Management's Discussion and Analysis

Q3

Third Quarter Report
September 30, 2010

CHARTWELL
SENIORS HOUSING REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Nine Months Ended September 30, 2010

Contents

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 nine months ended September 30, 2010. This MD&A should be read in conjunction with Chartwell's consolidated financial statements for the three and nine months ended September 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 November 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 Q3 2010 are in comparison to results from Q3 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 September 30, 2010, our portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 26,547 suites in 205 communities. As of September 30, 2010, our portfolio of owned and leased communities consisted of interests in 23,018 suites in 183 communities.

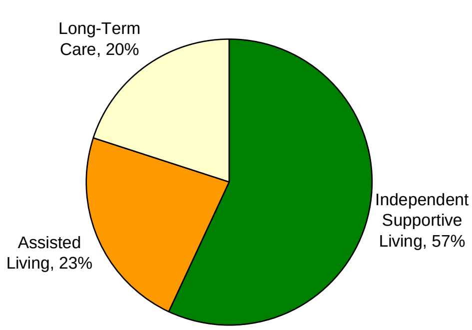
The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our four operating segments at September 30, 2010:

	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
Development	-	562	-	-	-	-	-	-	-	562
Total 100% Owned	101	11,683	24	3,164	29	3,366	-	-	154	18,213
50% Owned										
Operating	7	863	-	-	20	3,705	-	-	27	4,568
Total 50% Owned	7	863	-	-	20	3,705	-	-	27	4,568
Total Owned	108	12,546	24	3,164	49	7,071	-	-	181	22,781
Properties under Operating Lease:										
100% Interest	-	-	-	-	2	237	-	-	2	237
Total Leased	-	-	-	-	2	237	-	-	2	237
Total Owned and Leased	108	12,546	24	3,164	51	7,308	-	-	183	23,018
Managed Properties							20(2)	2,616	20	2,616
Properties Held for Sale: (3)										
100% owned	2	913	-	-	-	-	-		2	913
Total Properties Held	2	913	-	-	-	-	-	-	2	913
Total	110	13,459	24	3,164	51	7,308	20	2,616	205	26,547

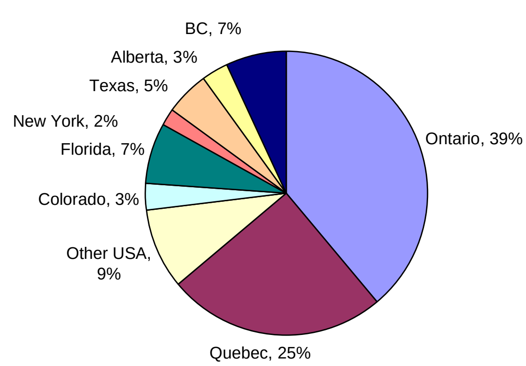
(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.
(2) We hold purchase options on six of these communities. We provided Spectrum with a conditional waiver of our option to acquire their interest in one other community. Seasons notified us that they intend to fully internalize management of four of these communities effective January 1, 2011.
(3) 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 September 30, 2010 by:

Level of Care



Geographic Location



Business Strategy and 2011 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 2011 of 2.0% to 4.0% while maintaining and improving on our high levels of service to and satisfaction of our residents.
  - Continue implementation of 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"), leverage our Canadian and U.S. websites to drive increased traffic to our properties and improving our sales closing ratios through innovative training programs for our sales professionals and on-site management staff.
  - Continue our initiatives to capture economies of scale and operational efficiencies.
  - Continue to manage our portfolio of assets, including conducting asset management reviews of each property on a prioritized basis to identify its highest and best use.
- Continue our on balance sheet development program by successfully completing projects in progress and identifying new development opportunities with the goal of completing up to five development projects annually.
- Prudently expand our portfolio with an emphasis on newer properties, primarily in geographic regions where we are already operating.
- Continue to reduce our current exposure to third-party developers, including acquiring properties in satisfaction of outstanding mezzanine loans.
- Invest in improving our administrative and financial processes to reduce general and administrative costs. Continue our investment in information technology to create a highly scalable and efficient platform.

Property Operations

Our focus on resident contact, quality of service and innovative marketing and sales strategies allows us to maintain higher than industry average occupancies in many of our markets. We also continue to focus on controlling labour and supply costs. The following summarizes our outlook for the remainder of 2010 and for 2011 for the markets in which we operate:

Canadian Operations

We expect a continuing recovery in our Canadian Retirement Operations in Q4 2010 and into 2011 and anticipate generating moderate growth through rate and occupancy increases supported by improving market conditions. In addition, we are continuing implementation of a new sales approach throughout our Canadian Retirement Operations. This sales process has resulted in increased sales activity including an increased number of deposits on hand and increased occupancy. The following summarizes our expectations:

- In Ontario, we anticipate average rental rates will increase by 3.5% to 4.0% in 2011. In Q3 2010, occupancies increased slightly from Q2 and 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 24,000 people

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

and which creates a spillover effect to help support occupancies in retirement properties, should result in continued steady improvements in occupancies in the fourth quarter of 2010 and in 2011.

- In Alberta, we anticipate average rental rates will increase by approximately 4.0% in 2011 and occupancy levels are projected to continue to remain high.
- In British Columbia, we expect to achieve average rental rate increases of 3.5% to 4.0% in 2011. 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 Q3 2010 we experienced a slight decrease in our Western Canada same property occupancy compared to Q2 2010; however, our future arrivals statistics remain positive. We anticipate that with the absorption of new supply and improved economic conditions in British Columbia, we will see growth in occupancies in Q4 2010 and into 2011.
- Since obtaining full control of our properties in Quebec in Q4 2008, and investing in initiatives to reposition and renew many of these properties, we have continued to achieve improved occupancy. We expect this growth will continue steadily in Q4 2010 and into 2011. We expect to achieve average rental rate increases of approximately 2.0% in 2011.

Our Canadian Long-Term Care Operations have achieved same property NOI growth of 4.4% in the first nine months of 2010, which is attributed to a funding increase received beginning April 1, 2009, combined with 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 2011 we would expect an inflationary increase in funding.

In Ontario our results have been affected by the harmonization of provincial sales taxes with the federal Goods and Services Tax on July 1, 2010 (“HST”). HST resulted in Ontario increasing the tax burden in the seniors housing sector by broadening the scope of sales taxes to include items such as utilities and contracted services, including maintenance contracts. In respect of British Columbia Long-Term Care Operations, the Province of British Columbia has announced that long-term care operators will receive relief. However, to date, the Ontario government has not committed to a relief program and we continue to advocate for similar relief for our Ontario long-term care homes. 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 HST in Q3 2010 was approximately $0.5 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 the first six months of 2010. In Q3 2010, occupancies improved 0.9 percentage points to 88.9% compared to Q2 2010. In order to successfully compete in the challenging market conditions, in select markets we implemented rental incentive programs which have impacted our rental rate growth. In addition, in Q3 2010, we continued investing in both suite upgrades and marketing and advertising initiatives which are supporting occupancy recovery. Continued uncertainty in the U.S. economy makes it difficult to predict future trends. We anticipate that average rental rates will increase by 2% to 4% in 2011. However, continuation of the incentive programs for new residents will likely result in limited rate growth on suite turnover.

Management of General, Administrative and Trust Expenses

In Q3 2010, we incurred consulting and professional fees related to our IFRS conversion, process efficiency initiatives, and our review of our legal structure alternatives with respect to the SIFT Rules ("SIFT review"). These costs amounted to approximately $0.3 million in Q3 2010 and we expect to incur additional costs of approximately $1.0 million in Q4 2010. In 2011, we expect to commence the implementation of certain key information technology systems and continue our investments in process efficiency initiatives.

