

Consolidated Financial Statements
(In Canadian dollars)

**CHARTWELL SENIORS
HOUSING REAL ESTATE
INVESTMENT TRUST**

Three-month and nine-month periods
ended September 30, 2009 and 2008
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	(Audited)
Assets		
Properties (note 4)	\$ 2,273,846	\$ 2,354,408
Mezzanine loans receivable (note 5)	67,332	96,822
Limited life intangible assets (note 6)	38,187	67,070
Cash and cash equivalents	516	5,069
Other assets (note 7)	50,240	63,271
Capital funding receivable	44,379	46,001
Licenses	25,650	25,650
Assets held for sale (note 3)	40,086	47,196
	\$ 2,540,236	\$ 2,705,487

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 8(a))	\$ 1,626,783	\$ 1,668,445
Revolving operating credit facility (note 8(b))	22,000	8,000
Convertible debentures	187,867	184,634
Accounts payable and other liabilities (note 9)	84,275	92,463
Deferred consideration on business combinations	23,308	23,649
Distributions payable	4,622	6,285
Future income tax liabilities	12,335	19,363
Liabilities held for sale (note 3)	39,512	35,968
	2,000,702	2,038,807
Non-controlling interest (note 10)	8,628	16,446
Unitholders' equity	530,906	650,234
Commitments and contingencies (note 15)		
Subsequent events (note 20)		
	\$ 2,540,236	\$ 2,705,487

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Charles Moses" _____ Trustee

"Sidney Robinson" _____ Trustee

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations and Comprehensive Income (Loss)

(In thousands of Canadian dollars, except per unit amounts)

(Unaudited)

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenue:				
Resident	\$ 161,559	\$ 149,059	\$ 490,331	\$ 439,290
Management and other fees (note 13)	1,911	2,318	5,556	6,914
Mezzanine loan interest (notes 5 and 15)	1,432	2,773	6,763	8,219
Bank interest and other	689	1,090	2,178	2,864
Equity income from variable interest entities	—	1,011	—	2,858
Below-market lease amortization	246	273	914	808
	165,837	156,524	505,742	460,953
Expenses:				
Direct operating	112,739	103,549	344,306	308,592
General, administrative and trust	4,425	4,098	16,067	14,600
	117,164	107,647	360,373	323,192
	48,673	48,877	145,369	137,761
Interest expense	27,173	25,287	82,674	76,456
Property lease expense	588	590	1,999	1,705
	27,761	25,877	84,673	78,161
	20,912	23,000	60,696	59,600
Realized foreign exchange gain	(241)	—	(5,042)	—
Unrealized loss (gain) on derivative financial instruments and unrealized foreign exchange loss (gain)	4,089	(3,358)	11,183	(5,648)
Depreciation of properties	18,670	16,786	56,576	49,612
Amortization of limited life intangible assets	8,362	11,904	30,266	38,839
Provision for impairment of mezzanine loans and accounts receivable (note 5)	—	—	30,684	—
Loss on sale of assets	—	(126)	—	(32)
	30,880	25,206	123,667	82,771
Loss before income taxes	(9,968)	(2,206)	(62,971)	(23,171)
Income taxes (recovery):				
Current	91	629	5	1,495
Future (note 17)	(4,234)	1,500	(7,175)	1,737
	(4,143)	2,129	(7,170)	3,232
Loss before non-controlling interest	(5,825)	(4,335)	(55,801)	(26,403)
Non-controlling interest (note 10)	140	259	1,175	1,578
Loss from continuing operations	(5,685)	(4,076)	(54,626)	(24,825)
Loss from discontinued operations (note 3)	(3,265)	(1,875)	(9,383)	(5,519)
Loss for the period	(8,950)	(5,951)	(64,009)	(30,344)
Other comprehensive income (loss):				
Unrealized foreign currency gain (loss) on the translation of self-sustaining foreign operations	(9,807)	6,742	(16,064)	11,839
Net change in fair value of derivatives designated as cash flow hedges (net of future income taxes of \$147; 2008 - \$170) (note 18)	48	(231)	406	(598)
Non-controlling interest	207	(389)	329	(672)
	(9,552)	6,122	(15,329)	10,569
Comprehensive income (loss)	\$ (18,502)	\$ 171	\$ (79,338)	\$ (19,775)
Loss per Unit (note 12):				
Basic and diluted - continuing operations	\$ (0.058)	\$ (0.043)	\$ (0.559)	\$ (0.266)
Basic and diluted - discontinued operations	(0.033)	(0.019)	(0.096)	(0.059)

