	139
Total 2010 Acquisitions					3,166
2009 Acquisitions:					
1.	Chatsworth Suites and Bungalows (2)	Kelowna, BC	Retirement	February 1, 2009	103
2.	Churchill House Retirement Community (2)	North Vancouver, BC	Retirement	February 1, 2009	97
3.	Riverside Retirement Residence (2)	London, ON	Retirement	March 1, 2009	138
4.	Pickering City Centre (2)	Pickering, ON	Retirement	March 1, 2009	117
5.	Chartwell Select Thunder Bay	Thunder Bay, ON	Retirement	October 1, 2009	109
6.	Carrington Suites	Mission, BC	Retirement	December 1, 2009	55
Total 2009 Acquisitions					619

(1) We acquired the balance 50% interest in these communities.
(2) We acquired a 50% interest in these communities.

Dispositions

In Q2 2010, we invoked the buy sell provision under our joint venture agreement on one 127-suite retirement community in British Columbia. Our joint venture partner matched our purchase offer and as a result, we disposed of our 50% interest in this community for $15.3 million. The purchaser assumed the existing mortgage in the amount of $12.3 million with the net proceeds of approximately $3.0 million paid to us in cash. In Q2 2010, as a result of this transaction, we recorded a gain for accounting purposes of $4.4 million. We acquired our 50% interest in this property from Spectrum in 2006 for $14.6 million.

In Q2 2010, we committed to a plan to divest two of our Canadian retirement communities which no longer fit into our long-term operating strategy. The carrying value of these properties has been reduced to the estimated fair value less cost to sell, and an asset impairment provision of $6.1 million has been recorded in our consolidated financial statements. We expect to complete these dispositions in 2010.

Please refer to the "Discontinued Operations" section of this MD&A for further information.

Transactions with Spectrum

During Q2 2009, Stephen A. Suske, who held a significant interest in Spectrum, left his position as Chief Executive Officer and Vice-Chair of Chartwell. In addition, during Q2 2009, Brent Binions, President and Chief Executive Officer of Chartwell 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. At December 31, 2009, Richard Noonan, Chief Operating Officer of Chartwell, owned a minority interest (less than 2%) in Spectrum and as a result is not engaged in any negotiations between Chartwell and Spectrum.

During Q2 2010, we agreed to extend the term of our settlement agreement with Spectrum from the original date of August 16, 2010 to December 31, 2010 to allow Spectrum more time to complete its orderly wind down.

Development Activities

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

Completed Internal Growth Projects

The following table summarizes completed internal growth projects in 2009 and 2010:

Project	Location	Suites	Total Cost ($millions)	Debt ($millions)	Construction Completion	Leased Suites at June 30, 2010
2010						
Carrington House	Vernon, BC	71	10.2	9.2	Q1 2010	29
Total 2010		71	10.2	9.2		29
2009						
Gayton Terrace[1]	Richmond, VA	98	U.S.$21.3	U.S.$17.7	Q2 2009	42
Quail Creek Retirement Centre	Renfrew, ON	34	6.3	5.5	Q3 2009	26
Total 2009		132				68
Total		**203**				**97**

(1) *We own a 50% interest in this community.*

Highlights of Consolidated Results of Operations

Same Property Portfolio Highlights [(1)]

Same property NOI increased $1.2 million or 3.1% for Q2 2010 compared to Q2 2009 and $3.2 million or 4.2% for 2010 YTD compared to 2009 YTD as follows:

- In our Canadian retirement portfolio, same property NOI increased $1.2 million or 4.8% in Q2 2010 compared to Q2 2009 and $3.2 million or 6.6% for 2010 YTD compared to 2009 YTD, primarily as a result of regular annual rental rate increases and savings in utility costs and other operating expenses.
- In our Canadian LTC portfolio, same property NOI increased $0.5 million or 15.6% in Q2 2010 compared to Q2 2009 and $0.6 million or 10.5% for 2010 YTD compared to 2009 YTD, primarily due to increased government funding which commenced in April 2009.
- In our U.S. portfolio, same property NOI decreased by U.S.$0.5 million or 4.1% in Q2 2010 compared to Q2 2009 and U.S.$0.6 million or 2.7% for 2010 YTD compared to 2009 YTD. Reduced occupancy was partially offset by regular annual rental rate increases. We continue to closely manage expenses, while investing in targeted sales and marketing to drive occupancy.

Same property occupancy continued to be relatively strong at 90.0% in Q2 2010. However, this represents a 0.3 percentage point decrease from 90.3% in Q1 2010 and a 0.1 percentage point decrease from 90.1% in Q2 2009.

Acquisition and Internal Growth Portfolio Highlights

For Q2 2010, acquisitions and internal growth contributed $10.7 million of NOI, or an additional $3.8 million compared to Q2 2009, excluding the impact of foreign exchange. On a year-to-date basis, acquisitions and internal growth added incremental NOI of $5.4 million in 2010 compared to 2009, excluding the impact of foreign exchange.

General, Administrative and Trust Expenses

G&A expenses, excluding severance and other costs, decreased 9.3% to $4.9 million in Q2 2010 compared to Q2 2009 and 4.5% to $9.5 million for 2010 YTD compared to 2009 YTD. As a percentage of revenue, G&A expenses, excluding severance and other costs, were at 2.9% for Q2 2010 compared to 3.3% in Q2 2009 and 2.8% for 2010 YTD compared to 3.0% for 2009 YTD.

Per Unit Analysis

AFFO for Q2 2010 was $21.6 million, an increase of $3.6 million compared to Q2 2009 AFFO of $18.0 million. On a per unit basis, AFFO for Q2 2010 was $0.17 per unit diluted compared to $0.18 per unit diluted in Q2 2009. Q2 2009 amounts exclude the provision for mezzanine loans and amounts receivable impairment of $30.7 million. The following items contributed to the changes in AFFO and AFFO per unit diluted:

- Incremental contribution from the property portfolio, primarily due to acquisitions completed subsequent to January 1, 2009, and same property NOI growth, increased AFFO by $3.8 million or 2.9 cents per unit diluted.
- Reduction in G&A expenses, due to lower severance and rebranding costs, increased AFFO by $0.9 million or 0.6 cents per unit diluted.

[(1)] *Note: statistics in this section exclude the effects of foreign exchange translation and results from discontinued operations.*

- The increase in bank interest and other income increased AFFO by $0.3 million, with other items, combined contributing additional $0.1 million of the increase. These items resulted in a 0.3 cent increase in AFFO per unit diluted.
- The above increases were offset by a reduction in our mezzanine loan interest income of $1.5 million or 1.1 cents per unit diluted.
- Per unit amounts were also affected by a 27% increase in the weighted average number of units outstanding due to the issuance of Trust Units completed in two public offerings in Q4 2009. The proceeds from these offerings were fully deployed during Q2 2010.

For 2010 YTD, AFFO was $41.8 million, an increase of $1.9 million compared to 2009 YTD of $39.9 million. 2010 YTD AFFO was $0.32 per unit diluted compared to 2009 YTD AFFO of $0.39 per unit diluted. 2009 YTD amounts exclude the provision for mezzanine loans and amounts receivable impairment of $30.7 million. The changes in AFFO and AFFO per unit diluted include the following:

- Incremental contribution from the property portfolio, primarily due to acquisitions completed subsequent to January 1, 2009, and same property NOI growth, increased AFFO by $7.5 million or 5.7 cents per unit diluted.
- Lower G&A expenses, primarily as a result of lower severance and rebranding costs, increased AFFO by $2.2 million or 1.7 cents per unit diluted.
- In Q1 2009, we recorded a realized foreign exchange gain for which there was not comparable amount in 2010. This resulted in a reduction in AFFO of $4.8 million or 3.7 cents per unit diluted.
- Lower mezzanine loan interest income reduced AFFO by $2.5 million or 1.9 cents per unit diluted.
- Lower management fee income reduced AFFO by $0.8 million or 0.6 cents per unit diluted.
- Higher bank interest and other income as well as current taxes and other items combined increased AFFO by $0.3 million or 0.2 cents per unit diluted.
- Per unit amounts were also affected by a 28% increase in the number of units outstanding.