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.

In the beginning of 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. Subsequent to September 30, 2010, Seasons notified us that they will be repaying mezzanine loans, totalling $11.7 million, on the other four properties and will be fully internalizing management of these properties effective January 1, 2011. We continue to manage one LTC community which Seasons acquired from Spectrum earlier in 2010. The mezzanine loan on this community matures on March 31, 2011.

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 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 Q4 2010 and in 2011.

Mezzanine Loan Interest Income

We continue working with the mezzanine loan borrowers in order to collect amounts receivable. It is possible that we may acquire or receive in payment for the amounts receivable, 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 Q4 2010 and in 2011.

Development

We continue to evaluate other opportunities for on balance sheet development on a limited scale. In Q3 2010 we commenced the development of two retirement residences adjacent to our existing LTC properties in Kitchener, Ontario and Oshawa, Ontario. These developments will add 215 retirement suites at an estimated total development cost of approximately $50.0 million and are expected to be completed in Q1 2012. In addition, in Q3 2010 we commenced redevelopment of 128 LTC beds in one community in British Columbia at an estimated 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 early 2011, we anticipate to commence redevelopment of three of these properties. We continue our feasibility analysis of redevelopment of the remaining LTC properties.

Acquisitions

We are actively seeking 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 September 30, 2010 we had cash on hand in the amount of $14.9 million and available borrowing capacity of $72.9 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 and 2011 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 September 30, 2010, approximately 64% of our total Canadian mortgage debt was CMHC-insured. 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, when only U.S.$25.9 million is coming due. The remaining U.S. debt maturities fall between 2015 and 2019.

Equity Offering and Redemption of Convertible Debentures

On October 29, 2010, we completed a public offering of 13,775,000 Trust Units at $9.45 per unit, raising proceeds of $124.2 million, net of offering costs of $6.0 million. On the same date, we issued the required notices in order to redeem the full outstanding amount of $124.9 million of 6% Convertible Debentures at par. We expect to complete this redemption in December 2010.

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.

We have commenced, in conjunction with our advisors, a comprehensive review of our legal structure alternatives in order to address the SIFT Rules. The review includes analysis of various alternative structures including status quo, conversion to corporation, reorganization to qualify for the REIT exemption under the SIFT Rules and others. We expect to complete this review in early 2011.

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 $1.8 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 17.4 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.

In Q3 2010, we acquired Spectrum's 50% interest in Chartwell Classic Oakville Retirement Residence. The purchase price was $18.5 million and was settled by the assumption of existing mortgage payable of $12.8 million, discharge of the mezzanine loan of $1.9 million, settlement of outstanding accounts receivable of $0.9 million with the remaining balance, net of working capital adjustments, paid in cash.

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

($millions, except communities and suites)	Q1 2010	Q2 2010	Q3 2010	2010 YTD
Number of communities	3	15	1	19
Number of suites	598	2,568	147	3,313
Purchase price (including closing costs)	82.8	214.2	18.5	315.5
Financed as follows:				
Mortgage debt assumed	67.7	163.7	12.8	244.2
Discharge of mezzanine loans receivable	12.8	-	1.9	14.7
Settlement of accounts receivable and management contracts	-	8.4	0.9	9.3
Cash	1.8	40.2	2.5	44.5
Acquisition costs	0.5	1.9	0.4	2.8
Total	82.8	214.2	18.5	315.5

Acquisitions completed in the first nine 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	% Acquired	Beds/ Suites at 100%
2010 Acquisitions:						
1.	Les Seigneuries du Carrefour	Sherbrooke, QC	Retirement	March 9, 2010	100%	275
2.	Les Appartements du Château de Bordeaux	Sillery, QC	Retirement	March 9, 2010	100%	150
3.	Cite-jardin IV	Gatineau, QC	Retirement	March 9, 2010	100%	173
4.	Arvada Meridian (1)	Arvada, CO	Retirement	May 14, 2010	50%	125
5.	Boulder Meridian (1)	Boulder, CO	Retirement	May 14, 2010	50%	96
6.	Englewood Meridian (1)	Englewood, CO	Retirement	May 14, 2010	50%	266
7.	Lakewood Meridian (1)	Lakewood, CO	Retirement	May 14, 2010	50%	173
8.	Temple Meridian (1)	Temple, TX	Retirement	May 14, 2010	50%	232
9.	Westland Meridian (1)	Lakewood, CO	Retirement	May 14, 2010	50%	153
10.	Regency Care – The Waterford (1)	Oakville, ON	Long-term care	June 1, 2010	50%	168
11.	Regency Care – The Wenleigh (1)	Mississauga, ON	Long-term care	June 1, 2010	50%	161
12.	Regency Care – The Westbury (1)	Etobicoke, ON	Long-term care	June 1, 2010	50%	187
13.	Regency Care – The Woodhaven (1)	Markham, ON	Long-term care	June 1, 2010	50%	192
14.	Regency Care – The Wynfield (1)	Oshawa, ON	Long-term care	June 1, 2010	50%	172
15.	Regency Care – The Westmount (1)	Kitchener, ON	Long-term care	June 1, 2010	50%	160
16.	Regency Care – The Willowgrove (1)	Ancaster, ON	Long-term care	June 1, 2010	50%	169
17.	Regency Care – The Brant Centre (1)	Burlington, ON	Long-term care	June 1, 2010	50%	175
18.	Valley Vista Retirement Residence	Vaughan, ON	Retirement	June 1, 2010	50%	139
19.	Chartwell Classic Oakville	Oakville, ON	Retirement	September 1, 2010	50%	147
Total 2010 Acquisitions						3,313
2009 Acquisitions:						
1.	Chatsworth Suites and Bungalows	Kelowna, BC	Retirement	February 1, 2009	50%	103
2.	Churchill House Retirement Community	North Vancouver, BC	Retirement	February 1, 2009	50%	97
3.	Riverside Retirement Residence	London, ON	Retirement	March 1, 2009	50%	138
4.	Pickering City Centre	Pickering, ON	Retirement	March 1, 2009	50%	117
5.	Chartwell Select Thunder Bay	Thunder Bay, ON	Retirement	October 1, 2009	100%	109
6.	Carrington Suites	Mission, BC	Retirement	December 1, 2009	100%	55
Total 2009 Acquisitions						619

(1) We now own 100% 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 a cumulative asset impairment provision of $8.6 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. As a result, the Trustees of Chartwell are satisfied that Mr. Binions has no conflict with respect of Chartwell's dealings with Spectrum. At December 31, 2009, Richard Noonan, Chief Operating Officer of Chartwell, owned a minority interest (approximately 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 September 30, 2010
2010						
Carrington Place	Vernon, BC	71	9.6	6.8	Q1 2010	40
Total 2010		71	9.6	6.8		40
2009						
Gayton Terrace[1]	Richmond, VA	98	U.S.$21.2	U.S.$17.7	Q2 2009	57
Quail Creek Retirement Centre	Renfrew, ON	34	6.1	4.7	Q3 2009	31
Total 2009		132				88
Total		**203**				**128**

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

Highlights of Consolidated Results of Operations

Same Property Portfolio Highlights [1]

Same property NOI decreased $0.3 million or 0.8% for Q3 2010 compared to Q3 2009 and increased $3.3 million or 2.8% for 2010 YTD compared to 2009 YTD as follows:

- In our Canadian retirement portfolio, same property NOI increased $0.7 million or 2.9% in Q3 2010 compared to Q3 2009 and $4.0 million or 5.3% for 2010 YTD compared to 2009 YTD, primarily as a result of regular annual rental rate increases, increased ancillary revenues and improved occupancies.
- In our Canadian LTC portfolio, same property NOI decreased $0.2 million or 6.1% in Q3 2010 compared to Q3 2009 and increased $0.4 million or 4.4% 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.$0.9 million or 8.1% in Q3 2010 compared to Q3 2009 and U.S.$1.0 million or 3.2% for 2010 YTD compared to 2009 YTD. Reduced occupancy and higher new resident incentive costs were offset by regular annual rental rate increases. In Q3 2010, however, we experienced an increase in operating expenses due to expiry of the wage freeze program in our U.S. properties and increased marketing and advertising costs targeted to improve occupancies.