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

Nine-month period ended September 30, 2009	Trust Units issued, net (note 11)	LTIP Units under subscription (note 11)	LTIP instalment loan receivable (note 11)	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures/ other equity components	Total
Unitholders' equity, January 1, 2009	\$ 1,137,031	\$ 34,099	\$ (26,485)	\$ (200,116)	\$ 3,415	\$ (312,783)	\$ 15,073	\$ 650,234
Loss for the period	–	–	–	(64,009)	–	–	–	(64,009)
Other comprehensive income	–	–	–	–	(15,329)	–	–	(15,329)
Distributions to unitholders	–	–	–	–	–	(51,610)	–	(51,610)
Issuance of Trust Units issued under the Distribution Reinvestment Program ("DRIP")	4,368	–	–	–	–	–	–	4,368
Units issued under the Deferred Trust Unit plan	–	–	–	–	–	–	531	531
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	4,965	–	–	–	–	–	–	4,965
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of Trust Units transferred to Treasury	1,200	(2,602)	1,852	–	–	–	616	1,066
Interest on instalment loan receivable	–	–	(771)	–	–	–	–	(771)
Distributions applied against instalment loan receivable	–	–	1,461	–	–	–	–	1,461
Unitholders' equity, September 30, 2009	\$ 1,147,564	\$ 31,497	\$ (23,943)	\$ (264,125)	\$ (11,914)	\$ (364,393)	\$ 16,220	\$ 530,906

Nine-month period ended September 30, 2008	Trust Units issued, net (note 11)	LTIP Units under subscription (note 11)	LTIP instalment loan receivable (note 11)	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures/ other equity components	Total
Unitholders' equity, January 1, 2008	\$ 1,102,573	\$ 31,894	\$ (25,633)	\$ (100,644)	\$ (28,351)	\$ (237,113)	\$ 14,878	\$ 757,604
Loss for the period	–	–	–	(30,344)	–	–	–	(30,344)
Other comprehensive income	–	–	–	–	10,569	–	–	10,569
Distributions to unitholders	–	–	–	–	–	(57,672)	–	(57,672)
Issuance of Trust Units issued under the DRIP	7,707	–	–	–	–	–	–	7,707
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	22,471	–	–	–	–	–	–	22,471
Trust Units issued under the LTIP, net of Units transferred to Treasury	–	6,452	(5,754)	–	–	–	–	698
Disposition of LTIP Units surrendered	932	(2,644)	2,385	–	–	–	(107)	566
Interest on instalment loan receivable	–	–	(829)	–	–	–	–	(829)
Distributions applied against instalment loan receivable	–	–	1,656	–	–	–	–	1,656
Unitholders' equity, September 30, 2008	\$ 1,133,683	\$ 35,702	\$ (28,175)	\$ (130,988)	\$ (17,782)	\$ (294,785)	\$ 14,771	\$ 712,426

