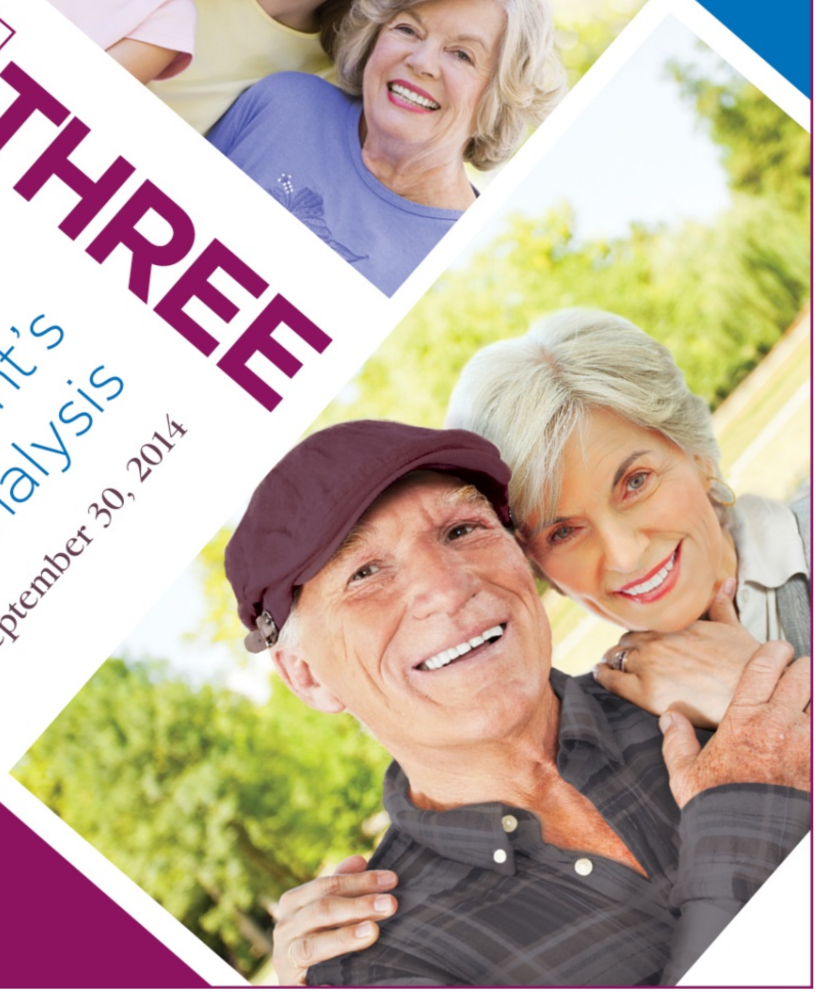
CHARTWELL
retirement residences

making people's lives BETTER®



THREE

Management's Discussion & Analysis

Third Quarter Report • September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Nine Months Ended September 30, 2014 and 2013

Contents

Chartwell Retirement Residences (“Chartwell” or the “Trust”) has prepared the following management’s discussion and analysis (the “MD&A”) to provide information to assist its current and prospective investors’ understanding of the financial results of Chartwell for the three and nine months ended September 30, 2014. This MD&A should be read in conjunction with Chartwell’s unaudited, interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 and the notes thereto (the “Financial Statements”), the audited consolidated financial statements for the year ended December 31, 2013 and the notes thereto (the “2013 Financial Statements”) and the annual Management’s Discussion and Analysis for the year ended December 31, 2013 (the “2013 MD&A”). This material is available on Chartwell’s website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form (“AIF”) for the year ended December 31, 2013, 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 6, 2014.

All references to “Chartwell”, “we”, “our”, “us” or the “Trust”, unless the context indicates otherwise, refer to Chartwell Retirement Residences and its subsidiaries. For ease of reference “Chartwell” and the “Trust” are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. 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; “2014” refers to the calendar year 2014; “2013” refers to the calendar year 2013 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for Q3 2014 and 2014 YTD are in comparison to results from Q3 2013 and 2013 YTD, respectively.

In this document we use a number of performance measures that are not generally accepted accounting principles (“GAAP”) such as Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”), Net Operating Income (“NOI”), “Same Property NOI,” “Same Property Revenue,” “Same Property Direct Operating Expenses,” “G&A Expenses as a percentage of Revenue,” “Interest Coverage Ratio,” “Indebtedness Ratio,” “Net Debt to Adjusted EBITDA Ratio,” “Chartwell’s Interest” and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the “Non-GAAP Measures”). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Please refer to the “Non-GAAP Measures” section of this MD&A for details.

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

This document contains forward-looking information based on management’s expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the “Forward-Looking Information and Risks and Uncertainties” section of this MD&A for more information.

Business Overview

Chartwell is an unincorporated, open-ended trust governed by the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada and the United States ("U.S.").

Our Continuum of Care:

- Independent living ("IL") - Age-qualified units/ townhouses/ bungalows with availability of providing meals and general services without personal care services available.
- Independent supported living ("ISL") - Age-qualified units/ townhouses/ bungalows with households general services and with personal care services available.
- Assisted living ("AL") - Age-qualified units with personal care services included in fee in a separate wing, floor or building.
- Memory care ("MC") - Age-qualified units with personal care services included in fee for persons with Alzheimer's disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care ("LTC") – 24-hour nursing care, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

Our Vision is... Making People's Lives Better

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents' loved ones; and
- to attract and retain employees who care about making a difference in our residents' lives.

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

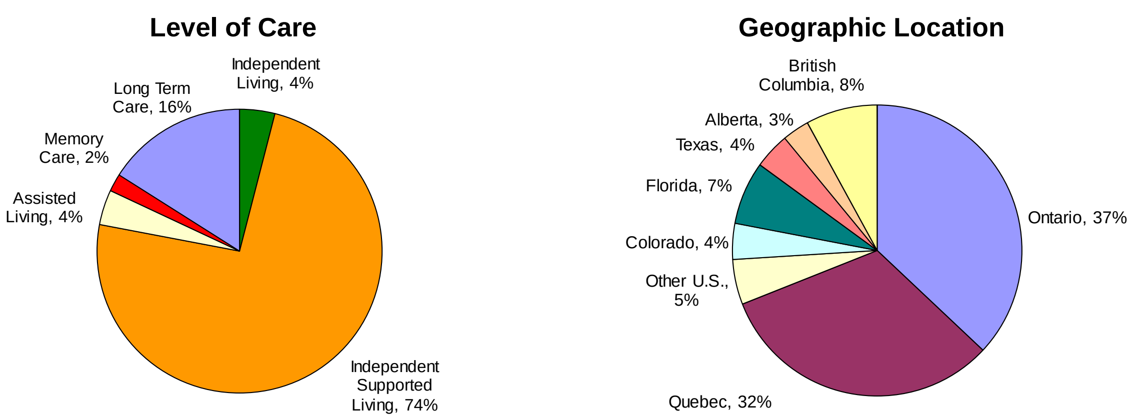
Trust – We believe in keeping our promises and doing the right thing

The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at September 30, 2014:

	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: (1)								
100% Owned – operating	98	12,187	24	3,135	33	4,768	155	20,090
Partially Owned – operating (2)	48	8,545	-	-	-	-	48	8,545
Total Owned	146	20,732	24	3,135	33	4,768	203	28,635
Properties under Operating Lease								
100% Interest	-	-	-	-	2	233	2	233
Total Owned and Leased	146	20,732	24	3,135	35	5,001	205	28,868
Managed Properties	3	517	4	608	-	-	7	1,125
Total	149	21,249	28	3,743	35	5,001	212	29,993

(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 received and internal management responsibility.
(2) We have a 50% ownership interest in these properties with the exception of two Canadian retirement properties and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Leased Interest, at September 30, 2014 by:



Total Canada – 80%
Total U.S. – 20%

Business Strategy

Our business strategy is principally focused on providing quality care and services to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:

Grow core property portfolio contribution by:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

Maintain a strong financial position by:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt, while managing interest costs.
- Gradually reducing our debt levels to our targeted range.

Improve quality and efficiency of our corporate support services by:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

Build value of our real estate portfolio by:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

The following summarizes the progress we made in executing our strategy in 2014 to date:

Grow core property portfolio contribution	• Re-branding of our Canadian communities is complete. • Successful brand awareness and online and social media strategies are generating increased prospect inquiries and personal visits. • Same property NOI [(1)] increased 2.6% in Q3 2014 and 1.2% in 2014 YTD. • Same property occupancy was 90.2% in Q3 2014 and 89.6% in 2014 YTD.
Maintain a strong financial position	• At September 30, 2014, we had cash on hand [(2)] of \$14.3 million and \$77.6 million of available borrowing capacity under our Credit Facilities. • Interest Coverage Ratio [(1)] was 2.40 in Q3 2014 compared to 2.27 in Q3 2013. • Net Debt to Adjusted EBITDA Ratio [(1)] improved to 8.5 at September 30, 2014 compared to 8.6 at September 30, 2013. • Indebtedness Ratio [(1)] improved to 55.2% at September 30, 2014, compared to 56.6% at December 31, 2013.
Improve quality and efficiency of our corporate support services	• Completed the implementation of a procurement and payment system. • Completed the implementation of a fixed asset management and reporting system. • Completed the implementation of a telephone system to route customer calls from our properties to Chartwell's call centre whenever a sales consultant is not available. • Completed a major update to our website generating significant improvements to several key online metrics.
Build value of our real estate portfolio	• Completed acquisitions of interests in four retirement residences and one medical office building for \$87.4 million. • Completed two development projects with three other projects in progress for completion in 2015. • Completed sales of interests in 19 non-core properties for \$225.2 million.

(1) Non-GAAP; refer to the "Non-GAAP Measures" section of this MD&A.
(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$2.2 million.

2014 Outlook

Our 2013 MD&A contains a detailed discussion of our 2014 Outlook. There were no significant changes to our 2014 Outlook, except as discussed elsewhere in this MD&A.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2013 MD&A. There were no significant changes in 2014 YTD, except as follows:

Acquisitions

On January 2, 2014, we completed the acquisition of the remaining 66.7% interest that we did not already own in Robert Speck, a 113-unit ISL residence located in Mississauga, Ontario. The purchase price, before closing costs, was $21.3 million, and was settled through the assumption of mortgage debt of $15.2 million, with the balance paid in cash.