Same property occupancy continued to be relatively strong at 90.4% in Q3 2010, an increase of 0.4 percentage points from 90.0% in Q2 2010 and 0.3 percentage points from 90.1% in Q3 2009.

Acquisition and Internal Growth Portfolio Highlights

For Q3 2010, acquisitions and internal growth contributed $13.0 million of NOI, or an additional $6.0 million compared to Q3 2009, excluding the impact of foreign exchange. On a year-to-date basis, acquisitions and internal growth added incremental NOI of $11.0 million in 2010 compared to 2009, excluding the impact of foreign exchange.

General, Administrative and Trust Expenses

G&A expenses, excluding severance costs, increased $0.7 million or 16.4% to $5.1 million in Q3 2010 compared to Q3 2009 and $0.3 million or 2.0% to $14.6 million for 2010 YTD compared to 2009 YTD. The increase in Q3 2010 G&A expenses is in part due to higher consulting and professional fees related to IFRS implementation, SIFT review and process improvement reviews. In addition, in Q3 2010, G&A expenses were impacted by the implementation of the Harmonized Sales Tax on July 1, 2010. As a percentage of revenue, G&A expenses, excluding severance costs, were at 2.8% for Q3 2010 compared to 2.7% in Q3 2009 and 2.8% for 2010 YTD compared to 2.9% for 2009 YTD.

Per Unit Analysis

AFFO for Q3 2010 was $20.6 million, an increase of $1.9 million compared to Q3 2009 AFFO of $18.7 million. On a per unit basis, AFFO for Q3 2010 was $0.16 per unit diluted compared to $0.18 per unit diluted in Q3 2009. The following items contributed to the changes in AFFO and AFFO per unit diluted:

- Incremental contribution from the property portfolio, primarily due to acquisitions, increased AFFO by $3.9 million or 3.0 cents per unit diluted.
- Higher G&A expenses reduced AFFO by $0.7 million or 0.5 cents per unit diluted.

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

- Lower management operations contribution, primarily due to the elimination of asset management fees from ING as we acquired their interest in the Meridian and Regency portfolios reduced AFFO by $0.9 million or 0.7 cents per unit diluted.
- Lower mezzanine loan interest income of $0.2 million reduced AFFO by 0.1 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.

For 2010 YTD, AFFO was $62.4 million, an increase of $3.8 million compared to 2009 YTD of $58.6 million. 2010 YTD AFFO was $0.48 per unit diluted compared to 2009 YTD AFFO of $0.57 per unit diluted. 2009 YTD amounts exclude the provision for mezzanine loans and accounts 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 and same property NOI growth, increased AFFO by $11.3 million or 8.7 cents per unit diluted.
- Lower G&A expenses, primarily as a result of lower severance and rebranding costs, increased AFFO by $1.5 million or 1.1 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 $5.1 million or 3.9 cents per unit diluted.
- Lower mezzanine loan interest income reduced AFFO by $2.7 million or 2.1 cents per unit diluted.
- Lower management fee income reduced AFFO by $1.7 million or 1.3 cents per unit diluted.
- Higher bank interest and other income as well as current taxes and other items combined increased AFFO by $0.5 million or 0.4 cents per unit diluted.
- Per unit amounts were also affected by a 27% increase in the number of units outstanding.

For Q3 2010, FFO was $20.0 million or $0.15 per unit diluted, an increase of $5.5 million or $0.01 per unit diluted compared to Q3 2009 of $14.6 million or $0.14 per unit diluted. The increase was primarily due to improved operating results and a decrease in unrealized foreign exchange losses, which was partially offset by dilution from the issuance of Trust Units in Q4 2009.

For 2010 YTD, FFO was $65.2 million or $0.50 per unit diluted, an increase of $17.4 million or $0.03 per unit diluted compared to 2009 YTD of $47.9 million or $0.47 per unit diluted, excluding the $30.7 million provision for impairment recorded in Q2 2009.

Net loss for Q3 2010 was $3.8 million or $0.03 per unit diluted compared to a net loss in Q3 2009 of $8.9 million or $0.09 per unit diluted. The change in net loss is primarily due to lower amortization of limited life intangibles, lower unrealized foreign exchange losses and improved operating results. Net loss for 2010 YTD was $10.2 million or $0.08 per unit diluted compared to a net loss in 2009 YTD of $64.0 million or $0.65 per unit diluted.

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

($000s, except occupancy rates, per unit amounts and number of units)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Property revenue [1]	181,182	157,596	23,586	508,847	478,611	30,236
Total revenue [1]	184,605	161,811	22,794	520,634	493,821	26,813
Net income/(loss)	(3,845)	(8,950)	5,105	(10,238)	(64,009)	53,771
Net income/(loss) per unit (basic and diluted)	(0.03)	(0.09)	0.06	(0.08)	(0.65)	0.57
Weighted average occupancy rate - same property portfolio [1]	90.4%	90.1%	0.3pp	90.2%	90.5%	(0.3pp)[6]
Same property NOI [1]	39,409	39,744	(335)	119,766	116,450	3,316
FFO [2] [3]	20,013	14,552	5,461	65,211	47,855	17,356
FFO per unit diluted [2] [4]	0.15	0.14	0.01	0.50	0.47	0.03
AFFO [2] [5]	20,574	18,699	1,875	62,406	58,636	3,770
AFFO per unit diluted [2] [4]	0.16	0.18	(0.02)	0.48	0.57	(0.09)
Distributions declared	17,576	15,424	2,152	52,671	52,738	(67)
Distributions declared per unit	0.14	0.15	(0.01)	0.41	0.52	(0.11)
Distributions declared as a percentage of AFFO	85.4%	82.5%	2.9pp	84.4%	89.9%	(5.5pp)
Weighted average number of units including Class B Units of Chartwell Master Care LP [4]:						
Basic	128,363,753	100,188,847	28,174,906	128,206,978	99,897,846	28,309,132
Diluted (includes LTIP)	130,665,530	102,876,254	27,789,276	130,532,147	102,530,727	28,001,420

(1) Excludes the effects of discontinued operations.
(2) 2009 YTD amounts exclude the provision for impairment of mezzanine loans and accounts receivable of $30.7 million.
(3) Refer to the “Non-CGAAP 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-CGAAP 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)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Same property[1]	132,695	129,259	3,436	394,422	386,062	8,360
Acquisitions and other[1]	48,207	26,194	22,013	113,836	77,345	36,491
Eliminations	(1,503)	(1,872)	369	(4,049)	(5,370)	1,321
Foreign exchange on U.S. dollar revenue	1,783	4,015	(2,232)	4,638	20,574	(15,936)
Total property revenue [2]	181,182	157,596	23,586	508,847	478,611	30,236
Weighted average occupancy rate - same property portfolio [2]	90.4%	90.1%	0.3pp	90.2%	90.5%	(0.3pp)

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

Total property revenue grew 15.0% in Q3 2010 compared to Q3 2009 and 6.3% for 2010 YTD compared to 2009 YTD, as increased revenue from our same property portfolio, acquisitions and development properties was offset by lower foreign exchange translation on U.S. dollar revenues.