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (8,950)	\$ (5,951)	\$ (64,009)	\$ (30,344)
Items not affecting cash:				
Depreciation and amortization	28,072	29,520	90,084	90,773
Loss (gain) on sale of assets	–	(126)	–	(32)
Below-market lease amortization	(243)	(409)	(985)	(1,321)
Adjustment to record lease expense on a straight-line basis over the lease term	1,553	1,677	4,979	4,922
Non-cash LTIP compensation expense	99	156	389	523
Income from long-term investments	–	(24)	–	(65)
Unrealized/realized loss (gain) on derivative financial instruments and foreign exchange loss (gain)	3,848	(3,358)	6,141	(5,648)
Non-controlling interest	(218)	(378)	(1,377)	(1,929)
Amortization of financing expenses	1,570	1,199	4,496	3,611
Accretion adjustment to convertible debenture liability	763	701	2,241	2,057
Amortization of debt discounts	253	354	788	1,049
Amortization of mezzanine placement fees	23	240	(811)	255
Amortization of legal costs integral to mezzanine lending activities	124	79	434	491
Provision for impairment of mezzanine loans and accounts receivable	–	–	30,684	–
Future income taxes	(4,234)	1,500	(7,175)	1,737
Change in non-cash operating items (note 16)	2,982	7,780	(8,887)	16,661
	25,642	32,960	56,992	82,740
Financing activities:				
Proceeds from mortgage financing	14,839	10,827	32,378	60,375
Proceeds from (repayment of) loans payable and revolving operating credit facility	(6,000)	65	14,000	(54)
Mortgage principal repayments	(8,325)	(7,324)	(26,925)	(21,355)
Financing costs	(1,004)	(1,476)	(4,833)	(3,535)
Redemption of non-voting preferred interests of CSH Master Care LLC	(260)	–	(260)	(971)
Disposition of Treasury Units	–	82	–	823
Distributions paid	(15,648)	(15,624)	(48,015)	(52,250)
Distributions paid to non-controlling interest unitholders	(341)	(582)	(1,216)	(3,401)
Deposits received under LTIP and repayment of LTIP instalment loan receivable	634	75	645	175
	(16,105)	(13,957)	(34,226)	(20,193)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows (continued)

(In thousands of Canadian dollars)

(Unaudited)

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Investing activities:				
Acquisition of assets, net of debt assumed and units issued (note 2)	–	–	(1,766)	(27,277)
Payment of deferred consideration on business combinations	–	(695)	–	(12,049)
Additions to properties	(11,376)	(20,545)	(31,131)	(55,623)
Amounts received under income guarantees	151	52	412	641
Proceeds on sale of assets	–	219	–	269
Mezzanine loan advances	–	(2,974)	–	(8,481)
Restricted cash and deposits in escrow	255	2,153	1,931	(223)
Proceeds from capital funding receivables	549	524	1,622	1,549
	(10,421)	(21,266)	(28,932)	(101,194)
Foreign exchange gain on U.S. dollar-denominated cash	(472)	553	(1,032)	1,695
Decrease in cash and cash equivalents	(1,356)	(1,710)	(7,198)	(36,952)
Cash and cash equivalents, beginning of period:				
Continuing operations	769	35,338	5,069	68,729
Discontinued operations	3,919	1,748	5,461	3,599
	4,688	37,086	10,530	72,328
Cash and cash equivalents, end of period	\$ 3,332	\$ 35,376	\$ 3,332	\$ 35,376
Represented by:				
Continuing operations	\$ 516	\$ 30,141	\$ 516	\$ 30,141
Discontinued operations	2,816	5,235	2,816	5,235
	\$ 3,332	\$ 35,376	\$ 3,332	\$ 35,376

Supplemental cash flow information (note 16)

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008

(Unaudited)

Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell" or the "Trust") is an open-ended, unincorporated investment trust governed by the laws of the Province of Ontario and was created pursuant to the Declaration of Trust dated July 7, 2003, as amended ("Declaration of Trust"), when one Trust Unit was issued for cash. Chartwell began operations on November 14, 2003 for the purpose of owning, operating and managing retirement homes and long-term care properties in Canada and the United States.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") and are consistent with those policies and methods of application as disclosed in the annual audited consolidated financial statements prepared as at and for the year ended December 31, 2008, except as disclosed below.

These consolidated financial statements do not include all of the disclosures required by GAAP applicable to annual financial statements and should be read in conjunction with the annual audited consolidated financial statements and the accompanying notes included in the 2008 Annual Report.