For Q2 2010, FFO was $25.7 million or $0.20 per unit diluted, an increase of $11.7 million or $0.06 per unit diluted compared to Q2 2009 of $14.0 million or $0.14 per unit diluted, excluding the $30.7 million provision for impairment recorded in Q2 2009. The increase was primarily due to improved operating results and a decrease in unrealized foreign exchange expense, which was partially offset by dilution from the issuance of Trust Units in Q4 2009.

For 2010 YTD, FFO was $45.2 million or $0.35 per unit diluted, an increase of $11.9 million or $0.02 per unit diluted compared to 2009 YTD of $33.3 million or $0.33 per unit diluted, excluding the $30.7 million provision for impairment recorded in Q2 2009.

Net income for Q2 2010 was $1.6 million or $0.01 per unit diluted compared to a net loss in Q2 2009 of $41.1 million or $0.42 per unit diluted. The change in net income/loss is primarily due to lower amortization of limited life intangibles, increased property NOI and the provision for impairment of $30.7 million recorded in Q2 2009 for which there is not a comparable amount in Q2 2010. This was partially offset by reduced foreign exchange losses. Net loss for 2010 YTD was $6.4 million or $0.05 per unit diluted compared to a net loss in 2009 YTD of $55.1 million or $0.57 per unit diluted.

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

($000s, except per unit amounts and occupancy rates)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Property revenue [1]	168,990	159,417	9,573	327,665	321,015	6,650
Total revenues [1]	172,845	164,634	8,211	336,029	332,010	4,019
Net income/(loss)	1,616	(41,114)	42,730	(6,393)	(55,059)	48,666
Net income/(loss) per unit (basic and diluted)	0.01	(0.42)	0.43	(0.05)	(0.57)	0.52
Distributions declared	17,558	18,693	(1,135)	35,095	37,314	(2,219)
Distributions declared per unit	0.14	0.19	(0.05)	0.27	0.37	(0.10)
FFO [2] [3]	25,712	13,994	11,718	45,198	33,303	11,895
FFO per unit diluted [2] [4]	0.20	0.14	0.06	0.35	0.33	0.02
AFFO [2] [5]	21,596	18,029	3,567	41,832	39,937	1,895
AFFO per unit diluted [2] [4]	0.17	0.18	(0.01)	0.32	0.39	(0.07)
Weighted average occupancy rate - same property portfolio	90.0%	90.1%	(0.1pp)	90.8%	91.3%	(0.5pp)[6]
Weighted average number of units including Class B Units of Chartwell Master Care LP [4]:						
Basic	128,218,189	99,820,656	28,397,533	128,127,291	99,629,538	28,497,753
Diluted (includes LTIP)	130,553,436	102,414,129	28,139,307	130,464,351	102,234,704	28,229,647

(1) Excludes the effects of discontinued operations.
(2) Q2 2009 and 2009 YTD amounts exclude the provision for impairment of mezzanine loans and accounts receivable of $30.7 million.
(3) Refer to the "Non-GAAP Measures - Funds from Operations" section of this MD&A for the reconciliation of FFO to Net Loss.
(4) Refer to the "Key Performance Indicators – Per Unit Amounts" section of the 2009 MD&A for a discussion of the calculation of the per unit amounts.
(5) Refer to the "Non-GAAP Measures - Adjusted Funds from Operations" section of this MD&A for the details of the AFFO calculation.
(6) Percentage points.

Consolidated Results of Operations

Summary of Property Revenue

($000s, except occupancy rates)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Same property[1]	131,321	128,337	2,984	261,729	256,801	4,928
Acquisitions and other[1]	37,341	26,249	11,092	65,632	51,151	14,481
Eliminations	(903)	(1,754)	851	(2,546)	(3,499)	953
Foreign exchange on U.S. dollar revenue	1,231	6,585	(5,354)	2,850	16,562	(13,712)
Total property revenue [2]	168,990	159,417	9,573	327,665	321,015	6,650
Weighted average occupancy rate - same property portfolio	90.0%	90.1%	(0.1pp)	90.8%	91.3%	(0.5pp)

(1) Excludes the effect of foreign exchange on U.S. dollar revenue.
(2) Excludes discontinued operations.

Total property revenue grew 6.0% in Q2 2010 compared to Q2 2009 and 2.1% for 2010 YTD compared to 2009 YTD, as increased revenue from same property, acquisitions and internal growth were offset by lower foreign exchange translation on U.S. dollar revenues.

Same property revenue increased approximately $3.0 million or 2.3% in Q2 2010 compared to Q2 2009 and $4.9 million or 1.9% for 2010 YTD compared to 2009 YTD, despite lower occupancies. We continue to drive revenue growth as follows:

- Yield management programs in the Canadian retirement portfolio to increase market-based rates on suite turnover. However, the positive impact of these programs has been offset by increasing move-in incentives in certain markets. Move-in incentives typically reduce the average rental rate in the first year to which the incentives applied.
- Regular annual rental rate increases that are competitive to local market conditions.
- The addition of new services for residents at many of our communities through continued promotion of the Chartwell Advantage Program.

Weighted average occupancy rates in the same property portfolio were 90.0% in Q2 2010, a 0.3 percentage point decrease from 90.3% in Q1 2010 and a 0.1 percentage point decrease from 90.1% in Q2 2009. The following factors have contributed to the decrease:

- Ontario retirement same property average occupancy in Q2 2010 declined to 92.0% from 92.8% in Q1 2010 and was in line with Q2 2009.
- Western Canada same property average occupancy in Q2 2010 increased to 90.0% from 89.1% in Q1 2010 and was 2.6 percentage points lower than 92.6% in Q2 2009.
- Quebec same property average occupancy in Q2 2010 was 85.8% unchanged from Q1 2010 and was 1.4 percentage points higher than 84.4% in Q2 2009.
- U.S. same property average occupancy in Q2 2010 declined to 88.0% from 88.8% in Q1 2010 and was 0.9 percentage points lower than 88.9% in Q2 2009.

For 2010 YTD, the weighted average occupancy rate for the same property portfolio was 90.8%, a decrease of 0.5 percentage points from 91.3% for 2009 YTD.

Summary of Direct Operating Expenses

($000s)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Same property [(1)]	90,883	89,119	1,764	181,375	179,679	1,696
Acquisitions and other [(1)]	26,605	19,306	7,299	47,032	37,971	9,061
Eliminations	(903)	(1,754)	851	(2,546)	(3,499)	953
Foreign exchange on U.S. dollar expenses	810	4,229	(3,419)	1,845	10,590	(8,745)
Total direct operating expenses – properties	117,395	110,900	6,495	227,706	224,741	2,965
Direct operating expenses – management operations	998	1,025	(27)	2,006	2,050	(44)
Total direct operating expenses [(2)]	118,393	111,925	6,468	229,712	226,791	2,921

(1) Excludes the effect of foreign exchange on U.S. dollar expenses.
(2) Excludes discontinued operations.

Total direct operating expenses increased 5.8% in Q2 2010 compared to Q2 2009 and 1.3% for 2010 YTD compared to 2009 YTD, primarily due to additional expenses for acquisitions completed subsequent to January 1, 2009 and modest growth in same property direct operating expenses, offset by the impact of foreign exchange changes.

Same property direct operating expenses increased $1.8 million or 2.0% for Q2 2010 compared to Q2 2009 and $1.7 million or 0.9% for 2010 YTD compared to 2009 YTD. Increased costs primarily relate to

additional staffing to provide new services, combined with investments in targeted marketing initiatives designed to drive occupancy.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	Q2 2010	Q2 2009	Increase / (Decrease)	2010 YTD	2009 YTD	Increase / (Decrease)
G&A expenses	4,947	5,456	(509)	9,501	9,945	(444)
Severance and other costs	-	366	(366)	-	1,697	(1,697)
Total G&A	4,947	5,822	(875)	9,501	11,642	(2,141)
As % of revenue:						
Excluding severance and other costs	2.9%	3.3%	(0.4pp)	2.8%	3.0%	(0.2pp)

In Q2 2010, G&A expenses before severance and other costs decreased $0.5 million or 9.3% compared to Q2 2009 and $0.4 million or 4.5% for 2010 YTD compared to 2009 YTD. Q2 2009 and 2009 YTD G&A expenses included approximately $0.7 million of rebranding costs for which there is no comparable amount in Q2 2010.

There were no severance and other costs in Q2 2010 or 2010 YTD.