On July 3, 2014, we acquired a 100% interest in a 151-unit ISL residence located in Gatineau, Quebec. The purchase price before closing costs was $21.8 million and was settled in cash utilizing our Credit Facility.

On July 18, 2014 we acquired an 85% interest in two retirement residences ("L'Unique" a 169-unit ISL residence, and "Les Monarques" a 98-unit AL residence) and a medical office building ("Polyclinique") (collectively, the "Campus") for $44.3 million, before closing costs, from entities affiliated with Batimo Inc ("Batimo"). Batimo has retained a 15% interest in the Campus. The purchase price was satisfied by the assumption of mortgages totalling $27.9 million, with the remainder paid in cash. Batimo provided Chartwell with a five year net operating income guarantee on L'Unique and Les Monarques up to an aggregate maximum amount of $1.3 million. In addition, Batimo provided Chartwell with a five year net operating income guarantee on Polyclinique (the "Polyclinique NOI guarantee"). Under the Polyclinique NOI guarantee Chartwell's share of net operating income will be at least $0.8 million per annum.

Dispositions

On May 1, 2014, we completed the sale of 14 non-core properties in Ontario for $66.0 million. This transaction was settled by the purchaser's assumption of $19.3 million of debt, and the provision of vendor take-back mortgages ("VTBs") of $6.0 million, with the balance, net of working capital adjustments, received in cash. The VTBs bear interest at 8.0% per annum, have a three-year term to maturity, are secured by charges against certain properties in the portfolio, the corporate guarantees of the purchaser and its affiliated entity and certain cross-collateralization and cross-default provisions.

On July 2, 2014, we completed the sale of another non-core property in Ontario for $24.5 million for 100% interest. We owned a 50% interest in this property.

On July 30, 2014, we completed the sale of four non-core U.S. properties comprised of 827 suites located in Alabama, Michigan, Oklahoma and Tennessee for $147.0 million (U.S.$136.1 million.) We discharged mortgages of $93.1 million (U.S.$86.2 million) related to these properties at closing. The balance of the purchase price, net of closing costs, was received in cash and utilized to reduce our indebtedness in both the U.S. and Canada.

The dispositions of these properties resulted in capital gains for tax purposes. As a result, in 2014 YTD we recorded a tax provision of approximately $0.6 million on the sales of Canadian properties and U.S.$0.9 million on the sales of the U.S. properties.

Development

In accordance with our strategy to innovatively develop modern, market-specific and operationally efficient seniors communities that remain competitive over the long term, we maintain a moderate internal development program. We also partner with other reputable developers to gain access to attractive sites in strong markets.

The following table summarizes development projects completed in 2014 YTD and currently in progress:

Project	Location	Suites/ Beds	Actual / Estimated Development Costs (1)	Actual / Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield (2)
Chartwell Deerview Crossing Retirement Residence	Hamilton, ON	119	$32.3 million	Q1 2014	Q2 2015	9.0%
Tamarac Memory Care Phase II	Tamarac, FL	24	U.S.$4.5 million	Q4 2014	Q4 2015	10.1%
Chartwell Tranquility Place Apartments Phase II (3)	Brantford, ON	30	$8.3 million	Q3 2015	Q3 2016	7.7%
Chartwell Georgian Traditions Memory Care Phase II	Collingwood, ON	30	$9.2 million	Q1 2015	Q1 2017	9.0%
Chartwell L'Unique Phase II (4)	Ste. Eustache, QC	90	N/A	Q2 2015	Q2 2016	N/A
		293				

(1) Non-GAAP; includes imputed cost of capital and lease-up losses.
(2) Non-GAAP; defined as first year stabilized NOI divided by development costs.
(3) Chartwell owns a 50% interest in this project.
(4) Development is undertaken by Batimo. Chartwell advanced a mezzanine loan of $1.5 million and intends to acquire an 85% ownership interest in this project upon stabilization.

Our pipeline of new development opportunities remains strong and we expect to commence several additional projects in 2015 and 2016.

Subsequent to September 30, 2014, we advanced a mezzanine loan of $1.5 million to Batimo for the development of a 90-suite retirement residence (Chartwell L'Unique Phase II.) This loan bears interest at 10% and is secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee. The loan has a five-year term to maturity which can be extended by an additional two years subject to satisfaction of certain conditions. In addition, we advanced two other loans to Batimo totalling $2.4 million. These loans have five-year terms to maturity, bear interest at 8% and carry security packages similar to the one described above. All loans to Batimo contain certain cross-collateralization and cross-default provisions.

Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint ventures that were previously accounted for using line-by-line proportionate ("line-by-line") consolidation to now be accounted for using the equity method. Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint venture is held through a separate legal entity such as a limited partnership or corporation; however, where an interest is held directly, line-by-line consolidation continues to apply.

The following table summarizes the details of our joint arrangements and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-HCN Landlord (1)	39	7,662	50.0%	Line-by-line
Chartwell-HCN Operator (1)	Same as above	Same as above	50.0%	Equity
Batimo	3	267	85.0%	Line-by-line
Bristal Portfolio (2)	5	768	50.0%	Equity
Oakville	1	147	50.0%	Equity
Constantia	1	121	50.0%	Equity
Pickering	1	117	50.0%	Equity
Valley Vista	1	151	50.0%	Line-by-line
Riverside	1	138	50.0%	Line-by-line
Churchill	1	97	50.0%	Line-by-line

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.
(2) On February 13, 2013, Chartwell sold its interest in this portfolio.

Throughout this document, amounts reported 'per our Financial Statements' are prepared in accordance with IFRS, and amounts reported at 'Chartwell's Interest,' a non-GAAP measure, represent Chartwell's proportionate share of interests in our entire portfolio of investments. Refer to the "Non-GAAP Measures – Chartwell's Interest" section of this MD&A for a detailed description of this measure.

We believe that presenting the operating and financial results of our joint ventures at Chartwell's Interest, a non-GAAP basis, provides more useful information to current and prospective investors to assist them with their understanding of our financial performance by providing transparency of revenue earned, expenses incurred, as well as assets and liabilities held through joint ventures. Management uses this measure because assets are managed at the property level.

The following tables provide a complete reconciliation of our Financial Statements to the financial information used in this MD&A.

($000s)	Q3 2014 per Financial Statements (1)	Equity Accounted Investments (2)	Q3 2014 Chartwell's Interests (3)
Revenue			
Resident	203,777	25,794	229,571
Management and other fees	1,927	-	1,927
Lease revenue from joint ventures	8,150	(8,150)	-
Interest on loans receivable	126	-	126
	213,980	17,644	231,624
Expenses			
Direct operating	143,667	15,615	159,282
General, administrative and Trust ("G&A")	6,442	-	6,442
	150,109	15,615	165,724
Income before the undernoted	63,871	2,029	65,900
Finance costs	26,768	392	27,160
Property lease expense	684	-	684
Other expense/(income)	(40,329)	77	(40,252)
Depreciation of property, plant and equipment ("PP&E")	39,930	765	40,695
Amortization of intangible assets	493	6	499
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	679	-	679
Share of net income from joint ventures	(789)	789	-
Income before income taxes	36,435	-	36,435
Income tax expense/(benefit):			
Current	1,285	-	1,285
Deferred	3,304	-	3,304
	4,589	-	4,589
Net income for the period	31,846	-	31,846
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	3,494	-	3,494
Total comprehensive income	35,340	-	35,340

(1) Prepared in accordance with IFRS.
(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

($000s)	Q3 2013 per Financial Statements (1)	Equity Accounted Investments (2)	Q3 2013 Chartwell's Interest (3)
Revenue			
Resident	208,444	25,170	233,614
Management and other fees	2,164	-	2,164
Lease revenue from joint ventures	7,960	(7,960)	-
Interest on loans receivable	32	-	32
	218,600	17,210	235,810
Expenses			
Direct operating	147,483	15,479	162,962
G&A	6,800	-	6,800
	154,283	15,479	169,762
Income before the undernoted	64,317	1,731	66,048
Finance costs	28,176	334	28,510
Property lease expense	682	-	682
Other expense/(income)	(286)	35	(251)
Depreciation of PP&E	40,097	1,029	41,126
Amortization of intangible assets	514	-	514
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(3,074)	-	(3,074)
Share of net income from joint ventures	(333)	333	-
Income before income taxes	(1,459)	-	(1,459)
Income tax expense/(benefit):			
Current	65	-	65
Deferred	-	-	-
	65	-	65
Net loss for the period	(1,524)	-	(1,524)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	(1,148)	-	(1,148)
Total comprehensive loss	(2,672)	-	(2,672)

(1) Prepared in accordance with IFRS.
(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

($000s)	2014 YTD per Financial Statements [1]	Equity Accounted Investments [2]	2014 YTD Chartwell's Interests [3]
Revenue			
Resident	615,987	76,857	692,844
Management and other fees	5,635	-	5,635
Lease revenue from joint ventures	24,486	(24,486)	-
Interest on loans receivable	269	-	269
	646,377	52,371	698,748
Expenses			
Direct operating	443,036	48,111	491,147
General, administrative and Trust ("G&A")	24,632	-	24,632
	467,668	48,111	515,779
Income before the undernoted	178,709	4,260	182,969
Finance costs	85,039	1,178	86,217
Property lease expense	2,039	-	2,039
Other expense/(income)	(47,908)	63	(47,845)
Depreciation of property, plant and equipment ("PP&E")	122,646	2,121	124,767
Amortization of intangible assets	1,997	12	2,009
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	6,914	-	6,914
Share of net income from joint ventures	(881)	881	-
Income before income taxes	8,863	5	8,868
Income tax expense/(benefit):			
Current	(385)	5	(380)
Deferred	1,247	-	1,247
	862	5	867
Net income for the period	8,001	-	8,001
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	4,277	-	4,277
Total comprehensive income	12,278	-	12,278

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

($000s)	2013 YTD per Financial Statements (1)	Equity Accounted Investments (2)	2013 YTD Chartwell's Interest (3)
Revenue			
Resident	610,766	78,014	688,780
Management and other fees	6,024	-	6,024
Lease revenue from joint ventures	23,351	(23,351)	-
Interest on loans receivable	128	-	128
	640,269	54,663	694,932
Expenses			
Direct operating	437,247	48,881	486,128
G&A	22,469	-	22,469
	459,716	48,881	508,597
Income before the undernoted	180,553	5,782	186,335
Finance costs	83,796	2,032	85,828
Property lease expense	2,019	-	2,019
Other expense/(income)	(399)	(48,235)	(48,634)
Depreciation of PP&E	115,981	2,858	118,839
Amortization of intangible assets	1,575	-	1,575
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(9,947)	-	(9,947)
Share of net income from joint ventures	(49,127)	49,127	-
Income before income taxes	36,655	-	36,655
Income tax expense/(benefit):			
Current	194	-	194
Deferred	-	-	-
	194	-	194
Net income for the period	36,461	-	36,461
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	1,570	-	1,570
Total comprehensive income	38,031	-	38,031