(b) Impact of new accounting standards:

(i) Goodwill and intangible assets:

On January 1, 2009, Chartwell adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new accounting standard reinforces the approach under which assets are recorded only if they meet the definition of an asset and the recognition criteria for an asset. It also clarifies the application of the concept of matching costs with revenue, so as to eliminate the current practice of recognizing as assets items that do not meet the definition of an asset and the recognition criteria for an asset.

The application of this standard did not have a significant impact on Chartwell's consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

1. Significant accounting policies (continued):

(ii) Credit risk and the fair values of financial assets and financial liabilities:

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

(c) Future accounting changes:

(i) Business combinations, consolidated financial statements and non-controlling interests:

In January 2009, the CICA issued three new standards:

Section 1582, Business Combinations:

This section replaces the former Section 1581, Business Combinations, and provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidelines on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting and such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

1. Significant accounting policies (continued):

Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests ("Section 1602"):

These two sections replace Section 1600, Consolidated Financial Statements. These two sections are the equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of unitholders' equity. Under Section 1602, consolidated net income and other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests.

The new standards are applicable to Chartwell prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Early adoption is permitted, if all three sections are applied at the same time. At present, Chartwell does not expect to adopt these sections earlier than the effective date.

(ii) Harmonizing of Canadian and international standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS will be required in Canada for publicly accountable profit-oriented enterprises for interim and annual reporting periods beginning on or after January 1, 2011. The Trust's first annual IFRS consolidated financial statements will be for the year ending December 31, 2011 and will include the comparative period for the year ending December 31, 2010. Starting with the first quarter of 2011, the Trust will provide unaudited consolidated financial statements in accordance with IFRS, including comparative figures for 2010.

The Trust is assessing the implementation impacts of conversion to IFRS, including transitional options, changes to accounting policies and processes, information systems and business management. The full impact of adopting IFRS on the Trust's future financial position and future results has not been determined at this time.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

1. Significant accounting policies (continued):

(d) Deferred unit plan:

On May 21, 2009, unitholders of Chartwell approved a deferred unit plan for its independent trustees. The plan is described in note 11(c). Deferred Trust Units granted to eligible trustees are considered to be in respect of past performance and are recognized in compensation expense when granted. Compensation costs is measured based on the fair market value of the Trust's units on the date of the grant of the Deferred Trust Units. The Deferred Trust Units earn additional Deferred Trust Units related to distributions that would otherwise have been paid if Trust units, as opposed to Deferred Trust Units, had been issued on the date of the grant. No additional compensation cost is recorded for these additional Deferred Trust Units issued. Upon vesting, Deferred Trust Units will be converted to Trust units.

2. Acquisitions:

(a) Acquisitions during the nine-month period ended September 30, 2009:

Effective February 1, 2009, Chartwell acquired a 50% ownership interest in two seniors housing communities in British Columbia, and effective March 1, 2009, Chartwell acquired a 50% ownership interest in two seniors housing communities in Ontario; in both cases, the vendor was Spectrum Seniors Housing Development LP ("Spectrum"). The purchase price, before closing costs, amounted to \$50,078 and was satisfied by the assumption of loans of \$35,750, offset by the discharge of mezzanine loans receivable of \$5,676, settlement of amounts due from Spectrum of \$7,493, and assumption of other liabilities of \$683 with the remaining \$476 paid in cash.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

2. Acquisitions (continued):

The following table summarizes the preliminary allocation of the purchase price (including costs of acquisition) to each major class of assets acquired and liabilities assumed at the date of acquisition:

	Nine-months ended September 30, 2009
	Spectrum
Date of acquisition	February 1, 2009 and March 1, 2009
Segment	Canadian retirement operations
Location	London, Ontario, Pickering, Ontario, Kelowna, B.C., North Vancouver, B.C. (Four retirement communities - 455 suites)
Properties	\$ 47,206
Limited life intangible assets	4,668
Mortgages assumed	(35,750)
Below-market resident contracts	(506)
Other liabilities	(683)
Net assets acquired	\$ 14,935
Discharge of mezzanine loans receivable	\$ 5,676
Settlement of outstanding receivables from Spectrum	7,493
Cash consideration	476
Acquisition costs	1,290
Total consideration	\$ 14,935

These acquisitions have been recorded using the purchase method of accounting, with the results of operations included in these consolidated financial statements from the date of acquisition.