Interest and Property Lease Expense

($000s)	Q2 2010	Q2 2009	Increase / (Decrease)	2010 YTD	2009 YTD	Increase / (Decrease)
Mortgages and loans payable						
Same property	16,922	17,340	(418)	33,886	34,770	(884)
Acquisitions	4,677	3,196	1,481	8,240	6,200	2,040
Foreign exchange on U.S. dollar expenses	262	1,077	(815)	622	3,484	(2,862)
	21,861	21,613	248	42,748	44,454	(1,706)
Convertible debentures	2,979	2,979	-	5,958	5,958	-
Credit Facility and other	-	69	(69)	-	126	(126)
Interest capitalized to properties under development	(233)	(308)	75	(487)	(631)	144
	24,607	24,353	254	48,219	49,907	(1,688)
Accretion adjustment to convertible debenture liability	813	747	66	1,610	1,478	132
Amortization of debt mark-to-market adjustments arising on acquisition	(422)	(401)	(21)	(805)	(649)	(156)
Amortization of financing costs	1,338	1,493	(155)	2,828	2,716	112
Total Interest Expense [(1)]	26,336	26,192	144	51,852	53,452	(1,600)
Property Lease Expense						
Contractual lease payments for the period [(1)]	516	703	(187)	1,095	1,411	(316)

(1) Excludes discontinued operations.

Interest expense on the same property portfolio decreased in Q2 2010 and 2010 YTD compared to Q2 2009 and 2009 YTD due to lower interest rates achieved on mortgage renewals as well as paydown of certain mortgages completed in 2009 and to date in 2010.

During Q2 2010, we capitalized interest of $0.2 million which relates to our investment in internal growth projects.

Contractual property lease expense decreased $0.2 million for Q2 2010 compared to Q2 2009 and $0.3 million for 2010 YTD compared to 2009 YTD, primarily due to foreign exchange translation.

Mezzanine Loans, Mezzanine Loan Interest Income and Impairment Provision

The following table summarizes the changes in our investments in mezzanine loans for the first six months of 2010 and 2009:

($millions)	**2010 YTD**	2009 YTD
Gross mezzanine loans outstanding (beginning of period)	89.8	108.1
Discharge of mezzanine loans on our acquisition of the related properties and land	(22.6)	(5.7)
Other repayments of mezzanine loans in cash	(2.8)	-
Gross mezzanine loans outstanding (end of period)	64.4	102.4

In Q2 2010, we updated our assessment of the underlying value of the security for each mezzanine loan as well as the value of the corporate guarantees securing mezzanine loans where applicable. The process of determining fair value is subjective and requires us to exercise judgement in making valuation assumptions including revenue and expense projections, lease-up expectations, capitalization and discount rates. Based on our updated assessment, we believe no changes are required to the cumulative impairment provisions at this time.

The following table summarizes changes in the impairment provision in Q2 2010:

($millions)	**Mezzanine Loans**	**Accounts Receivable**	**Total**
Balance March 31, 2010	21.7	6.2	27.9
Settlement of mezzanine loans	0.4	(0.4)	-
Balance June 30, 2010	22.1	5.8	27.9

In Q2 2010, we collected certain accounts receivable against which an impairment provision was previously recorded. Accordingly, we reallocated $0.4 million of the impairment provision from accounts receivable to mezzanine loans.

The following table provides further details on mezzanine loans outstanding and related impairment provisions:

($millions)	**Number of Projects**	**Mezzanine Loans Outstanding**	**Fees, net of costs recorded as a reduction of mezzanine loan balances**	**Impairment Provision**	**Net Balance Outstanding**
Spectrum and Partners outside Quebec	13	24.9	(0.2)	(0.5)	24.2
Melior, Spectrum and Partners	7	27.9	(2.0)	(21.6)	4.3
Seasons and Partners	4	11.6	(0.3)	-	11.3
Total gross mezzanine loans outstanding	24	64.4	(2.5)	(22.1)	39.8

The following table summarizes interest income on our mezzanine loans:

($000s)	Q2 2010	Q2 2009	Increase / (Decrease)	2010 YTD	2009 YTD	Increase / (Decrease)
Mezzanine loan interest before effective yield adjustments	1,124	2,369	(1,245)	2,353	4,807	(2,454)
Effective yield adjustments for:						
Placement fees integral to lending activities	178	529	(351)	500	834	(334)
Legal costs integral to lending activities	-	(138)	138	(52)	(310)	258
Total mezzanine loan interest income	1,302	2,760	(1,458)	2,801	5,331	(2,530)

Mezzanine loan interest income decreased $1.5 million for Q2 2010 compared to Q2 2009 and $2.5 million for 2010 YTD compared to 2009 YTD due to lower balances of loans outstanding and due to the fact that interest revenue from Spectrum and Melior is only recognized when payments have been received. For all other projects, 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.

Discontinued Operations

The following table shows the results of discontinued operations:

(U.S.$000s, except as noted otherwise)	Q2 2010	Q2 2009	Increase / (Decrease)	2010 YTD	2009 YTD	Increase / (Decrease)
Net Operating Income						
Revenue	3,968	29,746	(25,778)	7,876	61,345	(53,469)
Interest and other	-	28	(28)	-	53	(53)
Below market lease amortization	-	82	(82)	-	212	(212)
	3,968	29,856	(25,888)	7,876	61,610	(53,734)
Direct operating expense	2,364	17,732	(15,368)	4,899	36,293	(31,394)
Total Net Operating Income	1,604	12,124	(10,520)	2,977	25,317	(22,340)
Interest expense	1,005	1,024	(19)	1,995	2,076	(81)
Contractual lease expense	-	10,936	(10,936)	-	22,617	(22,617)
Adjustment to record lease expense on a straight-line basis over the lease term	-	1,660	(1,660)	-	3,426	(3,426)
Total Interest Expense	1,005	13,620	(12,615)	1,995	28,119	(26,124)
	599	(1,496)	2,095	982	(2,802)	3,784
Depreciation of properties	1,130	1,710	(580)	2,221	3,417	(1,196)
Amortization of limited life intangible assets	-	1,337	(1,337)	214	2,699	(2,485)
Gain on sale of assets	(4,394)	-	(4,394)	(4,394)	-	(4,394)
Provision for asset impairment	6,100	-	6,100	6,100	-	6,100
	2,836	3,047	(211)	4,141	6,116	(1,975)
Loss before income taxes	(2,237)	(4,543)	2,306	(3,159)	(8,918)	5,759
Income taxes – current	-	(5)	5	-	169	(169)
Loss before non-controlling interest	(2,237)	(4,538)	2,301	(3,159)	(9,087)	5,928
Non-controlling interest	29	88	(59)	45	181	(136)
Net Loss	(2,208)	(4,450)	2,242	(3,114)	(8,906)	5,792

Other Items

($000s)	Q2 2010	Q2 2009	Increase / (Decrease)	2010 YTD	2009 YTD	Increase / (Decrease)
Bank interest and other income	956	677	279	2,336	1,489	847
Below-market lease amortization revenue	184	223	(39)	368	530	(162)
Realized foreign exchange gains and (losses)	(5)	(185)	180	(13)	4,802	(4,815)
Unrealized gains and (losses) on derivative financial instruments and unrealized foreign exchange gains and (losses)	2,694	(4,124)	6,818	807	(7,095)	7,902
Depreciation of properties	(18,607)	(17,717)	(890)	(36,287)	(35,730)	(557)
Amortization of limited life intangible assets	(3,685)	(9,334)	5,649	(9,456)	(20,166)	10,710
Current income tax (expense) recovery	(82)	(81)	(1)	(162)	87	(249)
Future income tax (expense) recovery	911	4,693	(3,782)	(2,085)	2,941	(5,026)
Non-controlling interest	(55)	776	(831)	48	978	(930)
Net income/(loss)	1,616	(41,114)	42,730	(6,393)	(55,059)	48,666

Bank Interest and Other Income: Bank interest and other income was higher in Q2 2010 compared to Q2 2009 and for 2010 YTD compared to 2009 YTD, primarily due to higher interest income earned on invested cash balances during the period.

Realized Gains (Losses): We recorded a net realized foreign exchange gain of $4.9 million in Q1 2009 primarily related to the settlement of a foreign exchange SWAP contract. There were no comparable amounts in 2010 YTD.