Same property revenue increased approximately $3.4 million or 2.7% in Q3 2010 compared to Q3 2009 and $8.4 million or 2.2% for 2010 YTD compared to 2009 YTD. 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 90.4% in Q3 2010, a 0.4 percentage point increase from 90.0% in Q2 2010 and a 0.3 percentage point increase from 90.1% in Q3 2009. The occupancy growth was primarily a result of the strong occupancy improvements in our Quebec and U.S. platforms in Q3 2010. Occupancies in other platforms remained relatively stable in Q3 2010 compared to Q2 2010.

	Q3 2010	Q2 2010	Increase / (Decrease)	Q3 2009	Increase / (Decrease)
Same property:					
Ontario retirement	92.1%	92.0%	0.1pp	91.7%	0.4pp
Western Canada	89.9%	90.1%	(0.2pp)	91.1%	(1.2pp)
Quebec	86.7%	85.8%	0.9pp	85.1%	1.6pp
U.S.	88.9%	88.0%	0.9pp	89.1%	(0.2pp)
LTC	97.9%	98.1%	(0.2pp)	98.1%	(0.2pp)
Total same property portfolio	90.4%	90.0%	0.4pp	90.1%	0.3pp

For 2010 YTD, the weighted average occupancy rate for the same property portfolio was 90.2%, a decrease of 0.3 percentage points from 90.5% for 2009 YTD.

Summary of Direct Operating Expenses

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Same property (1)	93,286	89,515	3,771	274,656	269,612	5,044
Acquisitions and other (1)	35,226	19,172	16,054	82,258	56,724	25,534
Eliminations	(1,503)	(1,872)	369	(4,049)	(5,370)	1,321
Foreign exchange on U.S. dollar expenses	1,192	2,783	(1,591)	3,042	13,374	(10,332)
Total direct operating expenses – properties	128,201	109,598	18,603	355,907	334,340	21,567
Direct operating expenses – management operations	1,000	1,025	(25)	3,006	3,074	(68)
Total direct operating expenses (2)	129,201	110,623	18,578	358,913	337,414	21,499

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

Total direct operating expenses increased 16.8% in Q3 2010 compared to Q3 2009 and 6.4% for 2010 YTD compared to 2009 YTD, primarily due to additional expenses for acquisitions and modest growth in same property direct operating expenses, partially offset by the impact of foreign exchange translation.

Same property direct operating expenses increased $3.8 million or 4.2% for Q3 2010 compared to Q3 2009 and $5.0 million or 1.9% 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)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
G&A expenses	5,130	4,406	724	14,631	14,351	280
Severance costs	-	19	(19)	-	1,716	(1,716)
Total G&A	5,130	4,425	705	14,631	16,067	(1,436)
As % of revenue:						
Excluding severance costs	2.8%	2.7%	0.1pp	2.8%	2.9%	(0.1pp)

In Q3 2010, G&A expenses before severance costs increased $0.7 million or 16.4% compared to Q3 2009 and $0.3 million or 2.0% for 2010 YTD compared to 2009 YTD. The increase in Q3 2010 G&A expenses is in part due to higher consulting and professional fees related to IFRS implementation, SIFT review and process improvement reviews, which amounted to approximately $0.3 million. In addition, the implementation of the HST on July 1, 2010, increased Q3 2010 G&A expenses by approximately $0.1 million. G&A expenses, as a percentage of revenue, remained relatively stable in Q3 2010 and 2010 YTD, compared to the same periods of the prior year.

Interest and Property Lease Expense

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Mortgages and loans payable						
Same property	16,889	17,335	(446)	50,775	52,106	(1,331)
Acquisitions	6,321	3,081	3,240	14,560	9,280	5,280
Foreign exchange on U.S. dollar expenses	429	866	(437)	1,054	4,349	(3,295)
	23,639	21,282	2,357	66,389	65,735	654
Convertible debentures	2,979	2,979	-	8,937	8,937	-
Credit Facility and other	-	260	(260)	-	386	(386)
Interest capitalized to properties under development	(238)	(311)	73	(725)	(941)	216
	26,380	24,210	2,170	74,601	74,117	484
Accretion adjustment to convertible debenture liability	832	763	69	2,442	2,241	201
Amortization of debt mark-to-market adjustments arising on acquisition	(325)	(285)	(40)	(1,130)	(934)	(196)
Amortization of financing costs	1,430	1,375	55	4,256	4,091	165
Total Interest Expense (1)	28,317	26,063	2,254	80,169	79,515	654
Property Lease Expense						
Contractual lease payments for the period (1)	548	588	(40)	1,643	1,999	(356)

(1) Excludes discontinued operations.

Interest expense on the same property portfolio decreased in Q3 2010 and 2010 YTD compared to Q3 2009 and 2009 YTD due to lower interest rates achieved on mortgage renewals as well as repayment of certain mortgages completed in 2009 and to date in 2010.

During Q3 2010, we capitalized interest of $0.2 million which relates to our investment in development projects.

Contractual property lease expense slightly decreased in Q3 2010 compared to Q3 2009 and decreased $0.4 million for 2010 YTD compared to 2009 YTD, primarily due to foreign exchange translation.

Mezzanine Loans and Mezzanine Loan Interest Income

The following table summarizes the changes in our investments in mezzanine loans for the first nine 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	(24.5)	(5.7)
Other repayments of mezzanine loans in cash	(2.8)	-
Gross mezzanine loans outstanding (end of period)	62.5	102.4

In Q3 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 overall cumulative impairment provisions at this time.

The following table summarizes reallocations in the impairment provision in Q3 2010:

($millions)	**Mezzanine Loans**	**Accounts Receivable**	**Total**
Balance June 30, 2010	22.1	5.8	27.9
Reallocated on collection of certain accounts receivable	0.9	(0.9)	-
Balance September 30, 2010	23.0	4.9	27.9

In Q3 2010, we collected certain accounts receivable against which an impairment provision was previously recorded. Accordingly, we reallocated $0.9 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	11	20.4	(0.2)	(1.4)	18.8
Melior, Spectrum and Partners	7	27.9	(2.0)	(21.6)	4.3
Seasons and Partners	5	14.2	(0.1)	-	14.1
Total gross mezzanine loans outstanding	23	62.5	(2.3)	(23.0)	37.2

Subsequent to September 30, 2010, we were notified by Seasons of their intention to repay $11.7 million of mezzanine loans on four of their properties in 2010.