Chartwell continues to assess the initial valuation of the net assets acquired for each of these acquisitions. The purchase price allocation for accounting purposes may be adjusted in future periods.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

2. Acquisitions (continued):

(b) Acquisitions during the year ended December 31, 2008:

During the year ended December 31, 2008, Chartwell acquired varying interests in 10 seniors housing communities (1,547 suites) and one joint venture management entity. The following table summarizes the net assets acquired, at fair value:

Properties	\$ 95,896
Limited life intangible assets	10,035
Goodwill	5,290
Other assets	255
Below-market resident contracts	(1,616)
Other liabilities	(3,152)
Mortgages assumed	(54,384)
Net assets acquired	\$ 52,324
Discharge of mezzanine loans receivable	\$ 8,602
Cash consideration	43,722
Total consideration	\$ 52,324

The acquisitions were recorded using the purchase method of accounting with the results of operations included in these consolidated financial statements from the date of acquisition.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

3. Discontinued operations:

During the three months ended September 30, 2009, the Trust committed to a plan to divest its 49% interest in Horizon Bay Realty LLC ("HBR"), whose assets and liabilities included equipment, current assets, trade accounts receivable and certain other assets and liabilities and were included in the Trust's U.S. operating segment (note 20(c)). Accordingly, the results of operations and financial position of HBR have been segregated and presented separately as discontinued operations and assets and liabilities held for sale in the consolidated financial statements. The results of discontinued operations were as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Revenue	\$ 24,457	\$ 23,795	\$ 78,171	\$ 68,413
Loss before non-controlling interest	\$ (3,343)	\$ (1,994)	\$ (9,585)	\$ (5,871)
Non-controlling interest	78	119	202	352
	\$ (3,265)	\$ (1,875)	\$ (9,383)	\$ (5,519)

Assets and liabilities held for sale are as follows:

	September 30, 2009	December 31, 2008
Properties	\$ 7,439	\$ 8,490
Limited life intangible assets	17,060	20,866
Cash and cash equivalents	2,816	5,461
Other assets	12,771	12,379
	40,086	47,196
Accounts payable and other liabilities	39,512	35,968
	\$ 574	\$ 11,228

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

4. Properties:

	September 30, 2009			December 31, 2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 233,947	\$ –	\$ 233,947	\$ 238,123	\$ –	\$ 238,123
Buildings	2,111,984	190,327	1,921,657	2,155,919	153,100	2,002,819
Furniture, fixtures and equipment	86,464	52,031	34,433	89,320	45,923	43,397
	2,432,395	242,358	2,190,037	2,483,362	199,023	2,284,339
Properties under development	63,727	–	63,727	49,425	–	49,425
Land held for development	20,082	–	20,082	20,644	–	20,644
	\$ 2,516,204	\$ 242,358	\$ 2,273,846	\$ 2,553,431	\$ 199,023	\$ 2,354,408

Included in properties as at September 30, 2009 are assets under capital leases with a cost of \$135,905 (December 31, 2008 - \$154,439) and accumulated depreciation of \$9,782 (December 31, 2008 - \$7,892).

Included in properties under development is interest of \$2,795 (December 31, 2008 - \$1,854) and incremental operating costs of \$1,174 (December 31, 2008 - \$422) capitalized as at September 30, 2009.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

5. Mezzanine loans receivable:

The following table summarizes mezzanine loans receivable from the entity or entities owned by Spectrum, Le Groupe Melior ("Melior"), Seasons Retirement Communities LP ("Seasons") and others:

				September 30, 2009	December 31, 2008
	Contractual interest rate	Principal amount	Lending expenses/ (deferred placement fees), net	Net balance	Net balance
Spectrum	10% - 14%	\$ 36,960	\$ 107	\$ 37,067	\$ 51,094
Melior	10% - 14%	40,545	(3,690)	36,855	36,354
Seasons	10% - 14%	8,214	(661)	7,553	-
Others	10% - 12%	16,694	(215)	16,479	15,780
		<u>\$ 102,413</u>	<u>\$ (4,459)</u>	97,954	103,228
Provision for impairment				(30,622)	(6,406)
				<u>\$ 67,332</u>	<u>\$ 96,822</u>