Unrealized Gains (Losses): The unrealized foreign exchange gains and losses primarily related to the intercompany cross-border U.S. dollar-denominated loans receivable and payable that we used to finance our operations in a tax-efficient manner. At June 30, 2010, we had net loans outstanding of approximately U.S.$37.5 million from 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 CGAAP.

Depreciation and Amortization: The increase in depreciation of properties is primarily due to acquisitions completed in 2009 and 2010, offset by lower foreign exchange translation of our U.S. operations. Amortization of limited life intangible assets decreased in Q2 2010 compared to Q2 2009 and for 2010 YTD compared to 2009 YTD, as certain intangible assets were fully amortized in 2009 and 2010 YTD.

Current and Future Income Tax (Expense) Recovery: The provision for future income tax expense relates to the temporary differences between the carrying amounts and the tax bases of assets and liabilities, including those that are expected to reverse on or after June 30, 2010. These temporary differences are tax-effected using the estimated, substantively-enacted SIFT tax rate at the time that these differences are expected to reverse.

Net Income/(Loss): Net income after discontinued operations increased to $0.01 per unit diluted for Q2 2010 compared to a loss of $0.42 per unit diluted in Q2 2009 and net loss decreased $0.52 per unit diluted for 2010 YTD compared to 2009 YTD. Increased NOI, reduced amortization of limited life intangible assets, and a provision for impairment charge taken in Q2 2009 were partially offset by lower realized foreign exchange gains.

Non-GAAP Measures

FFO and AFFO do not have a standardized meaning under CGAAP.

Refer to the "Key Performance Indicators" section of our 2009 MD&A for a detailed discussion of the nature of various adjustments made in the calculation of FFO 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 net income/loss to FFO:

($000s, except per unit amounts)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Net income/(loss)	1,616	(41,114)	42,730	(6,393)	(55,059)	48,666
Add (Subtract):						
Depreciation of properties [1]	19,736	19,427	309	38,507	39,147	(640)
Amortization of limited life intangible assets [1]	3,685	10,671	(6,986)	9,670	22,865	(13,195)
Depreciation of leasehold improvements included in depreciation of properties	(146)	(117)	(29)	(284)	(234)	(50)
Loss/(gain) on sale of assets	(4,394)	-	(4,394)	(4,394)	-	(4,394)
Write down of carrying value of assets	6,100	-	6,100	6,100	-	6,100
Future income tax expense/ (recovery)	(911)	(4,693)	3,782	2,085	(2,941)	5,026
Non-controlling interest	26	(864)	890	(93)	(1,159)	1,066
FFO [2]	25,712	(16,690)	42,402	45,198	2,619	42,579
Provision for impairment of mezzanine loans and accounts receivable	-	30,684	(30,684)	-	30,684	(30,684)
FFO excluding impairment provision	25,712	13,994	11,718	45,198	33,303	11,895
FFO per unit excluding impairment provision						
Basic	0.20	0.14	0.06	0.35	0.33	0.02
Diluted	0.20	0.14	0.06	0.35	0.33	0.02

(1) Includes depreciation and amortization that has been reclassified as discontinued operations.
(2) Refer to the "Key Performance Indicators – Funds from Operations" section of the 2009 MD&A for a discussion of the nature of various adjustments made in FFO calculations.

Excluding impairment provision, FFO and FFO per unit diluted increased $11.7 million or $0.06 per unit diluted for Q2 2010 compared to Q2 2009 and $11.9 million or $0.02 per unit diluted for 2010 YTD compared to 2009 YTD. The increase was primarily due to increased contributions from the property portfolio, lower G&A expenses and reduced unrealized foreign exchange loss. This increase was partially offset by lower mezzanine loan interest income and management fees, as well as the dilution from the issuance of Trust Units in Q4 2009.

Adjusted Funds from Operations (AFFO)

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
FFO [(1)]	25,712	(16,690)	42,402	45,198	2,619	42,579
Add (Subtract):						
Adjustment to record lease expense on a straight-line basis over the lease term	-	1,659	(1,659)	-	3,426	(3,426)
Unrealized foreign exchange and derivative (gains)/losses	(2,694)	4,124	(6,818)	(807)	7,095	(7,902)
Amortization of below-market leases	(184)	(305)	121	(368)	(742)	374
Principal portion of capital subsidy receivable from Health Authorities	682	541	141	1,244	1,073	171
Amounts received under income guarantees	64	143	(79)	133	261	(128)
Amortization of financing costs	1,439	1,599	(160)	3,015	2,926	89
Accretion adjustment to convertible debenture liability	813	747	66	1,610	1,478	132
Amortization of debt mark-to-market adjustments arising on acquisition	(423)	(402)	(21)	(805)	(649)	(156)
Deferred financing fee reserve [(2)]	(354)	(288)	(66)	(677)	(587)	(90)
AFFO before capex reserve	25,055	(8,872)	33,927	48,543	16,900	31,643
Maintenance capex reserve - 2% of property revenue	(3,459)	(3,783)	324	(6,711)	(7,647)	936
AFFO [(3)]	21,596	(12,655)	34,251	41,832	9,253	32,579
Provision for impairment of mezzanine loans and accounts receivable	-	30,684	(30,684)	-	30,684	(30,684)
AFFO excluding impairment provision	21,596	18,029	3,567	41,832	39,937	1,895
AFFO per unit excluding impairment provision						
Basic	0.17	0.18	(0.01)	0.33	0.40	(0.07)
Diluted	0.17	0.18	(0.01)	0.32	0.39	(0.07)

(1) Refer to the "Key Performance Indicators – Funds from Operations" section of the 2009 MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Deferred financing fee reserve is calculated quarterly as 60 basis points applied to our mortgages payable at the end of the quarter, pro-rated based on the weighted average term to maturity.

(3) Refer to the "Key Performance Indicators – Adjusted Funds from Operations" section of the 2009 MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

An analysis of AFFO is described under the "Highlights of Consolidated Results of Operations" section of this MD&A.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	**2010**		2009				2008	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4 As recast [1]	Q3 As recast [1]
Revenues [2]	172,845	163,184	163,772	161,815	164,634	167,376	165,532	152,628
Direct operating expenses [2]	(118,393)	(111,319)	(114,975)	(110,624)	(111,925)	(114,866)	(114,824)	(101,790)
General, administrative and trust expenses	(4,947)	(4,554)	(4,941)	(4,425)	(5,822)	(5,820)	(5,302)	(4,098)
	49,505	47,311	43,856	46,766	46,887	46,690	45,406	46,740
Interest expense [2]	(26,336)	(25,516)	(25,776)	(26,062)	(26,192)	(27,260)	(26,275)	(24,249)
Property lease expenses [2]	(516)	(579)	(599)	(588)	(703)	(708)	(655)	(590)
Foreign exchange gains/(losses)	2,689	(1,895)	(820)	(3,848)	(4,309)	2,016	12,534	3,358
Depreciation and amortization [2]	(22,292)	(23,451)	(25,139)	(25,108)	(27,051)	(28,845)	(28,758)	(26,880)
Provision for impairment of goodwill	-	-	-	-	-	-	(73,323)	-
Provision for impairment of mezzanine loans and accounts receivable	-	-	-	-	(30,684)	-	(6,406)	-
(Loss)/Gain on sale of assets	-	-	-	-	-	-	64	126
Non-controlling interest [2]	(55)	103	49	113	776	202	2,257	216
Current income tax (expense) recovery [2]	(82)	(80)	(80)	(91)	(81)	168	496	(629)
Future income tax (expense) recovery	911	(2,996)	2,578	4,234	4,693	(1,752)	2,116	(1,500)
(Loss) from discontinued operations [2]	(2,208)	(906)	(1,305)	(4,366)	(4,450)	(4,456)	(4,540)	(2,543)
Net income/(loss) for the period	1,616	(8,009)	(7,236)	(8,950)	(41,114)	(13,945)	(77,084)	(5,951)
Net income/(loss) per unit diluted	0.01	(0.06)	(0.06)	(0.09)	(0.42)	(0.14)	(0.81)	(0.06)
FFO	25,712	19,486	16,858	14,552	(16,690)	19,309	23,249	24,451
FFO per unit diluted	0.20	0.15	0.14	0.14	(0.16)	0.19	0.23	0.24

(1) These figures have been recast. Refer to "Correction of Immaterial Prior-Period Error" section of the 2009 MD&A and note 2 of the 2009 Financial Statements for a discussion of the details of the correction.