The following table summarizes interest income on our mezzanine loans:

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Mezzanine loan interest before effective yield adjustments	1,098	1,579	(481)	3,451	6,386	(2,935)
Effective yield adjustments for:						
Placement fees integral to lending activities	135	(23)	158	635	811	(176)
Legal costs integral to lending activities	-	(124)	124	(52)	(434)	382
Total mezzanine loan interest income	1,233	1,432	(199)	4,034	6,763	(2,729)

Mezzanine loan interest income decreased $0.2 million for Q3 2010 compared to Q3 2009 and $2.7 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:

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenue	3,383	28,394	(25,011)	11,259	89,739	(78,480)
Interest and other	1	28	(27)	1	81	(80)
Below-market lease amortization	-	61	(61)	-	273	(273)
	3,384	28,483	(25,099)	11,260	90,093	(78,833)
Direct operating expense	1,802	17,030	(15,228)	6,701	53,323	(46,622)
Total Net Operating Income	1,582	11,453	(9,871)	4,559	36,770	(32,211)
Interest expense	761	1,109	(348)	2,756	3,185	(429)
Contractual lease expense	-	10,299	(10,299)	-	32,916	(32,916)
Adjustment to record lease expense on a straight-line basis over the lease term	-	1,553	(1,553)	-	4,979	(4,979)
Total Interest Expense	761	12,961	(12,200)	2,756	41,080	(38,324)
	821	(1,508)	2,329	1,803	(4,310)	6,113
Depreciation of properties	-	1,723	(1,723)	2,221	5,140	(2,919)
Amortization of limited life intangible assets	-	1,244	(1,244)	214	3,943	(3,729)
Gain on sale of assets	-	-	-	(4,394)	-	(4,394)
Provision for asset impairment	2,500	-	2,500	8,600	-	8,600
	2,500	2,967	(467)	6,641	9,083	(2,442)
Loss before income taxes	(1,679)	(4,475)	2,796	(4,838)	(13,393)	8,555
Income taxes – current	-	(6)	6	-	163	(163)
Loss before non-controlling interest	(1,679)	(4,469)	2,790	(4,838)	(13,556)	8,718
Non-controlling interest	25	105	(80)	70	286	(216)
Net Loss	(1,654)	(4,364)	2,710	(4,768)	(13,270)	8,502

In Q3 2010, we revised our estimate of the potential sale price of the properties held for sale and recorded a further $2.5 million provision for asset impairment.

Other Items

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Bank interest and other income	1,015	689	326	3,351	2,178	1,173
Below-market lease amortization revenue	184	182	2	552	712	(160)
Realized foreign exchange gains and (losses)	(45)	241	(286)	(58)	5,043	(5,101)
Unrealized losses on derivative financial instruments and unrealized foreign exchange losses	(1,926)	(4,089)	2,163	(1,119)	(11,184)	10,065
Depreciation of properties	(19,901)	(17,546)	(2,355)	(56,188)	(53,276)	(2,912)
Amortization of limited life intangible assets	(2,980)	(7,559)	4,579	(12,436)	(27,725)	15,289
Provision for impairment of mezzanine loans and accounts receivable	-	-	-	-	(30,684)	30,684
Current income tax (expense) recovery	(84)	(92)	8	(246)	(5)	(241)
Future income tax (expense) recovery	1,303	4,234	(2,931)	(782)	7,175	(7,957)
Non-controlling interest	33	113	(80)	81	1,091	(1,010)
Results from discontinued operations	(1,654)	(4,364)	2,710	(4,768)	(13,270)	8,502
Net loss	(3,845)	(8,950)	5,105	(10,238)	(64,009)	53,771

Bank Interest and Other Income: Bank interest and other income was higher in Q3 2010 compared to Q3 2009 and for 2010 YTD compared to 2009 YTD, primarily due to higher interest income earned on invested cash balances during the period and higher capital subsidy interest income as a result of the acquisition of ING's 50% interest in the Regency portfolio.

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 September 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 Q3 2010 compared to Q3 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 September 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 loss decreased $5.1 million in Q3 2010 compared to Q3 2009 and $53.8 million in 2010 YTD compared to 2009 YTD. The reduction in net loss is primarily due to the improved operating results, lower amortization expenses and lower unrealized losses on derivative financial instruments and unrealized foreign exchange losses. In addition, 2009 YTD net loss included a $30.7 million provision for impairment of mezzanine loans and accounts receivable.

Non-CGAAP 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)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Net income/(loss)	(3,845)	(8,950)	5,105	(10,238)	(64,009)	53,771
Add (Subtract):						
Depreciation of properties (1)	19,901	19,269	632	58,409	58,416	(7)
Amortization of limited life intangible assets (1)	2,980	8,803	(5,823)	12,650	31,668	(19,018)
Depreciation of leasehold improvements included in depreciation of properties	(162)	(118)	(44)	(447)	(352)	(95)
Loss/(gain) on sale of assets	-	-	-	(4,394)	-	(4,394)
Write down of carrying value of assets	2,500	-	2,500	8,600	-	8,600
Future income tax expense/ (recovery)	(1,303)	(4,234)	2,931	782	(7,175)	7,957
Non-controlling interest (1)	(58)	(218)	160	(151)	(1,377)	1,226
FFO (2)	20,013	14,552	5,461	65,211	17,171	48,040
Provision for impairment of mezzanine loans and accounts receivable	-	-	-	-	30,684	(30,684)
FFO excluding impairment provision	20,013	14,552	5,461	65,211	47,855	17,356
FFO per unit excluding impairment provision						
Basic	0.16	0.14	0.02	0.51	0.48	0.03
Diluted	0.15	0.14	0.01	0.50	0.47	0.03

(1) Includes depreciation, amortization and non-controlling interest that have 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.

FFO and FFO per unit diluted increased $5.5 million or $0.01 per unit diluted for Q3 2010 compared to Q3 2009 and $17.4 million or $0.03 per unit diluted for 2010 YTD compared to 2009 YTD. The increase was primarily due to increased contributions from the property portfolio and reduced unrealized foreign exchange loss. This increase was partially offset by lower mezzanine loan interest income and management fees.

Adjusted Funds from Operations (AFFO)

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
FFO [1]	20,013	14,552	5,461	65,211	17,171	48,040
Add (Subtract):						
Adjustment to record lease expense on a straight-line basis over the lease term [2]	-	1,553	(1,553)	-	4,979	(4,979)
Unrealized foreign exchange and derivative (gains)/losses	1,926	4,089	(2,163)	1,119	11,184	(10,065)
Amortization of below-market leases [2]	(184)	(243)	59	(552)	(985)	433
Principal portion of capital subsidy receivable from Health Authorities	911	549	362	2,155	1,622	533
Amounts received under income guarantees	-	151	(151)	133	412	(279)
Amortization of financing costs [2]	1,450	1,570	(120)	4,465	4,496	(31)
Accretion adjustment to convertible debenture liability	832	763	69	2,442	2,241	201
Amortization of debt mark-to-market adjustments arising on acquisition	(325)	(285)	(40)	(1,130)	(934)	(196)
Deferred financing fee reserve [3]	(358)	(280)	(78)	(1,035)	(867)	(168)
AFFO before capex reserve	24,265	22,419	1,846	72,808	39,319	33,489
Maintenance capex reserve - 2% of property revenue	(3,691)	(3,720)	29	(10,402)	(11,367)	965
AFFO [4]	20,574	18,699	1,875	62,406	27,952	34,454
Provision for impairment of mezzanine loans and accounts receivable	-	-	-	-	30,684	(30,684)
AFFO excluding impairment provision	20,574	18,699	1,875	62,406	58,636	3,770
AFFO per unit excluding impairment provision						
Basic	0.16	0.19	(0.03)	0.49	0.59	(0.10)
Diluted	0.16	0.18	(0.02)	0.48	0.57	(0.09)