(1) Prepared in accordance with IFRS.
(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

($000s)	September 30, 2014 per Financial Statements (1)	Equity Accounted Investments (2)	September 30, 2014 Chartwell's Interests (3)
Assets			
Current assets:			
Cash and cash equivalents	12,165	2,175	14,340
Trade and other receivables	20,406	(2,175)	18,231
Capital funding receivable	4,895	-	4,895
Other assets	23,646	3,031	26,677
Total current assets	61,112	3,031	64,143
Non-current assets:			
Other assets	8,766	-	8,766
Capital funding receivable	62,784	-	62,784
Loans receivable	6,000	-	6,000
Investment in joint ventures	23,323	(23,323)	-
Intangible assets	49,111	49	49,160
PP&E	2,484,896	45,563	2,530,459
Total non-current assets	2,634,880	22,289	2,657,169
Total assets	2,695,992	25,320	2,721,312
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facilities	49,000	-	49,000
Accounts payable and other liabilities	111,387	(3,377)	108,010
Distributions payable	7,942	-	7,942
Mortgages payable	331,081	459	331,540
Total current liabilities	499,410	(2,918)	496,492
Non-current liabilities:			
Mortgages payable	1,563,200	28,238	1,591,438
Convertible debentures	147,825	-	147,825
Class B Units of Chartwell Master Care LP ("Class B Units")	17,989	-	17,989
Deferred tax liability	1,233	-	1,233
Total non-current liabilities	1,730,247	28,238	1,758,485
Total liabilities	2,229,657	25,320	2,254,977
Unitholders' equity	466,335	-	466,335
Total liabilities and unitholders' equity	2,695,992	25,320	2,721,312

(1) Prepared in accordance with IFRS.
(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

($000s)	December 31, 2013 per Financial Statements (1)	Equity Accounted Investments (2)	December 31, 2013 Chartwell's Interests (3)
Assets			
Current assets:			
Cash and cash equivalents	8,601	3,086	11,687
Trade and other receivables	17,881	36	17,917
Capital funding receivable	4,698	-	4,698
Other assets	26,668	3,125	29,793
Total current assets	57,848	6,247	64,095
Non-current assets:			
Other assets	7,397	-	7,397
Capital funding receivable	66,481	-	66,481
Investment in joint ventures	28,319	(28,319)	-
Intangible assets	49,777	5	49,782
PP&E	2,628,140	47,327	2,675,467
Total non-current assets	2,780,114	19,013	2,799,127
Total assets	2,837,962	25,260	2,863,222
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facilities	27,000	-	27,000
Accounts payable and other liabilities	129,020	(3,702)	125,318
Distributions payable	7,884	-	7,884
Mortgages payable	219,347	12,866	232,213
Total current liabilities	383,251	9,164	392,415
Non-current liabilities:			
Mortgages payable	1,784,889	16,096	1,800,985
Convertible debentures	144,005	-	144,005
Class B Units	16,583	-	16,583
Total non-current liabilities	1,945,477	16,096	1,961,573
Total liabilities	2,328,728	25,260	2,353,988
Unitholders' equity	509,234	-	509,234
Total liabilities and unitholders' equity	2,837,962	25,260	2,863,222

(1) Prepared in accordance with IFRS.
(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates and per unit amounts)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Resident revenue (1)	229,571	233,614	(4,043)	692,844	688,780	4,064
Weighted average occupancy rate - same property portfolio (2)	90.2%	89.9%	0.3pp	89.6%	89.7%	(0.1pp)
Same property NOI (1)(3)	64,337	62,720	1,617	182,082	179,881	2,201
AFFO (4)(5)	33,886	32,569	1,317	95,804	92,448	3,356
AFFO per unit diluted (6)(7)	0.19	0.18	0.01	0.54	0.53	0.01
FFO (8)	37,364	36,577	787	106,870	103,026	3,844
FFO per unit diluted (6)(7)	0.21	0.21	-	0.60	0.58	0.02
Distributions declared (9)	23,859	23,516	343	71,418	70,378	1,040
Distributions declared per unit (7)	0.14	0.14	-	0.41	0.41	-
Distributions declared as a percentage of AFFO	70.4%	72.2%	(1.8pp)	74.5%	76.1%	(1.6pp)
Net income/(loss) for the period	31,846	(1,524)	33,370	8,001	36,461	(28,460)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) pp = percentage points.
(3) Non-GAAP; excludes the effects of foreign exchange on the U.S. dollar. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.
(4) Non-GAAP; refer to the "FFO and AFFO Reconciliation – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.
(5) Includes $0.3 million and $1.2 million in negative AFFO related to properties in lease-up in Q3 2014 and 2014 YTD, respectively ($0.5 million and $1.4 million in Q3 2013 and 2013 YTD, respectively).
(6) Includes dilutive impact of conversion of convertible debentures into Trust Units.
(7) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.
(8) Non-GAAP; refer to the "FFO and AFFO Reconciliation – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.
(9) Includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").

In Q3 2014, AFFO was $33.9 million or $0.19 per unit diluted. This represents an increase of $1.3 million or 4.0% compared to AFFO of $32.6 million or $0.18 per unit diluted in Q3 2013. The increase in AFFO was primarily due to:

- incremental AFFO of $2.1 million from our same property portfolio, excluding the effects of foreign exchange on the U.S. dollar, primarily due to higher NOI and lower interest expenses;
- lower G&A expenses of $0.4 million primarily due to lower legal costs and timing of certain other expenses;
- higher foreign exchange on our U.S. source AFFO of $0.3 million;

partially offset by:

- lower AFFO of $1.3 million, excluding the effects of foreign exchange on the U.S. dollar, due to sales of non-core U.S. and Ontario properties net of the increased contribution from new acquisitions and developments; and
- lower management fee revenue of $0.2 million primarily due to lower capital project oversight fees earned from HCN.

For 2014 YTD, AFFO was $95.8 million or $0.54 per unit diluted. This represents an increase of $3.4 million or 3.6% compared to AFFO of $92.4 million or $0.53 per unit diluted in 2013 YTD. The increase in AFFO was primarily due to:

- proceeds of settled litigation in the U.S. of $3.4 million;
- proceeds of the settlement of prior years' SIFT and commodity tax matters of $3.1 million;
- incremental AFFO from our same property portfolio of $2.3 million, excluding the effects of foreign exchange on the U.S. dollar, primarily due to higher NOI and lower interest expenses;
- foreign exchange on our U.S. source AFFO of $1.3 million;
- the reversal of a previously-recorded provision for impairment of mezzanine loans of $1.2 million;
- other items combined of $0.4 million;

partially offset by:

- sales of non-core U.S. and Ontario properties, net of the increased contribution from new acquisitions and developments, of $3.6 million, excluding the effects of foreign exchange on the U.S. dollar;
- early mortgage repayment costs of $2.5 million; and
- higher other G&A expenses of $2.2 million, primarily due to $1.4 million of severance costs related to a corporate reorganization to improve support services provided to our operating platforms and higher legal costs related to settled litigation in the U.S. of $0.3 million and normal inflationary increases.

In Q3 2014, FFO increased $0.8 million or 2.2% to $37.4 million or $0.21 per unit diluted compared to Q3 2013 FFO of $36.6 million or $0.21 per unit diluted. For 2014 YTD, FFO increased $3.8 million or 3.7% to $106.9 million or $0.60 per unit diluted compared to 2013 YTD FFO of $103.0 million or $0.58 per unit diluted. In addition to the items noted in the discussion of AFFO above, FFO was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

In Q3 2014, net income was $31.8 million compared to net loss of $1.5 million in Q3 2013. For 2014 YTD net income was $8.0 million compared to net income of $36.5 million in 2013 YTD. In addition to items which impacted AFFO and FFO as discussed above, net income was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, gains on sale of assets, property tax accounted for under IFRIC 21, changes in fair value of financial instruments, unrealized foreign exchange translation gains, deferred income taxes and current income tax primarily due to capital gains tax resulting from the sale of the non-core Ontario and U.S. properties in Q2 2014 and Q3 2014.

Refer to the "Non-GAAP Measures" section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Canadian retirement:						
NOI [1]	42,121	40,962	1,159	120,737	118,682	2,055
Occupancy	88.8%	88.2%	0.6pp	88.2%	88.3%	(0.1pp)
Canadian LTC:						
NOI	7,224	7,025	199	21,122	20,652	470
Occupancy	98.8%	98.8%	-	98.5%	98.3%	0.2pp
U.S.:						
NOI (U.S.$)	14,992	14,733	259	40,223	40,547	(324)
Occupancy	88.9%	89.7%	(0.8pp)	88.1%	88.6%	(0.5pp)
Combined:						
NOI [1][2]	64,337	62,720	1,617	182,082	179,881	2,201
Occupancy	90.2%	89.9%	0.3pp	89.6%	89.7%	(0.1pp)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

In Q3 2014, combined same property occupancy increased to 90.2%, with same property NOI increasing $1.6 million or 2.6% as follows:

- In our Canadian retirement portfolio, same property NOI increased 2.8%. The growth in revenues, primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenues from enhanced services provided to our residents and higher occupancies were partially offset by higher staffing, utilities, food and property tax expenses. Occupancy increased to 88.8% from 88.2% in Q3 2013.
- In our Canadian LTC portfolio, same property NOI increased 2.8% primarily due to increased retirement and other revenues and higher preferred accommodation rates partially offset by higher staffing expenses. Occupancy remained high at 98.8% consistent with Q3 2013.
- In our U.S. portfolio, same property NOI increased 1.8% primarily due to regular annual rental rate increases in line with competitive market conditions and lower management costs partially offset by lower occupancies, higher staffing, food and property tax expenses. Occupancy decreased to 88.9% from 89.7% in Q3 2013.