(2) We disposed of our interest in HBR effective October 1, 2009. The disposition is considered discontinued operations. Accordingly, the results attributed to the discontinued operations are disclosed separately.

Our results for the past eight quarters have been affected by the contribution of acquisitions, changes in foreign exchange rates resulting in realized and unrealized gains and losses, the impact of the slow North American economy on occupancies, our decision in 2008 to reduce our exposure to third-party developers and related mezzanine loans, as well as management fees and the issuance of Trust Units.

In Q4 2008 we recorded a provision for impairment of goodwill of $64.5 million and subsequently recast this figure to $73.3 million as described in the "Correction of Immaterial Prior-Period Error" section of our 2009 MD&A. In Q4 2008 and in Q2 2009, we recorded provisions for impairment of mezzanine loans and accounts receivable of $6.4 million and $30.7 million, respectively.

Summary of Results of Operations by Division

The following section provides an analysis of the operating performance of each of our operating segments for Q2 2010 compared to Q2 2009.

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	89	7,104	2,156	671	9,931
50% Owned	1	121	-	-	121
Total Same Property	90	7,225	2,156	671	10,052
Acquisitions & Internal Growth					
100% Owned:					
Operating	12	885	5	328	1,218
Internal growth	-	379	-	155	534
	12	1,264	5	483	1,752
50% Owned	5	558	37	-	595
Total Acquisitions & Internal Growth	17	1,822	42	483	2,347
Properties Held for Sale	2	809	104	-	913
Total	109	9,856	2,302	1,154	13,312

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

($000s, excluding occupancy rates)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenues						
Same property	70,958	68,705	2,253	141,480	137,739	3,741
Acquisitions and internal growth	12,290	7,771	4,519	22,152	14,365	7,787
Total Revenue	83,248	76,476	6,772	163,632	152,104	11,528
Direct Operating Expenses						
Same property	44,740	43,681	1,059	89,463	88,944	519
Acquisitions and internal growth	8,376	5,571	2,805	15,126	10,658	4,468
Total Direct Operating Expenses	53,116	49,252	3,864	104,589	99,602	4,987
Net Operating Income						
Same property	26,218	25,024	1,194	52,017	48,795	3,222
Acquisitions and internal growth	3,914	2,200	1,714	7,026	3,707	3,319
Total Net Operating Income	30,132	27,224	2,908	59,043	52,502	6,541
Same property statistics:						
Weighted average occupancy rate	89.4%	89.3%	0.1pp	90.0%	90.2%	(0.2pp)

Same property revenues increased 3.3% in Q2 2010 primarily due to regular annual rental rate increases, which ranged between 2.0% and 3.5% and additional programs to deliver new services in certain properties. Same property average occupancy was 89.4% for Q2 2010, a slight increase from Q2 2009 same property average occupancy of 89.3%.

Same property direct operating expenses increased 2.4% in Q2 2010 compared to Q2 2009 primarily due to costs associated with increased additional care service programs at certain of our properties noted above.

Same property NOI increased $1.2 million or 4.8% in Q2 2010 compared to Q2 2009. Same property NOI in our Ontario retirement properties for Q2 2010 increased 7.4% primarily due to regular annual rental rate increases and continued growth or ancillary revenue, combined with lower operating costs, primarily utilities and payroll savings. Our Western Canadian platform same property NOI declined slightly by 0.6% due to reduced occupancies in certain local markets, offset by regular annual rental rate increases and cost reduction initiatives. Our Quebec platform same property NOI grew 3.4% primarily due to regular annual rental rate increases, improved occupancy, additional NOI from new services and savings in utility and other operating expenses.

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**
100% Owned Same Property	16	64	99	1,616	1,779
100% Owned Acquisitions	8	-	-	1,385	1,385
Total	24	64	99	3,001	3,164

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

($000s, excluding occupancy rates)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenues						
Same property	26,028	25,573	455	51,415	50,180	1,235
Acquisitions	14,657	10,827	3,830	25,427	21,273	4,154
Total Revenue	40,685	36,400	4,285	76,842	71,453	5,389
Direct Operating Expenses						
Same property	22,477	22,502	(25)	45,056	44,427	629
Acquisitions	12,323	9,151	3,172	21,569	18,153	3,416
Total Direct Operating Expenses	34,800	31,653	3,147	66,625	62,580	4,045
Net operating income						
Same property	3,551	3,071	480	6,359	5,753	606
Acquisitions	2,334	1,676	658	3,858	3,120	738
Total Net Operating Income	5,885	4,747	1,138	10,217	8,873	1,344
Same property statistics:						
Weighted average occupancy rate	98.1%	98.2%	(0.1pp)	98.3%	98.2%	0.1pp

Same property revenues increased 1.8% in Q2 2010 compared to Q2 2009. The increases are primarily due to higher government funding provided for direct resident care services which are mainly staffing related. Direct operating expenses decreased slightly by 0.1% in Q2 2010 compared to Q2 2009. Same property NOI increased $0.5 million or 15.6% for Q2 2010 compared to Q2 2009 primarily due to timing and a reduction in our estimates of property tax expense.

Weighted average occupancies in the same property portfolio were at 98.1% for Q2 2010, a decrease of 0.1 percentage points from Q2 2009. Occupancy in all of our Ontario LTC communities exceeded 97% for 2010 YTD, and as a result, these communities received government funding as though fully occupied.

In Q2 2010, we completed the previously announced acquisition of the remaining 50% interest in the Regency portfolio of eight Class A LTC communities in Ontario. The operating results of these properties are reported under Acquisitions in the previous table.

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 - Owned					
100%	23	711	1,600	-	2,311
50%	19	2,026	1,483	-	3,509
Total Same Property Owned	42	2,737	3,083	-	5,820
Properties under Operating Lease					
100% Interest	2	78	159	-	237
Total Same Property Owned and Leased	44	2,815	3,242	-	6,057
Acquisitions					
100% Owned	6	865	-	190	1,055
Internal Growth					
50% Owned	1	161	35	-	196
Total	51	3,841	3,277	190	7,308

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

(U.S.$000s, except as noted otherwise)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenues						
Same property	34,336	34,063	273	68,832	68,886	(54)
Acquisitions, Internal growth and other [1]	10,395	7,651	2,744	18,053	15,513	2,540
Intercompany eliminations	(903)	(1,754)	851	(2,546)	(3,499)	953
Total Revenues	43,828	39,960	3,868	84,339	80,900	3,439
Direct Operating Expenses						
Same property	23,668	22,934	734	46,853	46,305	548
Acquisitions, Internal growth and other [1]	5,906	4,584	1,322	10,337	9,160	1,177
Intercompany eliminations	(903)	(1,754)	851	(2,546)	(3,499)	953
Total Direct Operating Expenses	28,671	25,764	2,907	54,644	51,966	2,678
Net Operating Income						
Same property	10,668	11,129	(461)	21,979	22,581	(602)
Acquisitions, Internal growth and other [1]	4,489	3,067	1,422	7,716	6,353	1,363
Total Net Operating Income	15,157	14,196	961	29,695	28,934	761
Foreign exchange in CDN	421	2,350	(1,929)	1,004	5,965	(4,961)
Total Net Operating Income in CDN	15,578	16,546	(968)	30,699	34,899	(4,200)
Same property statistics:						
Weighted average occupancy rate	88.0%	88.9%	(0.9pp)	88.6%	90.1%	(1.5pp)

(1) Includes the results of the Meridian portfolio acquired in Q2 2010, one property at which we are completing an addition, as well as the results of our U.S. management operations excluding discontinued management operations.

Same property revenue increased U.S.$0.3 million or 0.8% for Q2 2010 compared to Q2 2009. Same property revenues have been impacted by occupancy declines in the first half of 2010, with Q2 2010 weighted average occupancy 88.0% or 0.9 percentage points lower than Q2 2009 weighted average occupancy of 88.9%. Declining occupancies were partially offset by regular annual rental rate increases.

Same property direct operating expenses increased $0.7 million or 3.2% for Q2 2010 compared to Q2 2009. To mitigate reduced occupancy, we are continuing to implement strategies to provide more payment flexibility to existing and potential residents, and are investing in sales and marketing and advertising initiatives. In addition, we reduced staffing levels to align with lower occupancy levels and on staff turnover have been successful in recruiting new hires at lower wage rates.