(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) *Includes amounts that have been reclassified as discontinued operations.*
(3) *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.*
(4) *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** Q3	Q2	Q1	2009 Q4	Q3	Q2	Q1	2008 Q4 As recast [(1)]
Revenues [(2)]	184,605	172,845	163,184	163,772	161,811	164,634	167,376	165,532
Direct operating expenses [(2)]	(129,201)	(118,393)	(111,319)	(114,975)	(110,623)	(111,925)	(114,866)	(114,824)
General, administrative and trust expenses	(5,130)	(4,947)	(4,554)	(4,941)	(4,425)	(5,822)	(5,820)	(5,302)
	50,274	49,505	47,311	43,856	46,763	46,887	46,690	45,406
Interest expense [(2)]	(28,317)	(26,336)	(25,516)	(25,776)	(26,063)	(26,192)	(27,260)	(26,275)
Property lease expenses [(2)]	(548)	(516)	(579)	(599)	(588)	(703)	(708)	(655)
Foreign exchange gains/(losses)	(1,971)	2,689	(1,895)	(820)	(3,848)	(4,309)	2,016	12,534
Depreciation and amortization [(2)]	(22,881)	(22,292)	(23,451)	(25,139)	(25,105)	(27,051)	(28,845)	(28,758)
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
Non-controlling interest [(2)]	33	(55)	103	49	113	776	202	2,257
Current income tax (expense) recovery [(2)]	(84)	(82)	(80)	(80)	(92)	(81)	168	496
Future income tax (expense) recovery	1,303	911	(2,996)	2,578	4,234	4,693	(1,752)	2,116
(Loss) from discontinued operations [(2)]	(1,654)	(2,208)	(906)	(1,305)	(4,364)	(4,450)	(4,456)	(4,540)
Net income/(loss) for the period	(3,845)	1,616	(8,009)	(7,236)	(8,950)	(41,114)	(13,945)	(77,084)
Net income/(loss) per unit diluted	(0.03)	0.01	(0.06)	(0.06)	(0.09)	(0.42)	(0.14)	(0.81)
FFO	20,013	25,712	19,486	16,858	14,552	(16,690)	19,309	23,249
FFO per unit diluted	0.15	0.20	0.15	0.14	0.14	(0.16)	0.19	0.23

(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 Q3 2010 compared to Q3 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	7,099	2,161	671	9,931
50% Owned	1	121	-	-	121
Total Same Property	90	7,220	2,161	671	10,052
Acquisitions & Development					
100% Owned:					
Operating	12	1,028	5	328	1,361
Development	-	236	-	155	391
	12	1,264	5	483	1,752
50% Owned	6	705	37	-	742
Total Acquisitions & Development	18	1,969	42	483	2,494
Properties Held for Sale	2	809	104	-	913
Total	110	9,998	2,307	1,154	13,459

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

($000s, excluding occupancy rates)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenue						
Same property	71,906	69,080	2,826	213,386	206,820	6,566
Acquisitions and development	12,984	8,010	4,974	35,136	22,375	12,761
Total Revenue	84,890	77,090	7,800	248,522	229,195	19,327
Direct Operating Expenses						
Same property	45,408	43,324	2,084	134,869	132,268	2,601
Acquisitions and development	8,607	5,618	2,989	23,733	16,276	7,457
Total Direct Operating Expenses	54,015	48,942	5,073	158,602	148,544	10,058
Net Operating Income						
Same property	26,498	25,756	742	78,517	74,552	3,965
Acquisitions and development	4,377	2,392	1,985	11,403	6,099	5,304
Total Net Operating Income	30,875	28,148	2,727	89,920	80,651	9,269
Same property statistics:						
Weighted average occupancy rate	89.7%	89.2%	0.5pp	89.6%	89.5%	0.1pp

Same property revenues increased 4.1% in Q3 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 89.7% for Q3 2010, an increase from Q3 2009 same property average occupancy of 89.2%.

Same property direct operating expenses increased 4.8% in Q3 2010 compared to Q3 2009 primarily due to costs associated with increased additional care service programs at certain of our properties noted above.

Same property NOI increased $0.7 million or 2.9% in Q3 2010 compared to Q3 2009. Same property NOI in our Ontario retirement properties for Q3 2010 increased $0.6 million or 4.0% primarily due to regular annual rental rate increases, continued growth of ancillary revenue and an improvement in occupancy. Our Western Canadian platform same property NOI increased $0.2 million or 3.4% as lower occupancies in certain local markets were offset by regular annual rental rate increases and cost reduction initiatives. Our Quebec platform same property NOI remained stable as occupancy improvements were offset by higher expense growth.

For 2010 YTD, same property NOI increased $4.0 million or 5.3% primarily due to regular annual rental rate increases and increases in ancillary revenue.

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)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenue						
Same property	26,233	25,650	583	77,648	75,830	1,818
Acquisitions	22,294	10,853	11,441	47,721	32,126	15,595
Total Revenue	48,527	36,503	12,024	125,369	107,956	17,413
Direct Operating Expenses						
Same property	23,039	22,249	790	68,096	66,677	1,419
Acquisitions	19,068	9,054	10,014	40,637	27,206	13,431
Total Direct Operating Expenses	42,107	31,303	10,804	108,733	93,883	14,850
Net operating income						
Same property	3,194	3,401	(207)	9,552	9,153	399
Acquisitions	3,226	1,799	1,427	7,084	4,920	2,164
Total Net Operating Income	6,420	5,200	1,220	16,636	14,073	2,563
Same property statistics:						
Weighted average occupancy rate	97.9%	98.1%	(0.2pp)	98.0%	98.0%	-

Same property revenues increased 2.3% in Q3 2010 compared to Q3 2009. The increases are primarily due to higher government funding provided for direct resident care services which are mainly staffing related. Direct operating expenses increased 3.6% in Q3 2010 compared to Q3 2009. Same property NOI decreased $0.2 million or 6.1% for Q3 2010 compared to Q3 2009 primarily due to timing of certain expenses.

Weighted average occupancies in the same property portfolio were at 97.9% for Q3 2010, a decrease of 0.2 percentage points from Q3 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.

For 2010 YTD, same property NOI increased $0.4 million or 4.4% due to increases in government funding implemented in 2009.

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)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Revenue						
Same property	34,556	34,528	28	103,388	103,414	(26)
Acquisitions, development and other (1)	12,929	7,331	5,598	30,980	22,844	8,136
Intercompany eliminations	(1,503)	(1,872)	369	(4,049)	(5,370)	1,321
Total Revenue	45,982	39,987	5,995	130,319	120,888	9,431
Direct Operating Expenses						
Same property	24,839	23,957	882	71,692	70,680	1,012
Acquisitions, development and other (1)	7,551	4,500	3,051	17,888	13,242	4,646
Intercompany eliminations	(1,503)	(1,872)	369	(4,049)	(5,370)	1,321
Total Direct Operating Expenses	30,887	26,585	4,302	85,531	78,552	6,979
Net Operating Income						
Same property	9,717	10,571	(854)	31,696	32,734	(1,038)
Acquisitions, development and other (1)	5,378	2,831	2,547	13,092	9,602	3,490
Total Net Operating Income	15,095	13,402	1,693	44,788	42,336	2,452
Foreign exchange in CDN	591	1,248	(657)	1,596	7,211	(5,615)
Total Net Operating Income in CDN	15,686	14,650	1,036	46,384	49,547	(3,163)
Same property statistics:						
Weighted average occupancy rate	88.9%	89.1%	(0.2pp)	88.6%	89.7%	(1.1pp)

(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 remained flat for Q3 2010 compared to Q3 2009. Same property revenues have been impacted by occupancy declines in the first half of 2010, with Q3 2010 weighted average occupancy 88.9% or 0.2 percentage points lower than Q3 2009 weighted average occupancy of 89.1%. In addition, in order to successfully compete in these challenging market conditions, in select markets we have implemented rental incentive programs which reduced revenue growth.

Same property direct operating expenses increased $0.9 million or 3.7% for Q3 2010 compared to Q3 2009. The increase in operating costs is primarily due to expiry of the compensation freeze program in the U.S. properties in June 2010 and higher marketing and advertising costs targeted to improve occupancies.

Same property NOI decreased U.S.$0.9 million or 8.1% for Q3 2010 compared to Q3 2009 and U.S.$1.0 million for 2010 YTD.