For 2014 YTD, combined same property occupancy decreased slightly to 89.6%, with same property NOI increasing $2.2 million or 1.2% as follows:

- In our Canadian retirement portfolio, same property NOI increased 1.7%. The growth in revenues, primarily due to regular annual rental rate increases in line with competitive market conditions, lower short-term move-in incentives, higher ancillary revenues from enhanced services provided to our residents and lower bad debt expense was partially offset by lower occupancies and higher staffing, utilities, property taxes and food expenses. Occupancy decreased to 88.2% from 88.3% in 2013 YTD.
- In our Canadian LTC portfolio, same property NOI increased 2.3% primarily due to increased retirement and other revenues and higher preferred accommodation rates partially offset by higher utilities expenses. Occupancy remained high at 98.5% compared to 98.3% in 2013 YTD.
- In our U.S. portfolio, same property NOI decreased 0.8% primarily due to lower occupancies, higher staffing, food and utilities expenses partially offset by regular annual rental rate increases in line with competitive market conditions and lower management costs. Occupancy decreased to 88.1% from 88.6% in 2013 YTD.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Resident Revenue						
Same property [1][2]	211,671	206,376	5,295	625,885	610,722	15,163
Acquisitions and other [1][2]	13,737	25,096	(11,359)	52,996	74,147	(21,151)
Foreign exchange on U.S. dollar revenue [1]	4,163	2,142	2,021	13,963	3,911	10,052
	229,571	233,614	(4,043)	692,844	688,780	4,064
Less: Share of resident revenue from joint ventures	25,794	25,170	624	76,857	78,014	(1,157)
Total resident revenue	203,777	208,444	(4,667)	615,987	610,766	5,221
Direct Operating Expenses						
Same property [1][2]	147,334	143,656	3,678	443,803	430,841	12,962
Acquisitions and other [1][2]	9,208	17,885	(8,677)	37,668	52,639	(14,971)
Foreign exchange on U.S. dollar expenses [1]	2,740	1,421	1,319	9,676	2,648	7,028
	159,282	162,962	(3,680)	491,147	486,128	5,019
Less: Share of direct operating expenses from joint ventures	15,615	15,479	136	48,111	48,881	(770)
Total direct operating expenses	143,667	147,483	(3,816)	443,036	437,247	5,789
Net Operating Income						
Same property [1][2]	64,337	62,720	1,617	182,082	179,881	2,201
Acquisitions and other [1][2]	4,529	7,211	(2,682)	15,328	21,508	(6,180)
Foreign exchange on U.S. dollar expenses [1]	1,423	721	702	4,287	1,263	3,024
	70,289	70,652	(363)	201,697	202,652	(955)
Less: Share of NOI from joint ventures	10,179	9,691	488	28,746	29,133	(387)
Total NOI	60,110	60,961	(851)	172,951	173,519	(568)
Weighted average occupancy rate - same property portfolio	90.2%	89.9%	0.3pp	89.6%	89.7%	(0.1pp)
Weighted average occupancy rate - total portfolio	89.7%	89.2%	0.5pp	88.6%	89.0%	(0.4pp)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue decreased 2.2% in Q3 2014 and increased 0.9% in 2014 YTD. The changes in resident revenue were primarily due to increased revenue in our same property portfolio, a growing revenue contribution from acquisitions and developments, positive effects of foreign exchange on the U.S. dollar, and the reduction in revenue from the sales of non-core U.S. and Ontario properties.

Same property resident revenue increased $5.3 million or 2.6% in Q3 2014 and $15.2 million or 2.5% in 2014 YTD primarily as a result of regular annual rental rate increases in line with competitive market conditions and higher ancillary revenues from enhanced services provided to our residents partially offset by the impact of lower occupancies in 2014 YTD.

Total direct operating expenses decreased 2.6% in Q3 2014 and increased 1.3% in 2014 YTD. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments, the effects of foreign exchange on the U.S. dollar, and a reduction in expenses from the sales of non-core U.S. and Ontario properties.

Same property direct operating expenses increased $3.7 million or 2.6% in Q3 2014 and $13.0 million or 3.0% in 2014 YTD primarily due to higher staffing costs incurred to deliver enhanced services to our residents and increases in food, utilities and property tax expenses partially offset by lower management costs.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
G&A expenses	6,442	6,800	(358)	24,632	22,469	2,163
G&A expenses as a percentage of revenue (1)	2.8%	2.9%	(0.1pp)	3.5%	3.2%	0.3pp

(1) Non-GAAP; refer to the "Non-GAAP Measures – G&A Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric and a reconciliation of revenue used in the calculation of this measure to our Financial Statements.

G&A expenses decreased $0.4 million or 5.3% in Q3 2014 primarily due to a reduction in legal costs as we settled U.S. litigation in Q3 2014 that had been ongoing in 2013 and timing of certain other expenses.

G&A expenses increased $2.2 million or 9.6% in 2014 YTD primarily due to severance costs of $1.4 million related to a corporate reorganization to improve support services provided to our operating platforms, an increase in legal costs of $0.3 million related to the above-noted litigation in the U.S. and inflationary increases in staffing costs.

G&A expenses, as a percentage of revenue, including our share of revenue from joint ventures, were 2.8% in Q3 2014 and 3.5% in 2014 YTD compared to 2.9% in Q3 2013 and 3.2% in 2013 YTD.

Management Fee Revenue

($000s)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
HCN	1,461	1,705	(244)	4,289	4,633	(344)
Other	466	459	7	1,346	1,391	(45)
Total management fee revenue	1,927	2,164	(237)	5,635	6,024	(389)

Management fee revenue decreased $0.4 million or 6.5% in 2014 YTD primarily due to lower capital project oversight fees earned from HCN.

Finance Costs

($000s)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Mortgages and loans payable (1)						
Same property (2)	21,075	22,305	(1,230)	64,119	66,866	(2,747)
Acquisitions and other (2)	2,329	3,612	(1,283)	8,631	11,232	(2,601)
Foreign exchange on U.S. dollar expenses	627	362	265	2,191	657	1,534
	24,031	26,279	(2,248)	74,941	78,755	(3,814)
Convertible debentures	1,939	1,939	-	5,755	5,755	-
Credit Facilities and other interest expense	632	534	98	4,181	1,440	2,741
	26,602	28,752	(2,150)	84,877	85,950	(1,073)
Amortization of financing costs and debt mark-to-market adjustments (1)	434	98	336	901	251	650
	27,036	28,850	(1,814)	85,778	86,201	(423)
Interest capitalized to properties under development	(97)	(564)	467	(228)	(1,045)	817
Distributions on Class B Units recorded as interest expense	221	224	(3)	667	672	(5)
	27,160	28,510	(1,350)	86,217	85,828	389
Less: Share of finance costs from joint ventures	392	334	58	1,178	2,032	(854)
Total finance costs	26,768	28,176	(1,408)	85,039	83,796	1,243

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Interest expense on the same property portfolio decreased $1.2 million in Q3 2014 and $2.7 million in 2014 YTD primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Interest expense in our acquisitions and other portfolio decreased $1.3 million in Q3 2014 and $2.6 million in 2014 YTD primarily due to the sales of non-core U.S. and Ontario properties.

Credit facility and other interest expense increased in 2014 YTD primarily due to early mortgage repayment costs of $2.5 million.

Amortization of financing costs and debt mark-to-market adjustments increased $0.3 million in Q3 2014 and $0.7 million in 2014 YTD primarily as a result of acceleration of amortization of mark-to-market adjustments upon refinancing of certain mortgages in 2013.

We capitalized interest of $0.2 million in 2014 YTD related to our development projects under construction. In accordance with IFRS, once a development project becomes available for use, interest capitalization ceases.

Other (Expense)/Income

($000s)	Q3 2014	Q3 2013	Increase / (Decrease)	2014 YTD	2013 YTD	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions [1]	(1,937)	(902)	(1,035)	(3,666)	(3,500)	(166)
Interest income on capital funding receivable, bank balances and other income [1]	975	1,048	(73)	7,264	3,082	4,182
Reversal of previously-recorded impairment provision	-	-	-	1,245	-	1,245
Gain on remeasurement to fair value of existing interest	-	-	-	435	-	435
Gain on sale of assets [1]	41,214	105	41,109	42,567	49,052	(6,485)
	40,252	251	40,001	47,845	48,634	(789)
Less: Share of other (expense)/income from joint ventures	(77)	(35)	(42)	(63)	48,235	(48,298)
Total other (expense)/income	40,329	286	40,043	47,908	399	47,509

(1) Non-GAAP; reported at Chartwell's Interest.

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions. Q3 2014 and 2014 YTD amounts primarily relate to the sale of non-core Ontario and U.S. properties and acquisitions completed in 2014 YTD. Q3 2013 and 2013 YTD amounts primarily relate to the sale of non-core U.S. properties and acquisitions completed in 2013 YTD.

Interest income on capital funding receivable was $0.9 million and $2.7 million in Q3 2014 and 2014 YTD, respectively, compared to $0.9 million and $2.8 million in Q3 2013 and 2013 YTD, respectively. Included in 2014 YTD is other income of $3.4 million (U.S.$3.1 million) received in settlement of litigation in the U.S. and $0.8 million in settlement of certain commodity tax matters which were recorded as other income in Q2 2014.

In Q1 2014, we reversed a $1.2 million previously-recorded provision for impairment of mezzanine loans receivable on collection of the related mezzanine loan.

Gain on remeasurement to fair value of existing interest of $0.4 million relates to the remeasurement of the original 33.3% interest in Robert Speck. Since this was a step acquisition, a fair value remeasurement of the original 33.3% was required upon acquisition of the additional 66.7% interest.

Gain on sale of assets of $42.6 million in 2014 YTD is primarily due to a $6.1 million gain from the sales of non-core Ontario properties and a $35.7 million (U.S.$32.6 million) gain from the sale of non-core U.S. properties.

Gain on sale of assets of $49.1 million in 2013 YTD is primarily due to the sale of non-core U.S. properties.

Other Items

($000s)	Q3 2014	Q3 2013	Increase / (Decrease)	2014 YTD	2013 YTD	Increase / (Decrease)
Property lease expense	684	682	2	2,039	2,019	20
Depreciation of PP&E (1)	40,695	41,126	(431)	124,767	118,839	5,928
Amortization of limited life intangible assets (1)	499	514	(15)	2,009	1,575	434
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	679	(3,074)	3,753	6,914	(9,947)	16,861
Current income tax expense/(benefit)	1,285	65	1,220	(380)	194	(574)
Deferred income tax expense/(benefit)	3,304	-	3,304	1,247	-	1,247

(1) Non-GAAP; reported at Chartwell's Interest.

Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) result from changes in the market value of the underlying financial instruments and foreign exchange rate movements. These amounts are expected to fluctuate from period to period due to changes in financial markets.

Current income tax expense in Q3 2014 and 2014 YTD includes $1.2 million and $1.6 million, respectively, related to the sales of non-core Ontario and U.S. properties. In addition, the 2014 YTD amount includes a $2.2 million recovery of specified investment flow-through ("SIFT") tax related to an earlier taxation year.

The provision for deferred income tax expense relates to temporary differences between the carrying amounts and tax-basis of assets and liabilities. In Q3 2014 and 2014 YTD, deferred income tax expense was impacted by changes in the recognition of certain previously unrecognized losses.

FFO and AFFO Reconciliation

FFO and AFFO do not have a standardized meaning under IFRS and should not be construed as an alternative to net earnings or cash flows from operating activities as defined by IFRS.

Refer to the “Non-GAAP Measures” section of this 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 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Net income/(loss) for the period	31,846	(1,524)	33,370	8,001	36,461	(28,460)
Add (Subtract):						
Depreciation of PP&E (1)	40,695	41,126	(431)	124,767	118,839	5,928
Amortization of limited life intangible assets (1)	499	514	(15)	2,009	1,575	434
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above (1)	(159)	(229)	70	(458)	(702)	244
Gain on sale of assets (1)	(41,214)	(105)	(41,109)	(42,567)	(49,052)	6,485
Gain on remeasurement to fair value of existing interest	-	-	-	(435)	-	(435)
Transaction costs arising on business acquisitions and dispositions (1)	1,937	902	1,035	3,666	3,500	166
Tax on gains/losses on disposal of properties	1,213	-	1,213	1,613	-	1,613
Deferred income taxes	3,304	-	3,304	1,247	-	1,247
Distributions on Class B Units recorded as interest expense	221	224	(3)	667	672	(5)
Adjustment for property tax accounted for under IFRIC 21	(1,657)	(1,257)	(400)	1,446	1,680	(234)
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	679	(3,074)	3,753	6,914	(9,947)	16,861
FFO (1)(2)	37,364	36,577	787	106,870	103,026	3,844
Interest expense on 5.7% convertible debentures	1,939	1,939	-	5,755	5,755	-
Diluted FFO (3)	39,303	38,516	787	112,625	108,781	3,844
FFO per unit (4)						
Basic	0.21	0.21	-	0.61	0.59	0.02
Diluted	0.21	0.21	-	0.60	0.58	0.02

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.
(4) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.

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

On January 1, 2014, International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21") became effective. We determined that, under IFRIC 21, the full assessed amount of property taxes on our U.S. properties is required to be expensed at the time when such taxes are levied. Previously, we accounted for such taxes pro-rata over the assessment period. In April 2014, Real Property Association of Canada ("REALpac") revised its definition of FFO such that it reflects a pro-rata expense over the period of ownership. Consequently, in our FFO calculation, we subtracted $1.7 million in Q3 2014 and added back $1.4 million in 2014 YTD, related to property taxes in our U.S. operations.

Adjusted Funds from Operations ("AFFO")

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
FFO [1]	37,364	36,577	787	106,870	103,026	3,844
Add (Subtract):						
Principal portion of capital subsidy receivable from Health Authorities	1,182	1,106	76	3,499	3,191	308
Amounts received under income guarantees	62	-	62	62	1,361	(1,299)
Amortization of financing costs and debt mark-to-market adjustments [2][3]	298	63	235	573	118	455
Financing cost reserve [4]	(428)	(504)	76	(1,343)	(1,472)	129
AFFO before capital maintenance reserve	38,478	37,242	1,236	109,661	106,224	3,437
Capital maintenance reserve - 2% of property revenue [5]	(4,592)	(4,673)	81	(13,857)	(13,776)	(81)
AFFO [6]	33,886	32,569	1,317	95,804	92,448	3,356
Interest expense on 5.7% convertible debentures	1,939	1,939	-	5,755	5,755	-
Diluted AFFO [7]	35,825	34,508	1,317	101,559	98,203	3,356
AFFO per unit [8]						
Basic	0.19	0.19	-	0.54	0.53	0.01
Diluted	0.19	0.18	0.01	0.54	0.53	0.01

(1) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.
(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.
(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Expenditures" section of this MD&A for details of actual capital expenditures.
(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.
(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.
(8) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

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

Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Weighted average number of units [1]	176,998	174,982	2,016	176,641	174,568	2,073
Dilutive impact of 5.7% convertible debentures	12,273	12,273	-	12,273	12,273	-
Weighted average number of units, diluted	189,271	187,255	2,016	188,914	186,841	2,073

(1) Includes Class B Units, units issued under the Long-Term Incentive Plan ("LTIP") and DTUs.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

	2014			2013 (Restated) (1)				2012 (2)
($000s)	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenues	213,980	214,784	217,613	218,310	218,600	212,716	208,953	210,850
Direct operating expenses	(143,667)	(144,092)	(155,277)	(148,741)	(147,483)	(141,173)	(148,591)	(144,044)
G&A expenses	(6,442)	(8,255)	(9,935)	(8,547)	(6,800)	(7,793)	(7,876)	(7,190)
Income before the understated (3)	63,871	62,437	52,401	61,022	64,317	63,750	52,486	59,616
Finance costs	(26,768)	(29,804)	(28,467)	(29,920)	(28,176)	(27,800)	(27,820)	(28,511)
Property lease expense	(684)	(683)	(672)	(654)	(682)	(681)	(656)	(625)
Other income/(expense)	40,329	5,408	2,171	8,863	286	527	(414)	(11,117)
Depreciation and amortization	(40,423)	(42,174)	(42,046)	(51,397)	(40,611)	(37,636)	(39,309)	(58,856)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	(679)	(3,811)	(2,424)	(367)	3,074	7,437	(564)	(1,605)
Share of net income/(loss) from joint ventures	789	65	27	(58)	333	252	48,542	1,199
Current income tax (expense)/recovery	(1,285)	(470)	2,140	(66)	(65)	(66)	(63)	(78)
Deferred income tax (expense)/recovery	(3,304)	2,057	-	-	-	-	-	1,423
Net income/(loss) for the period	31,846	(6,975)	(16,870)	(12,577)	(1,524)	5,783	32,202	(38,554)
FFO (4)	37,364	35,818	33,688	30,459	36,577	35,302	31,147	42,820
Diluted FFO (4)	39,303	37,737	35,585	32,399	38,516	37,220	33,044	44,780
FFO per unit diluted (4)	0.21	0.20	0.19	0.17	0.21	0.20	0.18	0.24
AFFO (4)	33,886	31,899	30,019	26,635	32,569	32,254	27,625	39,503
Diluted AFFO (4)	35,825	33,818	31,916	28,575	34,508	34,172	29,522	41,463
AFFO per unit diluted (4)	0.19	0.18	0.17	0.15	0.18	0.18	0.16	0.22

(1) 2013 amounts have been restated to include the effect of the property tax adjustment requirements of IFRIC 21, effective January 1, 2014.

(2) Non-GAAP; 2012 amounts have not been restated to include the effect of property tax adjustment requirements of IFRIC 21.

(3) Refers to income before finance costs, property lease expense, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and unrealized foreign exchange gains/(losses), share of net income/(loss) from joint ventures, and income tax.

(4) Includes the reversal of provision for impairment associated with the mezzanine loan portfolio of $1.2 million and $9.4 million, in Q1 2014 and Q4 2012, respectively.

Our results for the past eight quarters have been affected by the contribution of acquisitions and dispositions; refer to the “Significant Events” section of this MD&A and in our 2013 MD&A for details. In addition, our results have been affected by lower mezzanine loan interest, reversals of previously-recorded provisions for mezzanine loans in Q4 2012 and Q1 2014, a recovery of SIFT tax in Q1 2014; capital gains tax in Q2 2014 and Q3 2014; the impact of IFRIC 21 on direct operating expenses starting in Q1 2014; a U.S. litigation settlement in Q2 2014; changes in foreign exchange rates impacting our U.S. source income; and foreign exchange gains and losses on cross-border intercompany loans.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in Q3 2014.

Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

Canadian Retirement Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	87	524	9,083	561	74	657	10,899
50% owned	45	542	7,106	511	61	58	8,278
Total same property owned	132	1,066	16,189	1,072	135	715	19,177
Acquisitions, Development & Other							
100% owned – operating	11	247	767	118	28	128	1,288
Partially owned – operating (1)	3	-	169	98	-	-	267
Total acquisitions, development & other	14	247	936	216	28	128	1,555
Total	146	1,313	17,125	1,288	163	843	20,732

(1) Includes one medical office building. Chartwell owns an 85% interest in these properties.

The following table presents the results of operations of Chartwell's Interest in our Canadian Retirement Operations segment:

($000s)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Revenue						
Same property	112,371	109,245	3,126	332,259	324,337	7,922
Acquisitions, development and other	11,838	13,675	(1,837)	38,810	37,019	1,791
Total revenue	124,209	122,920	1,289	371,069	361,356	9,713
Direct Operating Expenses						
Same property	70,250	68,283	1,967	211,522	205,655	5,867
Acquisitions, development and other	8,157	10,632	(2,475)	29,369	28,847	522
Total direct operating expenses	78,407	78,915	(508)	240,891	234,502	6,389
Net Operating Income						
Same property	42,121	40,962	1,159	120,737	118,682	2,055
Acquisitions, development and other	3,681	3,043	638	9,441	8,172	1,269
Total net operating income	45,802	44,005	1,797	130,178	126,854	3,324
Weighted average occupancy rate - same property	88.8%	88.2%	0.6pp	88.2%	88.3%	(0.1pp)
Weighted average occupancy rate – total portfolio	88.0%	87.0%	1.0pp	86.7%	87.0%	(0.3pp)

Same property revenue increased 2.9% in Q3 2014 as regular annual rental rate increases in line with competitive market conditions, higher ancillary revenues from enhanced services provided to our residents and higher occupancies were partially offset by higher short-term move-in incentives.

Same property direct operating expenses increased 2.9% in Q3 2014 primarily due to higher staffing costs incurred to deliver enhanced services to our residents as well as higher utilities, food and property tax expenses.