Same property NOI decreased U.S.$0.5 million or 4.1% for Q2 2010 compared to Q2 2009.

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

	Q2 2010	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.03	1.17	(0.14)	1.03	1.21	(0.18)

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar impacts AFFO from continuing operations by approximately $0.2 million.

Canadian Management Operations

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

	Properties	Composition of Suites			
		ISL	AL	LTC	Total
Managed properties	24	1,799	303	864	2,966
Mezzanine loans	7	1,220	116	-	1,336
Total	31	3,019	419	864	4,302

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

($000s)	**Q2 2010**	Q2 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Management and Other Fee Revenue						
Spectrum:						
Development management	-	(213)	213	-	164	(164)
Operations management	359	466	(107)	661	1,021	(360)
Other	5	17	(12)	20	34	(14)
Total Spectrum	364	270	94	681	1,219	(538)
ING	350	575	(225)	860	1,170	(310)
Other	699	712	(13)	1,318	1,256	62
Total Management and Other Fee Revenue:	1,413	1,557	(144)	2,859	3,645	(786)
Direct operating expenses	998	1,025	(27)	2,006	2,050	(44)
Income from Management Operations	415	532	(117)	853	1,595	(742)

Management operations revenue decreased primarily due to lower fees from Spectrum as the number of Spectrum properties under management declined as a result of completion of the majority of the development projects and sales of certain operating projects in 2009.

Asset management fees from ING declined primarily as a result of our acquisition of ING's interest in the Meridian and Regency portfolios in Q2 2010.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and Unitholders' equity for June 30, 2010 compared to December 31, 2009:

	Increase / (Decrease) ($millions)	Explanation
Properties	239.2	Properties increased primarily as follows: properties acquired during 2010 YTD added $250.0 million; internal growth developments, building improvements, other capital expenditures added $14.3 million and foreign exchange translation adjustment added $11.9 million. These increases were offset by depreciation of $36.3 million.
Mezzanine loans	(15.5)	Mezzanine loans outstanding decreased primarily due to the discharge of $12.8 million of mezzanine loans on the acquisition of the related properties and repayment of mezzanine loans totalling $2.8 million.
Limited life intangible assets	9.0	Limited life intangible assets increased $18.0 million due to acquisitions. This increase was offset by amortization and foreign exchange translation adjustments of $9.0 million.
Capital funding receivable	21.8	Capital funding increased $23.1 million due to acquisitions. This increase was offset by payments received of $1.3 million.
Licences	14.8	Licences increased $14.8 million due to acquisitions.
Total assets	152.8	The increase in total assets is primarily due to acquisitions of properties completed in 2010 YTD.
Mortgages payable	189.9	Mortgages payable increased as a result of new mortgage financings of $2.4 million, assumed mortgages on acquired properties of $233.6 million and foreign exchange translation adjustment of $9.7 million. These increases were offset by regular amortizing principal repayments of $24.7 million and mortgage paydowns of $31.2 million.
Total liabilities	189.0	The increase in total liabilities is primarily due to increases in mortgages payable, accounts payable and other liabilities.
Non-controlling interest	(1.0)	Non-controlling interest decreased primarily due to exchanges of Class B Units of Chartwell Master Care LP ("Master LP") for Trust Units of $0.4 million, distributions to the holders of the Class B Units of Master LP of $0.5 million and non-controlling interests share of net loss of $0.1 million.
Unitholders' equity	(35.2)	The decrease in Unitholders' equity is due primarily to cash distributions and the allocation of the net loss to the Trust's Unitholders.

Mortgage Debt

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at June 30, 2010.

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Maturing Debt	Weighted Average Interest Rate of Maturing Debt
Remainder of 2010	16,874	59,078	75,952	4.36%	5.12%
2011	34,171	90,059	124,230	7.13%	4.37%
2012	34,871	127,173	162,044	9.30%	4.83%
2013	34,928	98,363	133,291	7.65%	5.22%
2014	30,857	139,059	169,916	9.75%	4.31%
2015	28,160	185,670	213,830	12.28%	5.14%
2016	23,860	167,881	191,741	11.01%	6.02%
2017	17,427	251,217	268,644	15.42%	5.70%
2018	18,315	32,625	50,940	2.92%	5.55%
2019	17,066	101,761	118,827	6.82%	6.18%
2020-2024	74,749	57,162	131,911	7.57%	5.98%
Thereafter	85,219	15,316	100,535	5.77%	4.95%
Total	416,497	1,325,364	1,741,861	100.00%	
Mark-to-market adjustments arising on acquisition			17,645		
Less: Financing costs			(19,093)		
Total Mortgage Debt			1,740,413		

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

	As at June 30, 2010	As at December 31, 2009
Average term to maturity	7.6 years	7.9 years
Weighted average contractual interest rate	5.46%	5.42%
Variable-rate mortgage debt	$85.9 million	$53.7 million

Our strategy is to mitigate the 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 recently acquired communities in lease-up and our internal growth projects. Variable-rate loans are expected to be refinanced with fixed-rate debt upon completion and stabilization of the internal growth projects and properties in lease-up.*

Debt maturing during the remainder of 2010 through 2012 relates exclusively to mortgages on properties in our Canadian portfolio of assets. We have no U.S. debt maturities until 2013, when U.S.$25.8 million of mortgages come due. The remaining U.S. loans mature between 2015 and 2019. In Canada, we have access to low-cost, CMHC-insured debt and we intend to continue financing our properties through this program. At June 30, 2010, approximately 65% of our total Canadian mortgage debt was CMHC-insured.

During Q2 2010, we refinanced a $1.7 million mortgage on one property with a 3.5-year mortgage bearing interest at 3.75% compared to the 4.30% rate of the maturing debt.

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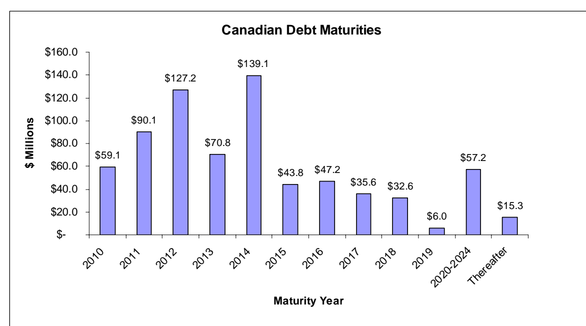
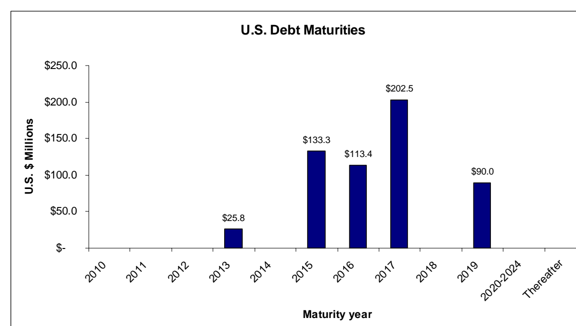
* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

Subsequent to June 30, 2010, we refinanced a CMHC-insured mortgage on one of our properties in the amount of $10.0 million. The new mortgage is for 10 years and bears interest at 4.33%, lower than the 5.00% rate of the maturing debt. We also renewed a $3.9 million CMHC-insured mortgage on one of our properties with a 15-year mortgage bearing interest at 4.40% and replaced a $4.6 million CMBS mortgage on another property with a CMHC-insured, 10-year mortgage bearing interest at 3.94%. We anticipate renewing or replacing the remainder of our 2010 maturing mortgages in due course.*

The following charts provide the breakdown of our debt maturities in Canada (excluding discontinued operations) and the U.S.:





Convertible Debentures

At June 30, 2010 we 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.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q2 2010:

	Trust Units	Trust Units issued under LTIP	Class B Units of Master LP	Deferred Trust Units	Total
Balance December 31, 2009	125,762,133	2,436,895	1,976,859	120,592	130,296,479
Trust Units issued pursuant to the Dividend Reinvestment Plan ("DRIP")	250,234	-	-	-	250,234
Trust Units issued under the Long-Term Incentive Plan ("LTIP Units")	-	97,882	-	-	97,882
LTIP Units surrendered for cancellation	-	(70,731)	-	-	(70,731)
Trust Units issued on repayment of LTIP installment receivable	165,000	(165,000)	-	-	-
Deferred Trust Units issued	-	-	-	19,700	19,700
Deferred Trust Unit distributions	-	-	-	4,713	4,713
Exchange of Class B Units of Master LP	106,000	-	(106,000)	-	-
Balance June 30, 2010	126,283,367	2,299,046	1,870,859	145,005	130,598,277

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

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to long-term debt and convertible debentures, deferred purchase obligations, obligations under operating leases as well as cash distributions to Unitholders.