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

	Q3 2010	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.04	1.10	(0.06)	1.04	1.17	(0.13)

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 [1]	Composition of Suites			
		ISL	AL	LTC	Total
Managed properties	20	1,539	213	864	2,616
Total	20	1,539	213	864	2,616

(1) In Q2 2010, we changed presentation of this table to only include operating properties under management.

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

($000s)	**Q3 2010**	Q3 2009	Increase / (Decrease)	**2010 YTD**	2009 YTD	Increase / (Decrease)
Management and Other Fee Revenue						
Spectrum:						
Development management	-	157	(157)	-	321	(321)
Operations management	288	438	(150)	949	1,460	(511)
Other	-	17	(17)	20	51	(31)
Total Spectrum	288	612	(324)	969	1,832	(863)
ING	15	583	(568)	875	1,753	(878)
Other	688	717	(29)	2,006	1,972	34
Total Management and Other Fee Revenue:	991	1,912	(921)	3,850	5,557	(1,707)
Direct operating expenses	1,000	1,025	(25)	3,006	3,074	(68)
Income from Management Operations	(9)	887	(896)	844	2,483	(1,639)

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.

Direct operating expenses represent an allocation of corporate costs required to support management operations.

In Q3 2010, Seasons notified us of their intent to fully internalize management of four of the five properties we currently manage for them. Management fees from these four properties in 2010 YTD amounted to $0.3 million.

Financial Position

Balance Sheet Analysis

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

	Increase / (Decrease) ($millions)	Explanation
Properties	220.1	Properties increased primarily as follows: properties acquired during 2010 YTD added $267.0 million; internal growth developments, building improvements and other capital expenditures added $24.8 million. These increases were offset by depreciation of $56.2 million and foreign exchange translation of $15.5 million.
Mezzanine loans	(18.2)	Mezzanine loans outstanding decreased primarily due to the discharge of $14.7 million of mezzanine loans on the acquisition of the related properties, repayment of mezzanine loans totalling $2.8 million and amortization of fees of $0.7 million.
Limited life intangible assets	5.9	Limited life intangible assets increased $18.4 million due to acquisitions. This increase was offset by amortization and foreign exchange translation adjustments of $12.5 million.
Capital funding receivable	20.9	Capital funding increased $23.1 million due to acquisitions. This increase was offset by payments received of $2.2 million.
Licences	14.8	Licences increased $14.8 million due to acquisitions.
Total assets	125.5	The increase in total assets is primarily due to acquisitions of properties completed in 2010 YTD which was offset by decreases in mezzanine loans and cash balances.
Mortgages payable	179.8	Mortgages payable increased as a result of new mortgage financings of $11.8 million, assumed mortgages on acquired properties of $244.3 million. These increases were offset by regular amortizing principal repayments, net of deferred financing of $33.1 million, other mortgage repayments of $31.2 million and foreign exchange translation of $12.0 million.
Total liabilities	185.6	The increase in total liabilities is primarily due to increases in mortgages payable, accounts payable and other liabilities.
Non-controlling interest	(1.4)	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 $0.8 million and non-controlling interests share of net loss of $0.2 million.
Unitholders' equity	(58.7)	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 September 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	8,672	56,169	64,841	3.74%	5.41%
2011	35,541	79,532	115,073	6.64%	4.25%
2012	48,375	127,174	175,549	10.13%	4.83%
2013	35,625	98,919	134,544	7.76%	5.20%
2014	31,525	132,203	163,728	9.44%	4.36%
2015	28,885	179,025	207,910	11.99%	5.14%
2016	24,747	163,846	188,593	10.88%	6.02%
2017	18,461	244,006	262,467	15.14%	5.70%
2018	19,445	32,625	52,070	3.00%	5.55%
2019	18,325	98,558	116,883	6.74%	6.18%
2020-2024	77,126	74,012	151,138	8.72%	5.55%
Thereafter	85,451	15,315	100,766	5.81%	4.95%
Total	432,178	1,301,384	1,733,562	100.00%	
Mark-to-market adjustments arising on acquisition			15,443		
Less: Financing costs			(18,680)		
Total Mortgage Debt			1,730,325		

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

	As at September 30, 2010	As at December 31, 2009
Average term to maturity	7.5 years	7.9 years
Weighted average contractual interest rate	5.45%	5.42%
Variable-rate mortgage debt	$92.4 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 development projects. Variable-rate loans are expected to be refinanced with fixed-rate, CMHC-insured 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. In Canada, we have access to low-cost, CMHC-insured debt. All our Canadian properties are eligible for CMHC financing and as of September 30, 2010, approximately 64% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt on renewal.

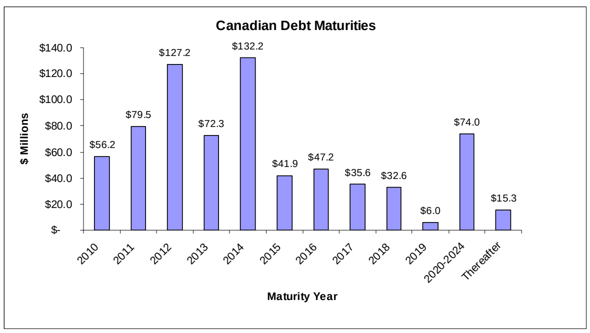
In the U.S. over 70% of our mortgages are with the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal National Mortgage Association ("Fannie Mae"). Both of these entities are government-sponsored enterprises which provide access to competitive financing of seniors housing properties. We have no U.S. debt maturities until 2013, when U.S.$25.9 million of mortgages come due. The remaining U.S. loans mature between 2015 and 2019.

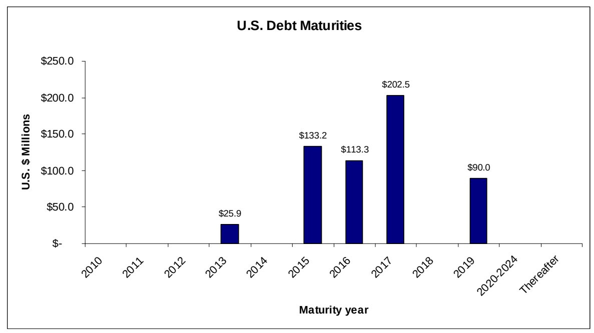
[*] *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

During Q3 2010, we replaced $22.0 million of maturing mortgages on four of our properties with new CMHC-insured debt totalling $26.3 million. The new mortgages have terms to maturity between 10 and 15 years and bear interest at rates between 3.75% and 4.40%, lower than the 4.11% to 7.50% rates on maturing debt. In addition, we financed one other property with a $4.6 million, 10-year CMHC-insured mortgage bearing interest at 3.94% and converted a $6.9 million floating-rate mortgage to a fixed rate of 3.50%. On acquisition of Spectrum's 50% interest in one property in Q3 2010, we assumed their share of a $12.8 million mortgage bearing interest at Prime plus 2.25% and maturing in July 2012.

Subsequent to September 30, 2010, we repaid two conventional floating-rate mortgages totalling $23.7 million. We expect to refinance one of these properties with a fixed-rate, long-term mortgage in 2011.*

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





Convertible Debentures

At September 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. The 6% Convertible Debentures can be called at par on or after December 1, 2010 and the 5.9% Convertible Debentures can be called by us at par on or after May 1, 2011.

On October 29, 2010 we issued redemption notices to redeem the $124.9 million, 6% Convertible Debentures at par in December 2010, utilizing the net proceeds from our $130 million offering of Trust Units completed on October 29, 2010.