Same property NOI increased $1.2 million or 2.8% in Q3 2014 as follows:

- Our Ontario retirement platform same property NOI increased $0.3 million or 1.9% primarily due to regular annual rental rate increases in line with competitive market conditions and higher ancillary revenue from enhanced services provided to our residents. These were partially offset by lower occupancies and higher short-term move-in incentives, higher staffing, food and property tax expenses.
- Our Western Canada platform same property NOI increased $0.2 million or 1.7% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents and higher occupancies. These were partially offset by higher staffing, property tax and food expenses.
- Our Quebec platform same property NOI increased $0.7 million or 4.9% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents and higher occupancies. These were partially offset by higher utilities and food expenses.

The following table summarizes our quarterly weighted average occupancy rates in our Canadian retirement same property portfolio:

	Q3 2014	Q3 2013	Increase / (Decrease)	Q2 2014	Increase / (Decrease)
Ontario	87.0%	87.6%	(0.6pp)	86.4%	0.6pp
Western Canada	93.5%	92.0%	1.5pp	92.4%	1.1pp
Quebec	88.7%	87.5%	1.2pp	87.2%	1.5pp
Total	88.8%	88.2%	0.6pp	87.7%	1.1pp

In Q3 2014, occupancies in our Canadian retirement same property portfolio increased to 88.8%, a 0.6 percentage point increase from Q3 2013 and a 1.1 percentage point increase from Q2 2014, driven by stronger leasing activity as a result of our new sales, marketing and online presence strategies and improving fundamentals in many of our markets.

Canadian Long Term Care Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property - 100% owned	24	-	135	-	-	3,000	3,135
Total	24	-	135	-	-	3,000	3,135

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

($000s, except occupancy rates)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Same property revenue	54,163	52,889	1,274	159,723	154,583	5,140
Same property direct operating expenses	46,939	45,864	1,075	138,601	133,931	4,670
Same property NOI	7,224	7,025	199	21,122	20,652	470
Weighted average occupancy rate – same property	98.8%	98.8%	-	98.5%	98.3%	0.2pp

Same property NOI increased $0.2 million or 2.8% in Q3 2014 primarily due to higher retirement and other revenues, higher preferred accommodation rates and strong expense controls partially offset by higher staffing expenses.

Weighted average occupancies in the same property portfolio remained consistent at 98.8% in Q3 2014 compared to Q3 2013.

U.S. Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property - 100% owned	33	-	4,372	-	206	190	4,768
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,566	-	245	190	5,001

The following table presents the results of operations of Chartwell's Interest in our U.S. Operations segment:

(U.S.$000s, except as noted otherwise)	**Q3 2014**	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Revenue						
Same property	45,137	44,242	895	133,903	131,802	2,101
Acquisitions and other (1)	1,899	11,421	(9,522)	14,186	37,128	(22,942)
Total revenue	47,036	55,663	(8,627)	148,089	168,930	(20,841)
Direct Operating Expenses						
Same property	30,145	29,509	636	93,680	91,255	2,425
Acquisitions and other (1)	1,051	7,253	(6,202)	8,299	23,792	(15,493)
Total direct operating expenses	31,196	36,762	(5,566)	101,979	115,047	(13,068)
Net Operating Income						
Same property	14,992	14,733	259	40,223	40,547	(324)
Acquisitions and other (1)	848	4,168	(3,320)	5,887	13,336	(7,449)
Total net operating income	15,840	18,901	(3,061)	46,110	53,883	(7,773)
Foreign exchange in CDN	1,423	721	702	4,287	1,263	3,024
Total net operating income in CDN	17,263	19,622	(2,359)	50,397	55,146	(4,749)
Weighted average occupancy rate – same property	88.9%	89.7%	(0.8pp)	88.1%	88.6%	(0.5pp)
Weighted average occupancy rate – total portfolio	89.3%	90.4%	(1.1pp)	88.7%	89.8%	(1.1pp)

(1) Represents results of the Bristal Portfolio sold in Q1 2013, seven other non-core U.S. properties sold in Q4 2013 and four non-core U.S. properties sold in Q3 2014.

Same property revenue increased U.S.$0.9 million or 2.0% in Q3 2014 primarily due to regular annual rental rate increases in line with competitive market conditions partially offset by lower occupancies.

Same property direct operating expenses increased U.S.$0.6 million or 2.2% in Q3 2014 primarily due to higher staffing, food, property taxes, insurance and utilities expenses partially offset by lower management costs.

As a result of the above, same property NOI increased U.S.$0.3 million or 1.8% in Q3 2014.

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 2014	Q3 2013	Increase / (Decrease)	**2014 YTD**	2013 YTD	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.09	1.04	0.05	1.09	1.02	0.07

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar would impact annual AFFO by approximately $0.3 million in 2014.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity for September 30, 2014 compared to December 31, 2013.

	Increase / (Decrease) ($millions)	Explanation
Total assets	**(142.0)**	The decrease in total assets is primarily due to the following:
PP&E	(143.2)	PP&E decreased primarily due to depreciation of $122.6 million and dispositions of $199.7 million. These were partially offset by additions of $51.0 million, net additions due to business combinations of $97.1 million and foreign exchange translation of $32.1 million.
Total liabilities	**(99.1)**	The change in total liabilities is primarily due to the following:
Credit Facilities	22.0	Credit Facilities increased primarily due to higher utilization of the Canadian Credit Facility as a result of timing of operating activities and working capital requirements.
Accounts payable and other liabilities	(17.6)	Accounts payable and other liabilities decreased primarily due to the settlement of various liabilities and the timing of capital expenditures.
Mortgages payable	(110.0)	Mortgages payable decreased primarily as a result of the sales of non-core Ontario and U.S. properties and regular principal repayments, partially offset by acquisition and top-up financings.
Equity	**(42.9)**	The decrease in equity is primarily due to cash distributions partially offset by the allocation of net income.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2014 YTD:

	Trust Units	Trust Units issued under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2013	171,643,982	1,893,074	1,658,312	607,986	175,803,354
Trust Units issued pursuant to the Distribution Reinvestment Plan (“DRIP”)	1,309,199	-	-	-	1,309,199
Trust Units issued under LTIP	-	114,027	-	-	114,027
Trust Units surrendered for cancellation under LTIP	-	(142,990)	-	-	(142,990)
Trust Units released on settlement of LTIP receivable	101,118	(101,118)	-	-	-
DTUs issued	-	-	-	75,929	75,929
DTU distributions	-	-	-	22,964	22,964
Exchange of Class B Units	16,989	-	(16,989)	-	-
DTUs exchanged for Trust Units on vesting	40,942	-	-	(40,942)	-
Balance September 30, 2014	173,112,230	1,762,993	1,641,323	665,937	177,182,483

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to mortgages and convertible debentures, contractual 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, 2014, we had cash on hand in the amount of $14.3 million, including cash from Chartwell's Interest in equity-accounted investments of $2.2 million. In order to provide for our operating and capital requirements, we have put in place secured revolving operating credit facilities denominated in both Canadian and U.S. dollars (collectively, the "Credit Facilities"), arranged mortgage debt financing and may also raise funds through the capital markets.

Our Canadian dollar-denominated credit facility ("Canadian Credit Facility") has a maximum committed capacity of $105.0 million and matures on June 22, 2015. The amounts outstanding bear interest at the bank's prime rate plus 0.95%, or the applicable banker's acceptance rate plus 1.95%. It is secured by charges on certain of our properties and includes minimum equity requirements and covenants requiring limitations on the amounts of distributions that can be paid to unitholders. At September 30, 2014, based on security provided, the maximum available borrowing capacity under the Canadian Credit Facility was $105.0 million, of which $4.9 million was utilized to support outstanding letters of credit and $49.0 million was drawn, leaving available borrowing capacity at $51.1 million.

Our U.S. dollar-denominated credit facility ("U.S. Credit Facility") has a maximum committed capacity of U.S.$25.0 million and matures on December 31, 2015. The amounts outstanding bear interest at the rate equal to one month London Interbank Offered Rate ("LIBOR") plus 3.25%. It is secured by three of our U.S. properties and contains covenants requiring maintenance of certain debt service, fixed-charge coverage and liquidity ratios and minimum capital spend on these properties. At September 30, 2014, based on security provided, the maximum available borrowing capacity under the U.S. Credit Facility was $26.5 million (U.S.$23.6 million) with no outstanding balance.

Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of Adjusted Gross Book Value ("GBV"), excluding convertible debentures, or 65% of GBV including convertible debentures ("Indebtedness Ratio").

The following table presents the calculation of our Indebtedness Ratio at Chartwell's Interest:

($000s)	**September 30, 2014**	December 31, 2013
Mortgages payable (contractual amount)	1,926,735	2,034,301
Credit Facilities	49,000	27,000
Total Indebtedness excluding convertible debentures	1,975,735	2,061,301
Convertible debentures (at face value)	135,000	135,000
Total Indebtedness	2,110,735	2,196,301
Total assets	2,721,312	2,863,222
Accumulated depreciation and amortization	701,508	637,842
Cumulative transaction costs on business combinations	19,663	17,848
Change in GBV on transition to IFRS	378,155	361,994
GBV of assets	3,820,638	3,880,906
Indebtedness Ratio before convertible debentures (1)	51.7%	53.1%
Indebtedness Ratio including convertible debentures (1)	55.2%	56.6%

(1) Non-GAAP; refer to the "Non-GAAP Measures – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we employ supplemental targets for managing our debt portfolio and monitor our Interest Coverage Ratio and Net Debt to Adjusted EBITDA Ratio.