Our principal source of liquidity is cash flow from operations. At June 30, 2010 we had cash on hand in the amount of $7.8 million. In order to provide for our operating and capital requirements, we also raise funds through the capital markets, arrange mortgage debt financing and have arranged for a Credit Facility with a committed capacity of $75 million.

In Q2 2010 we renewed our Credit Facility until June 24, 2011. Under the renewal terms the amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1.75% or at the applicable bankers' acceptance rate plus 2.75%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to Unitholders. The Credit Facility is secured by first and second charges on 20 seniors housing communities. At June 30, 2010, the maximum available borrowing capacity under the Credit Facility was $69.2 million, which was undrawn.

Debt Leverage

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

The following table presents the calculation of the debt leverage ratio as at June 30, 2010:

($000s)	**June 30, 2010**
Mortgages payable [1]	1,804,609
Convertible debentures (face value)	199,925
Total Indebtedness	2,004,534
Total assets	2,751,447
Accumulated depreciation and amortization [2]	528,193
Gross book value ("GBV") of assets	3,279,640
Less: Assets financed by deferred purchase consideration on acquisition properties	13,938
Gross book value of assets (net of deferred consideration)	3,265,702
Debt to GBV before convertible debentures	55.3%
Debt to GBV including convertible debentures	61.4%

(1) Includes mortgages related to assets held for sale of $62,748.
(2) Includes accumulated depreciation and amortization related to fully amortized properties and intangible assets of $176,944.

Capital Expenditures

We classify our 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 the revenue generating potential of our properties.
- Furniture, fixtures and equipment purchases.

The following table summarizes additions to properties during Q2 2010 and 2010 YTD:

($000s)	Q2 2010	2010 YTD
Building expansions (internal growth)	2,131	4,288
Acquisition-related capital expenditures	866	1,227
Building improvements	3,807	5,654
Furniture, fixtures and equipment	2,043	3,292
Total	8,847	14,461

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are disclosed in our 2009 MD&A. There were no significant changes in our contractual obligations and guarantees in Q2 2010 that are outside of the ordinary course of business.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2010 and Q2 2009:

Cash Provided by (Used in):	Increase / (Decrease) ($millions)	Explanation
Operating activities	11.1	Cash flows from operating activities increased primarily due to favourable changes in non-cash operating items and increased contributions from property operations.
Financing activities	(26.3)	Cash flows from financing activities decreased primarily due to inactivity on the Credit Facility in Q2 2010 compared to a $20.0 million draw in Q2 2009. Mortgage principal repayments also increased $5.6 million.
Investing activities	(36.3)	Cash flows from investing activities decreased $36.3 million, as acquisitions were partially offset by lower additions to properties and proceeds from the sale of one property.

Distributions

The declaration and payment of future distributions is subject to the discretion of the Board of Trustees. The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors deemed relevant by them in setting the

distribution rate. In Q3 2009, cash distributions per unit were reduced to $0.0450 per month, or $0.54 on an annualized basis from $0.0617 per unit, or $0.74 on an annualized basis.

In both 2009 and 2008, 100% of our distributions were characterized as tax-deferred returns of capital.

Our 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 DRIP 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 Q2 2010, 2010 YTD and the years ended December 31, 2009 and 2008:

($000s)	**Q2 2010**	**2010 YTD**	2009	2008
Distributions declared on Trust Units	17,306	34,590	67,711	75,670
Distributions on Class B Units of Master LP	252	505	1,395	3,595
Distributions reinvested under DRIP	(920)	(1,771)	(5,074)	(9,230)
Distributions applied against LTIP installment receivable	(314)	(616)	(1,771)	(2,144)
Distributions paid or payable in cash	16,324	32,708	62,261	67,891

The following table summarizes cash distributions made in Q2 2010, 2010 YTD and the years ended December 31, 2009 and 2008 in relation to net loss and cash flows from operating activities:

($000s)	**Q2 2010**	**2010 YTD**	2009	2008
Cash flows from operating activities	22,752	41,729	64,810	101,525
Income/(Loss) before non-controlling interest	1,642	(6,486)	(72,692)	(111,660)
Cash distributions declared [(1)]	16,324	32,708	62,261	67,891
Excess (shortfall) of cash flows from operating activities over cash distributions paid	6,428	9,021	2,549	33,634
Excess (shortfall) of net loss before non-controlling interest over cash distributions paid	(14,682)	(39,194)	(134,953)	(179,551)

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

Cash flow from operating activities is affected by changes in non-cash working capital balances. Changes in non-cash working capital fluctuate from period to period. Changes in non-cash working capital reduced cash flows from operating activities by $2.6 million and $7.4 million in Q2 2010 and 2010 YTD, respectively. For 2009, changes in non-cash working capital reduced cash flows from operating activities by $25.2 million.

Our distributions exceeded net income/loss in Q2 2010, 2010 YTD, 2009 and 2008. We anticipate that this will continue. We do not use net loss in accordance with CGAAP as the basis to establish the level of distributions to Unitholders as net loss includes, among other items, non-cash depreciation and amortization and impairment provisions related to our property portfolio. We do not consider non-cash depreciation and amortization and impairment provisions in establishing our distribution levels as we believe that the value of our real estate investments generally does not diminish over time and as we give consideration to maintenance capital expenditures in establishing the level of annual distributions to Unitholders. We believe our current distribution level is sustainable.

Key Performance Indicators

We use a number of key performance indicators for monitoring and analyzing our financial results. These key performance measures are not defined by CGAAP and may not be comparable to similar measures presented by other income trusts or other companies. Key financial performance measures are described in our 2009 MD&A and there were no changes to our key performance indicators in Q2 2010, except as follows:

Same Property Performance

We evaluate our financial performance by analyzing our 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 Q2 2010:

	Properties	Suites/Beds
Canadian Retirement Operations	90	10,052
Canadian Long-Term Care Operations	16	1,779
U.S. Operations (owned and leased) (1)	44	6,057
Total Same Property Portfolio	150	17,888

(1) Excludes discontinued operations.

Changes to Significant Accounting Policies

We prepare our financial statements in Canadian dollars in accordance with CGAAP. Our significant accounting policies are summarized in note 1 of the 2009 Financial Statements.

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

Ontario Long-Term Care Licensing

The new legislation governing LTC communities in Ontario has been proclaimed into force on July 1, 2010. We continue our analysis of the new legislation and the related administrative policies and regulations to determine the potential effect on our accounting policies including accounting for licenses and LTC properties subject to redevelopment.

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 guidelines 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 owned 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 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.

Section 1582 is applicable to Chartwell prospectively to business combinations for which the acquisition date is on or January 1, 2011. Section 1601 and Section 1602 apply to interim and annual financial statements relating to the fiscal years beginning on or after January 1, 2011. Early adoption is permitted, if all three sections are applied at the same time. At present, we have no plans to adopt these sections earlier than the effective date.

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed its strategic plan that will result in CGAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") over a transitional period to be completed by January 1, 2011. We 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.

We are in the process of evaluating the potential impact of IFRS to the consolidated financial statements. This is an ongoing process as the International Accounting Standards Board ("IASB") and the AcSB issue new standards and recommendations and as the Canadian accounting profession interprets those standards and recommendations.

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 CGAAP-based clauses (including such items as debt covenants), employee compensation plans, and key performance metrics. Accordingly, our implementation plan includes 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 of Directors, the Audit Committee, and Investors. Management provides regular updates to the Audit Committee on the status of the implementation project.

The IFRS implementation project consists of four phases. Some activities will be in process concurrently as IFRS is applied to specific areas. The following provides a summary of the different phases and their status.