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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.*

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q3 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")	374,266	-	-	-	374,266
Trust Units issued under the Long-Term Incentive Plan ("LTIP Units")	-	146,882	-	-	146,882
LTIP Units surrendered for cancellation	-	(82,124)	-	-	(82,124)
Trust Units issued on repayment of LTIP installment receivable	170,000	(170,000)	-	-	-
Deferred Trust Units issued [1]	-	-	-	47,401	47,401
Deferred Trust Unit distributions	-	-	-	7,174	7,174
Exchange of Class B Units of Master LP	110,528	-	(110,528)	-	-
Balance September 30, 2010	126,416,927	2,331,653	1,866,331	175,167	130,790,078

(1) Effective July 1, 2010, Deferred Trust Unit Plan was amended, among other things, to provide that director fees elected to be earned in deferred units would be matched on a one-for-one basis by Chartwell.

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 September 30, 2010 we had cash on hand in the amount of $14.9 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 extended the term of our Credit Facility for an additional 364 day-period 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 September 30, 2010, the maximum available borrowing capacity under the Credit Facility was $72.9 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 September 30, 2010:

($000s)	September 30, 2010
Mortgages payable (1)	1,795,981
Convertible debentures (face value)	199,925
Total Indebtedness	1,995,906
Total assets	2,724,154
Accumulated depreciation and amortization (2)	545,551
Gross book value ("GBV") of assets	3,269,705
Less: Assets financed by deferred purchase consideration on acquisition properties	13,984
Gross book value of assets (net of deferred consideration)	3,255,721
Debt to GBV before convertible debentures	55.2%
Debt to GBV including convertible debentures	61.3%

(1) *Includes mortgages related to assets held for sale of $62,419.*
(2) *Includes accumulated depreciation and amortization related to fully amortized properties, intangible assets of $211,665 and accumulated amortization on assets held for sale of $12,034.*

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 Q3 2010 and 2010 YTD:

($000s)	Q3 2010	2010 YTD
Building expansions (internal growth)	4,469	8,757
Acquisition-related capital expenditures	397	1,625
Building improvements	5,346	10,999
Furniture, fixtures and equipment	1,193	4,485
Total	11,405	25,866

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, except as discussed below.

In 2010, we entered into construction contracts for development of two seniors housing communities totalling $33.0 million.

In Q3 2010, together with our joint venture partner, we jointly and severally guaranteed CMHC-insured loans on two properties totalling $30.7 million. We have obtained appropriate security from our joint venture partner for such guarantees.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q3 2010 and Q3 2009:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	12.0	Cash flows from operating activities increased primarily due to favourable changes in non-cash operating items and increased contributions from property operations.
Financing activities	(1.9)	Cash flows from financing activities decreased primarily due to a decrease in mortgage proceeds, net of repayments, of $7.5 million. This decrease was offset by reduced payments on our Credit Facility of $6.0 million.
Investing activities	(1.7)	Cash flows from investing activities decreased primarily due to increased acquisition activity.

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 Q3 2010, 2010 YTD and the years ended December 31, 2009 and 2008:

($000s)	**Q3 2010**	**2010 YTD**	2009	2008
Distributions declared on Trust Units	17,323	51,913	67,711	75,670
Distributions on Class B Units of Master LP	249	759	1,395	3,595
Distributions reinvested under DRIP	(963)	(2,734)	(5,074)	(9,230)
Distributions applied against LTIP installment receivable	(308)	(924)	(1,771)	(2,144)
Distributions paid or payable in cash	16,301	49,014	62,261	67,891

The following table summarizes cash distributions made in Q3 2010, 2010 YTD and the years ended December 31, 2009 and 2008 in relation to net loss and cash flows from operating activities:

($000s)	**Q3 2010**	**2010 YTD**	2009	2008
Cash flows from operating activities	37,686	79,415	64,810	101,525
Income/(Loss) before non-controlling interest	(3,903)	(10,389)	(72,692)	(111,660)
Cash distributions declared (1)	16,301	49,014	62,261	67,891
Excess (shortfall) of cash flows from operating activities over cash distributions paid	21,385	30,401	2,549	33,634
Excess (shortfall) of net loss before non-controlling interest over cash distributions paid	(20,204)	(59,403)	(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 increased cash flows from operating activities by $13.0 million and $5.6 million in Q3 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 Q3 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. *

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

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 Q3 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 Q3 2010:

	Properties	Suites/Beds
Canadian Retirement Operations (1)	90	10,052
Canadian Long-Term Care Operations	16	1,779
U.S. Operations (owned and leased)	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 do not anticipate that this new legislation will have a significant impact on our accounting policies.

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

The discussion in this section should be read in conjunction with our 2009 MD&A, as it contains an update as at the reporting date.

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 actively transitioning our financial results from CGAAP to IFRS, however, the full impact of this transition has not been completely quantified for the consolidated Financial Statements and key performance indicators.

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 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).

The key elements of the "Testing, Implementation and Review" phase that are currently in progress are:

a) ***Accounting Policies***: The evaluation and selection of accounting policy alternatives is substantially complete, however, we continue to assess our choices until the transition date.

b) ***Financial Reporting:*** The preparation of the IFRS financial statements, including notes disclosures, for interim and annual periods is underway and is progressing according to plan.

c) ***Information Technology and Data Systems:*** We have identified areas where transition to IFRS has a significant impact on our information technology systems. The development of the required IT solutions is complete and the implementation is expected to be finalized in Q4 2010. The change to our information systems has been significantly impacted by the requirement to componentize our property, plant and equipment assets.

d) ***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.

e) ***Training and Development:***
   - Training of key finance and operational staff is ongoing and will continue throughout 2010 and 2011.
   - We continually provide quarterly updates to the Audit Committee and a full training session will be held in November 2010.
   - A full update session is scheduled for the Board of Directors and Trustees in February 2011 whereby the implications of the IFRS standards to the business and an overview of the impact to the financial statements will be presented.

f) ***Internal controls over financial reporting and disclosure controls and procedures:*** This is an on-going process whereby we have identified additional controls and procedures under IFRS that are currently being reviewed. Internal control test plans and management certificates are being updated so that the CEO/CFO certification process will be compliant with IFRS. This is expected to be completed by 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 our properties on transition. At the present time, we continue our analysis of the property valuations and the impact of this election on our financial position and key performance indicators. 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.

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 that will be applied prospectively from the transition date.

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.

Share based payment transactions: Under CGAAP, transactions settled in equity instruments (e.g. Long Term Incentive Plans ("LTIPs") and Deferred Trust Units ("DTUs")) are classified as equity settled awards. However, under IFRS, as our Trust units are determined to be puttable instruments, IFRS requires that they should be classified as a liability.

All outstanding instruments under these plans will be fair valued at the date of transition. We expect increased volatility to net income due to the requirement to fair value these instruments on a quarterly basis.

Hedge accounting: IFRS prohibits retrospectively designating hedging relationships prior to the transition date. Also, any previous hedging relationship must be of a qualifying type under IAS 39 *Financial Instruments* in order to apply hedge accounting.

We are party to one interest swap agreement on a mortgage with the principal amount of $11.3 million. This instrument does not qualify for hedge accounting under IFRS and will be de-designated as an instrument for hedge accounting as of January 1, 2010. It will be recorded at fair value on transition and prospectively. We expect increased volatility in the financial results from period to period.

Discontinued Operations: Under IFRS 5 *Non-current assets held for sale and discontinued operations*, a discontinued operation represents a separate major line of business or geographical area of operations.

Thus, the disposal of an individual property would not meet the IFRS definition of a significant operation of the business to be classified as discontinued - this differs from the accounting treatment under CGAAP. As a result, there will be some reclassifications in our 2010 IFRS Statement of Comprehensive Income, affecting income from continuing operations, however, there will be no impact to net income/(loss).

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 Q3 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 September 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 September 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.