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

The following table summarizes our Interest Coverage Ratio at Chartwell's Interest:

($000s, except Interest Coverage Ratio)	**Q3 2014**	Q3 2013	**2014 YTD**	2013 YTD
Interest expense including capitalized interest	27,036	28,850	85,778	86,201
Property lease expense	684	682	2,039	2,019
	27,720	29,532	87,817	88,220
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1)	66,400	66,945	195,178	194,288
Interest Coverage Ratio (2)	2.40	2.27	2.22	2.20
Target Interest Coverage Ratio		>1.65		

(1) In Q1 2014, we changed our definition of Adjusted EBITDA; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA at Chartwell's Interest:

($000s)	**Q3 2014**	Q3 2013	**2014 YTD**	2013 YTD
Net income/(loss) for the period	31,846	(1,524)	8,001	36,461
Add (Subtract):				
Current income tax	1,285	65	(380)	194
Reversal of previously-recorded impairment provision	-	-	(1,245)	-
Gain on remeasurement to fair value of existing interest	-	-	(435)	-
Deferred income tax expense	3,304	-	1,247	-
Transaction costs arising on business acquisitions and dispositions (1)	1,937	902	3,666	3,500
Finance costs (1)	27,160	28,510	86,217	85,828
Property lease expense	684	682	2,039	2,019
Depreciation of PP&E (1)	40,695	41,126	124,767	118,839
Amortization of intangible assets (1)	499	514	2,009	1,575
Gain on sale of assets (1)	(41,214)	(105)	(42,567)	(49,052)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	679	(3,074)	6,914	(9,947)
Adjustment for property tax accounted for under IFRIC 21 (2)	(1,657)	(1,257)	1,446	1,680
Principal portion of capital funding receivable from Health Authorities	1,182	1,106	3,499	3,191
Adjusted EBITDA (2)	66,400	66,945	195,178	194,288

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. In Q1 2014, we changed our definition of Adjusted EBITDA to exclude the effect of property tax adjustment requirements of IFRIC 21; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

Net Debt to Adjusted EBITDA Ratio:

In our calculation of Net Debt to Adjusted EBITDA, we define Net Debt as indebtedness less cash on hand at the end of the reporting period and use trailing 12-month Adjusted EBITDA including the annualized effect of acquisitions and dispositions completed during such 12-month period.

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at September 30, 2014 and 2013, at Chartwell's Interest:

($000s, except Net Debt to Adjusted EBITDA Ratio)	**September 30, 2014**	September 30, 2013
Trailing 12-month Adjusted EBITDA	257,804	260,106
Add (Subtract):		
Adjustment for part-year acquisitions	3,394	1,601
Adjustment for part-year dispositions and assets held for sale	(13,390)	(10,547)
Trailing12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	247,808	251,160
Indebtedness [1]	2,110,735	2,159,226
Less: Cash and cash equivalents	14,340	6,616
Net debt	2,096,395	2,152,610
Net Debt to Adjusted EBITDA Ratio [2]	8.5	8.6

(1) September 30, 2013 amount excludes indebtedness related to assets held for sale.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.

The following table presents the calculation of trailing 12-month Adjusted EBITDA as of September 30, 2014 at Chartwell's Interest:

($000s)	2013	*Subtract:* 2013 YTD	*Add:* 2014 YTD	**12 months ended September 30, 2014**
Previously reported definition of Adjusted EBITDA [1]	256,914	192,608	193,732	258,038
Add:				
Adjustment for property tax accounted for under IFRIC 21	-	1,680	1,446	(234)
Adjusted EBITDA [1]	256,914	194,288	195,178	257,804

(1) Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.

Debt Strategy

We currently employ the following sources of debt financing: property-specific secured mortgages; unsecured convertible subordinated debentures; and the Credit Facilities. Our debt management objectives are to:

- Access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- Manage interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year; and
- Proactively manage our short-term maturities and where appropriate, refinance maturing mortgages early with long-term debt.

In line with our strategy, in 2014 YTD we completed early refinancing of mortgages on eight of our properties totalling $83.1 million, maturing in 2014 and 2015 and bearing interest at a weighted average rate of 4.43**%.** New mortgages on these properties totalled $87.7 million, bear interest at a weighted average rate of 3.44**%** and have a weighted average term to maturity of 12.7 years. We incurred early mortgage repayment costs of $2.5 million.

For the remainder of 2014, we expect to complete early refinancing of mortgages on two of our properties totalling $9.1 million, maturing in 2014 and 2015 and bearing interest at a weighted average rate of 4.86**%.** New mortgages on these properties are expected to total $11.2 million, bear interest at a weighted average rate of approximately 3.25**%** and have a weighted average term to maturity of approximately 14 years. We expect to incur early mortgage repayment costs of approximately $0.2 million related to these refinancings.

Mortgage Debt

At September 30, 2014, we had $1,926.7 million of mortgages payable of which $1,428.3 million related to our Canadian properties and $498.4 million (U.S.$445.0 million) related to our U.S. properties. We monitor our mortgage portfolio at Chartwell's Interest.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at September 30, 2014:

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate on Maturing Debt
Remainder of 2014	13,758	45,824	59,582	3%	4.05%
2015	54,499	277,506	332,005	17%	5.00%
2016	49,107	280,168	329,275	17%	5.64%
2017	44,275	233,102	277,377	14%	5.49%
2018	41,982	80,168	122,150	7%	4.62%
2019	41,299	10,591	51,890	3%	4.53%
2020	41,722	53,562	95,284	5%	4.22%
2021	40,066	50,150	90,216	5%	4.59%
2022	36,889	62,200	99,089	5%	3.54%
2023	32,028	58,992	91,020	5%	4.25%
2024	22,489	117,214	139,703	7%	3.99%
2025	17,939	3,947	21,886	1%	5.29%
Thereafter	174,554	42,704	217,258	11%	4.52%
Total	610,607	1,316,128	1,926,735	100%	
Mark-to-market adjustments arising on acquisition			14,390		
Less: Financing costs			(18,146)		
Total Mortgage Debt			1,922,979		

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

	At September 30, 2014					At December 31, 2013
	Canadian Debt		U.S. Debt		Combined	Combined
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate		
Amount ($millions)	1,287.7	140.6	498.4	-	1,926.7	2,034.3
Weighted average interest rate	4.57%	4.44%	5.85%	-	4.89%	5.02%
Average term to maturity (years)	9.5	1.7	1.8	-	6.9	6.7

In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). All of our Canadian properties are eligible for CMHC financing and as of September 30, 2014, approximately 66% 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 upon renewal.

In the U.S., approximately 67% 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 for seniors housing properties.

In 2014 YTD, we arranged $141.8 million of new mortgage financing on 14 of our properties, excluding acquisition financing. These mortgages bear interest at a weighted average rate of 3.46% and a weighted average term to maturity of 9.6 years and were partially used to replace $133.8 million of maturing debt bearing a weighted average interest rate of 4.49%.

Our variable-rate mortgages primarily relate to communities that have not yet achieved stabilized occupancy levels, including our development projects in Canada. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon stabilization of the properties.

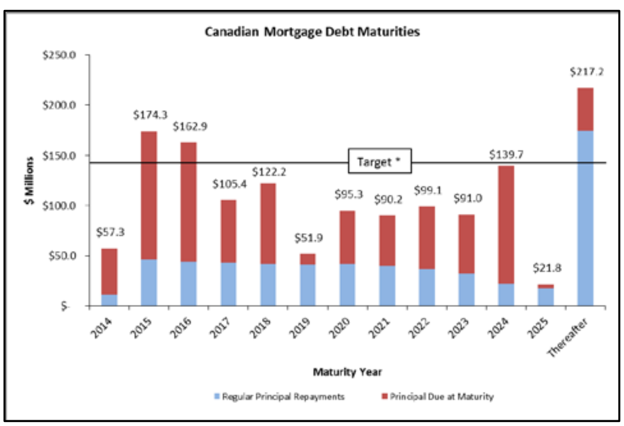
The following table summarizes our variable-rate mortgages as at September 30, 2014:

($000s, except number of projects)	Number of Projects	**September 30, 2014**	Number of Projects	**December 31, 2013**
Mortgages on properties under construction	1	2,111	1	12,886
Mortgages on non-stabilized properties	9	102,155	11	117,389
Mortgages on stabilized properties	4	36,370	5	35,745
Total	14	140,636	17	166,020

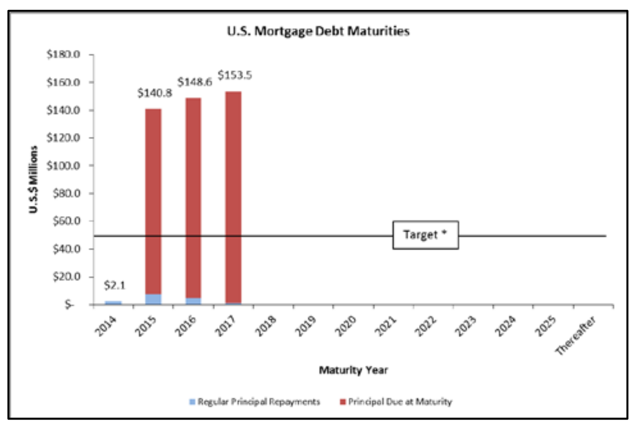
In 2014 YTD, we refinanced $15.9 million of variable-rate mortgages on one property. This reduction was partially offset by the assumed variable-rate mortgage upon acquisition of the remaining 66.7% interest that we did not already own in Robert Speck of $13.2 million and additional draws on certain construction loans.

In addition, we repaid U.S.$22.9 million of variable-rate mortgages on two of our U.S. properties.

The following charts provide the breakdown of our mortgage debt maturities in Canada and the U.S. at Chartwell's Interest:



* 10% of total Canadian mortgage debt = $142.8 million



* 10% of total U.S. mortgage debt = U.S.$44.5 million

Convertible Debentures

At September 30, 2014, we have $135.0 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for the redemption of the debentures, at a conversion price of $11.00 per Trust Unit.

Capital Expenditures

We classify our property capital expenditures in the following main categories:

- Routine – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment.
- Major projects / compliance – capital expenditures incurred with respect to large, often multi-phased renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities.
- Accretive / acquisitions – capital expenditures that improve the revenue generating potential of our properties including major upgrades to common areas and resident suites, building upgrades and equipment purchases to increase services offerings to our residents. Also includes projects that were identified during acquisition due diligence for newly acquired assets.
- Development – capital expenditures in respect of our development projects.

The following table summarizes additions to properties at Chartwell's Interest, during Q3 2014 and 2014 YTD:

($000s)	**Q3 2014**	2014 YTD
Routine	3,026	15,183
Major projects / compliance	2,284	3,125
Accretive / acquisitions	9,536	11,025
Development	3,611	14,873
Total (1)(2)	18,457	44,206

(1) Excludes $1.4 million and $3.0 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles in Q3 2014 and 2014 YTD, respectively.

(2) Excludes $0.6 million and $4.4 million in Q3 2014 and 2014 YTD, respectively, the majority of which has been, or is expected to be, funded by insurers.