Phase	Description and Status
Initial Assessment Phase	This phase identifies the significant differences between existing CGAAP and IFRS at a high level as relevant to Chartwell. Based upon the current state of IFRS, this phase identified a number of topics that will impact our financial results and the necessary effort to make the transition to IFRS. Targeted training and communication activities, leveraging both internal and external resources, occurred during this phase. We have completed our initial assessment phase.
Detailed Assessment Phase	Building upon the assessment performed in the initial assessment phase, this phase included: • Identification, evaluation and selection of accounting policies necessary for us to change over to IFRS; • Identification of the business impacts resulting from the identified accounting differences. Business impacts considered in our project plan are: business units, internal controls over financial reporting processes, information technology, stakeholders, regulatory matters, and others as identified during this phase; • Assessment of IFRS 1 exemptions and elections. This aspect of the project plan has followed the detailed assessment of the financial statement items and was revisited periodically throughout the project; • An initial training analysis and information systems impact analysis were also components of this phase. We have completed the detailed assessment phase.
Design Phase	This phase integrates the solutions from the detailed assessment phase into our underlying financial system and processes that are necessary for us to change over to IFRS. In addition, we will have designed business process changes and developed detailed training programs. As of the date of this MD&A, this design phase is substantially complete; however, we expect to continue refining our business processes based on discoveries in the implementation phase.
Testing, Implementation and Review Phase	During 2010, we will be testing our IFRS systems, processes, financial statements, notes to the financial statements, policies and procedures, internal controls, and internal management reporting throughout the period in preparation for our conversion date of January 1, 2011. This phase will also include the formal approval process to the recommended accounting policies (throughout 2010), implementation of training programs for finance and operational staff (throughout 2010), implementation of new information technology systems resulting from the need to implement IFRS (Q4 2010) and update of CEO/CFO certification process (Q4 2010).

Impact of Adoption of IFRS

The IFRS framework is, for the most part, consistent with the framework of CGAAP, but there are significant differences in the resulting standards derived from their application. Set out below are the key changes in accounting policies due to the adoption of IFRS that are expected to impact our consolidated

financial statements. It is important to note that several IFRS standards are in the process of being amended by the IASB. This is expected to continue up to and beyond the first IFRS reporting period of March 31, 2011. We are monitoring the IASB's schedule of projects, giving consideration to any proposed changes, where applicable, in our assessment of differences between IFRS and CGAAP. Therefore, at this stage, the impact of the significant differences outlined below cannot be reliably quantified.

First-Time Adoption of IFRS

Our adoption of IFRS will require the application of First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement.

All material impacts and our expected accounting policy choices and the expected impacts of the transition to IFRS were described in our 2009 MD&A. Below is an update on the previously discussed accounting policy choices and the expected impacts of the transition to IFRS:

Fair Value or Revaluation as Deemed Cost: Under IFRS 1, an item of property, plant and equipment can be initially measured upon transition to IFRS at fair value as deemed cost (or a previous CGAAP revaluation) as opposed to the historical cost model. If fair value as deemed cost is used, this will become the new cost amount for qualifying assets at transition. This election is available on an asset by asset basis.

We have elected to apply the fair value as deemed cost election to some of our properties. This would result in some of our assets being written up or written down to fair value. We expect that the net impact of this election on our financial position and key financial ratios including the Debt to Gross Book Value ratio will not be material. We expect to apply the cost model prospectively.

Employee Benefits (actuarial gains and losses): Under IFRS 1, we may elect to recognize all cumulative unrecognized actuarial gains and losses at the transition date through retained earnings. We expect to elect this IFRS 1 exemption which would not have a material impact on our consolidated financial statements.

***Cumulative Translation Differences**:* At the date of transition, we can elect to deem the cumulative translation differences for all U.S. operations to be zero and recognize these differences in retained earnings. This would result in any gains and losses on subsequent disposals of U.S. operations to exclude translation differences that arose before the date of transition to IFRS. It is expected that we will elect this IFRS 1 exemption.

Designation of previously recognized financial instruments: IFRS provides the option to change the designation of certain financial instruments on adoption of IFRS. It is expected that we will elect this option for our convertible debentures and Class B units and designate them at fair value through profit or loss, which may result in volatility in our reported financial results from period to period.

Share based payment transactions: IFRS 2 Share-based Payments requires that cash-settled share-based payments to employees be measured, both initially and at each reporting period, based on fair values of the awards. CGAAP on the other hand requires that such payments be measured based on intrinsic values of the award. This difference may impact the accounting measurement of some of our cash-settled employee incentive plans. Under IFRS 1, we can:

a) elect to apply IFRS 2 *Share-based payments* retrospectively to all share-based payment transactions occurring before the date of transition to IFRS (January 1, 2010) as if it has always applied; or
b) elect not to apply retrospective treatment to:
    (1) equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS or
    (2) liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS.

We are currently in the process of assessing the application of IFRS 2.

Other Impacts of IFRS

Impairment of Assets**:** CGAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). IFRS also allows the reversals of any impairment losses when the recoverable amount of the asset is higher than the carrying amount. Reversals of impairment losses are disallowed under CGAAP. This difference in methodologies could lead to higher volatility in earnings under IFRS.

Componentization: IAS 16 *Property, Plant and Equipment* requires that each significant separately identifiable component (i.e. cost) of an asset must be depreciated separately over their respective useful lives.

We have identified the components of our building assets on transition to IFRS. We expect that on transition the carrying values of some of our assets will decrease due to revised useful lives of the components.

Non-Controlling Interest: In our financial statements under CGAAP, our Class B Units of Master LP are presented as non-controlling interest outside of equity. Under IFRS, these units are considered financial instruments which must be classified as either equity or liability. Class B Units of Master LP are exchangeable into Trust Units at the option of the holder and therefore, are considered puttable instruments. Such puttable instruments are classified as financial liabilities in the financial statements.

We expect that Class B Units of Master Care LP will be classified as financial liabilities on our financial statements under IFRS.

Internal Controls over Financial Reporting (“ICFR”) and Disclosure Controls (“DC”)

ICFR and DC are key elements of the Trust’s changeover plan given that the conversion from CGAAP to IFRS will require the implementation of a new set of accounting standards. The following are areas identified that may impact our ICFR and DC as it relates to the initial reporting of IFRS financial statements, including related note disclosures, as well as on-going financial reporting:

Accounting Policies: The evaluation and selection of accounting policy alternatives, though substantially complete, are continually being assessed.

Information Technology and Data Systems*:* We identified areas where transition to IFRS has a significant impact on our information technology systems and commenced development of the necessary IT solutions including the implementation of a fixed asset tracking system.

***Key performance indicators**:* The IFRS impact on key performance indicators is assessed as each IFRS standard is reviewed. We monitor and report to the Audit Committee on any potential major impact so that decisions can be made as to whether any of our current KPIs or ratio definitions needs to be amended.

Training and development: Training of key finance and operational staff has commenced and will continue throughout 2010. A full update session will be scheduled for the Board of Directors and Trustees in Q4 2010 whereby the implications of the IFRS standards to the business and an overview of the impact to the financial statements will be presented. The Audit Committee continues to receive quarterly project status updates.

Critical Accounting Estimates

Under CGAAP, 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.

Our 2009 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 our financial statements in Q2 2010.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. 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 control in 2010. 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 Control 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 control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at June 30, 2010. Based on this evaluation, we have concluded that we have 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 CGAAP. There were no changes in the Trust's internal control over financial reporting that occurred during the interim period ended June 30, 2010 that have significantly affected, or are reasonably likely to significantly affect the Trust's internal control 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, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words "plans", "expects", "does not expect", "is expected", "budget", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. 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 our 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 and operations management fees due to Spectrum's reduced development activities;
- our ability to renew maturing debt, including our Credit Facility, in due course;
- timing of closing of acquisitions which are subject to legal, regulatory and lenders' approvals which may not be received as currently expected;
- the expected impact of IFRS implementation as well as timing of completion of certain phases of the IFRS convergence project;
- the expected impact of the implementation of the harmonization of provincial sales taxes with the GST in Ontario and British Columbia.

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 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 ("AIF").

Risks and Uncertainties

Our AIF dated March 30, 2010 and our 2009 MD&A contain a detailed discussion of risk factors and uncertainties facing the REIT.

There were no significant changes to these risk factors and uncertainties as of the date of this MD&A.