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are disclosed in our 2013 MD&A. Other than disclosures elsewhere in this MD&A, there were no significant changes in our contractual obligations and guarantees in Q3 2014 which are outside of the ordinary course of business.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q3 2014 and Q3 2013 using our condensed consolidated interim statements of cash flows:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	(1.6)	Cash flows from operating activities decreased primarily due to higher transaction costs and lower interest and other income received.
Financing activities	(37.9)	Cash flows from financing activities decreased primarily due to lower proceeds from mortgage financing, net of repayments and lower utilization of our Credit Facilities.
Investing activities	46.9	Cash flows from investing activities increased primarily due to higher proceeds from asset sales partially offset by higher investments in acquisitions.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "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 considered relevant by them in setting the distribution rate. Our current monthly distributions are $0.0450 per unit, or $0.54 per unit on an annualized basis.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In Q3 2014, our average DRIP participation was 17.1% compared to 24.7% participation in Q3 2013. In Q1 2013, we eliminated the 1,000-unit participation threshold.

The following table summarizes distributions made in Q3 2014, 2014 YTD, 2013 and 2012:

($000s)	**Q3 2014**	**2014 YTD**	**2013**	2012
Distributions declared on Trust Units [1]	23,550	70,505	93,069	89,791
Distributions on Class B Units	221	667	895	909
Distributions on DTUs	88	246	-	-
Distributions reinvested under DRIP	(3,980)	(13,419)	(19,058)	(15,791)
Distributions applied against LTIP receivable	(249)	(771)	(1,081)	(1,200)
Distributions on DTUs reinvested	(88)	(246)	-	-
Distributions paid or payable in cash	19,542	56,982	73,825	73,709

(1) 2012 amount includes $2.2 million distributions on subscription receipts recorded as interest expense for accounting purposes.

The following table summarizes cash distributions made in Q3 2014, 2014 YTD, 2013, and 2012 in relation to net income/(loss) and cash flows from operating activities:

($000s)	**Q3 2014**	**2014 YTD**	2013	2012
Cash flows from operating activities	32,771	78,244	131,852	97,099
Net income/(loss)	31,846	8,001	23,884	(139,342)
Distributions paid or payable in cash [(1)(2)]	19,542	56,982	73,825	73,709
Excess/(shortfall) of cash flows from operating activities over cash distributions paid	13,229	21,262	58,027	23,390
Excess/(shortfall) of net income/(loss) over cash distributions paid	12,304	(48,981)	(49,941)	(213,051)

(1) Cash distributions do not include distributions satisfied through issuance of units under DRIP, distributions applied against the LTIP receivable or distributions on DTUs reinvested.
(2) 2012 amount includes $2.2 million distributions on subscription receipts recorded as interest expense for accounting purposes.

We distributed cash to our unitholders while recording a net loss in 2012, and our distributions exceeded net income in each of 2013 and 2014 YTD. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

Cash flows from operating activities fluctuate from period to period due to seasonality of certain operating expenses and are also impacted by changes in working capital items.

We believe that our current distribution level is sustainable.

Non-GAAP Measures

We use a number of Non-GAAP Measures for monitoring and analyzing our financial results as outlined in this section. These measures do not have any standardized meaning prescribed by IFRS and therefore, are unlikely to be comparable to similar measures presented by other income trusts or other companies.

Funds from Operations

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of the following where, in our FFO calculation, we add back:

- Issue costs of convertible debentures expensed for the period under IFRS to improve comparability to the reported FFO in prior periods; and
- Transaction costs related to the disposition of properties.

According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

A. Unrealized changes in the fair value of investment properties.
B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
C. Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
F. Tax on profits or losses on disposals of properties.
G. Deferred taxes.
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
L. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
M. Gain or loss on the sale of an investment in a foreign operation.
N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
O. Bargain purchase or goodwill impairment.
P. Effects of redeemable units classified as financial liabilities.

Other items:

Q. Results of discontinued operations.

R. Adjustments for equity accounted entities.

S. Non-controlling interests in respect of the above.

In our opinion, the use of FFO, combined with the required primary IFRS presentations, is fundamentally beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful measure for reviewing our operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), transaction costs arising on business acquisitions and dispositions, impairment of PP&E, distributions on Class B Units recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the operating performance of our real estate portfolio between financial reporting periods.

For the purpose of per unit calculations, to the extent that our convertible debentures are dilutive to FFO per unit, convertible debenture interest is added back to calculate a diluted FFO for the sole purpose of calculating the FFO per unit diluted. The tables presented under the “Consolidated Results of Operations – FFO and AFFO Reconciliation” section of this MD&A provide a reconciliation of net loss to FFO, as reported in our Financial Statements.

Adjusted Funds from Operations

AFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented may not be comparable to similar measures presented by other issuers. We believe AFFO is useful in the assessment of our operating performance and that this measure is also useful for valuation purposes and is a relevant and meaningful measure of our ability to earn and distribute cash to unitholders. We calculate AFFO by adding or subtracting certain items measured at Chartwell’s Interest to or from FFO as defined by REALpac, as follows:

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

Income guarantees: This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

Amortization of financing costs and fair value adjustments on mortgages payable: Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

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

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

For the purpose of per unit calculations, to the extent that our convertible debentures are dilutive to AFFO per unit, convertible debenture interest is added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted. The tables presented under the “Consolidated Results of Operations – FFO and AFFO Reconciliation” section of this MD&A provide details of AFFO calculations and a reconciliation to FFO.

Chartwell's Interest

On January 1, 2013, we changed our accounting policy for certain joint arrangements as required by IFRS 11 – Joint Arrangements. As a result, effective January 1, 2013, we no longer proportionately consolidate certain joint arrangements and now account for these investments using the equity method of accounting. All references to 'Chartwell's Interest' refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the "Joint Arrangements" section of this MD&A for a discussion of the usefulness of this measure and for a reconciliation of Chartwell's results of operations and statement of financial position.

Net Operating Income

NOI should not be construed as an alternative to other IFRS metrics. We define NOI as the difference between property revenue and property direct operating expenses, measured at Chartwell's Interest. We believe that the use of NOI combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units issued under DTU, LTIP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

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 or that are expected to be sold in the current fiscal year. In addition, to improve comparability, we designate 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 2014:

	Properties	**Suites/Beds**
Canadian Retirement Operations	132	19,177
Canadian Long Term Care Operations	24	3,135
U.S. Operations (owned and leased)	35	5,001
Total same property portfolio	191	27,313

<u>Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI</u>

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics exclude the effects of foreign exchange to enhance comparability between periods and to eliminate the volatility in the Canadian / U.S. dollar exchange rate, and are measured at Chartwell's Interest.

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We define same property NOI as the difference between same property revenue and same property direct operating expenses. We believe that the use of these metrics combined with primary

IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

Refer to the “Consolidated Results of Operations – Summary of Net Operating Income” section of this MD&A for a reconciliation of these items.

Indebtedness Ratio

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of GBV, excluding convertible debentures, or 65% of GBV including convertible debentures. This metric is commonly used by the investment community together with the Interest Coverage Ratio and Net Debt to Adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, total indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell’s Interest.

Interest Coverage Ratio

The interest coverage guideline provides an indication of an entity’s ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity’s ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. The Interest Coverage Ratio is measured at Chartwell’s Interest.

Adjusted EBITDA

EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity’s assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell’s Interest. In Q1 2014, we changed our definition of Adjusted EBITDA to exclude property taxes expensed under IFRIC 21 prior to the associated period of lease term revenue. Under IFRIC 21, certain expenses classified as levies must be recognized when the obliging event occurs. This results in recognition occurring at a point in time rather than on a pro-rata basis. Our assessment determined that property tax in our U.S. operating segment meets the definition of a levy under IFRIC 21. We use Adjusted EBITDA in our calculations of Net Debt to Adjusted EBITDA and Interest Coverage Ratios and therefore, we believe it is appropriate to exclude the portion of this expense that is not pro-rata in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A.

Net Debt to Adjusted EBITDA Ratio

Net Debt to Adjusted EBITDA should not be construed as an alternative to other IFRS metrics. The Net Debt to Adjusted EBITDA Ratio provides an approximation of the number of years required for current cash flows to cover or repay all indebtedness and is commonly used by investors to evaluate the level of an entity’s debt in relation to its operating cash flows. Net Debt and Adjusted EBITDA are not susceptible to short-term changes in market values and are not prone to subjective assessments surrounding asset valuations. Net Debt to Adjusted EBITDA is measured at Chartwell’s Interest.

G&A Expenses as a Percentage of Revenue

G&A as a percentage of revenue should not be construed as an alternative to other IFRS metrics. We believe that G&A as a percentage of revenue is useful as a benchmark to evaluate the required resource level to support our operating business. This percentage is calculated as total G&A expenses divided by the sum of property revenue, management and other fee revenue and mezzanine loan and other interest income at Chartwell's Interest.

The following table presents a reconciliation of revenue used in the calculation of G&A expenses as a percentage of revenue to our Financial Statements:

($000s)	**Q3 2014**	Q3 2013	**2014 YTD**	2013 YTD
Revenue	213,980	218,600	646,377	640,269
Equity-accounted investments	17,644	17,210	52,371	54,663
Chartwell's Interest	231,624	235,810	698,748	694,932
Interest income	962	1,021	7,169	3,021
Equity-accounted investments	13	27	95	61
Chartwell's Interest	975	1,048	7,264	3,082
Total revenue at Chartwell's Interest	232,599	236,858	706,012	698,014

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Q3 2014 Financial Statements as well as in our 2013 MD&A, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in Q3 2014.

Changes in Accounting Estimates and Changes in Accounting Policies

The current accounting policy changes and future accounting policy changes are described in Note 1 of our Financial Statements.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. 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, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (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 controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2014. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework (1992). 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 controls 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 IFRS.

There were no material changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2014, that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

In 2013, COSO issued an updated Internal Control Integrated Framework. COSO was to continue to make available the original 1992 framework during the transition period extending to December 15, 2014 after which time it was to be considered as superseded by the updated version. In October 2014, it was announced that the Canadian Securities Administrators will continue to accept the COSO 1992 framework for interim and annual periods related to fiscal 2014 until further guidance is provided.

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:

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- 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;
- our ability to realize returns on our development program;
- 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 renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our ability to realize benefits on technology investments;
- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update 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 AIF.

Risks and Uncertainties

Our Annual Information Form dated March 5, 2014 and our 2013 MD&A contain a detailed discussion of risk factors and uncertainties facing Chartwell.

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

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