(a) Spectrum:

In accordance with the terms of the Development Agreement, the interest rate payable on mezzanine loans is determined at the time of the loan commitment and shall be equal to the greater of the yield on five-year Government of Canada bonds plus 5% and Chartwell's annualized cash contribution yield for the most recent quarter subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum and is payable monthly. The loans are secured by second charges or pledges of Spectrum's interest over 24 (December 31, 2008 - 34) seniors housing development properties. In addition, the loans are cross defaulted.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

5. Mezzanine loans receivable (continued):

Under the terms of the Development Agreement, Chartwell has the first right to purchase Spectrum's interest in each development property provided that Spectrum must offer Chartwell the opportunity to purchase any development property within one year of such property reaching a stabilized occupancy. If Chartwell elects to purchase a development property, Chartwell will acquire the property at an amount equal to 95%, 92% or 90% of appraised fair market value, depending upon the amount of mezzanine financing provided on the development property or at 100% of the appraised fair market value if no mezzanine financing had been advanced.

Both parties have a right to terminate the Development Agreement upon six months' notice. Under such circumstances, certain rights of Chartwell, in respect of existing mezzanine loans and options on related projects, will continue.

In the first quarter of 2009, Chartwell agreed to a limited waiver of its option to purchase development properties from Spectrum in order to facilitate potential sales of such properties by Spectrum to third parties.

On June 1, 2009, Spectrum disposed of its interest in eight of its properties and agreed to dispose of one additional property upon receipt of the required regulatory approval to Seasons, a partnership controlled by an institutional investor. As part of this transaction, Chartwell agreed to Seasons assuming mezzanine loans on six of the acquired properties totalling \$8,214 (note 5(c)).

(b) Melior and other joint venture partners:

Chartwell has advanced 24 (December 31, 2008 - 24) mezzanine loans to Melior and six other joint venture partners of Spectrum (the "Borrowers"). These loans are secured by second charges or pledges of the Borrowers' interest over 22 (December 31, 2008 - 22) seniors housing development projects.

Chartwell has the first right to purchase the Borrowers' interest in these projects at fair market value upon properties reaching a stabilized occupancy. In addition, the Borrowers of mezzanine loans on 11 properties (December 31, 2008 - 11) can obligate Chartwell to acquire their interests in the projects at the appraised value, subject to certain conditions being satisfied.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

5. Mezzanine loans receivable (continued):

The put option can only be exercised by the Borrower if the project has attained stabilized occupancy and the acquisition of such property is accretive to Chartwell based on a formula defined in the option agreement.

(c) Seasons:

On acquisition of Spectrum's interest in eight development properties, Seasons assumed Spectrum's obligation related to six mezzanine loans in the amount of \$8,214.

These loans are secured by second charges over six seniors housing development projects.

Each mezzanine loan matures on the earliest of: the fifth anniversary of the initial advance of the funds; the date of sale of the related development property; or on the second anniversary of the date upon which the property achieves a stabilized occupancy, as defined in the Development and Loan Agreements with the Borrowers. No principal amounts are due prior to maturity of each loan.

The following table represents the loan repayment schedule assuming that all outstanding mezzanine loans were to mature on their fifth anniversary date, excluding provision for impairment:

	Spectrum	Melior	Seasons	Other joint venture partners	Total
2009	\$ 6,556	\$ 16,193	\$ 2,383	\$ –	\$ 25,132
2010	11,624	17,347	2,380	6,931	38,282
2011	11,599	3,252	1,575	6,462	22,888
2012	7,181	3,754	–	1,427	12,362
2013	–	–	1,875	1,874	3,749
	\$ 36,960	\$ 40,546	\$ 8,213	\$ 16,694	\$ 102,413

In connection with the acquisition of Spectrum's 50% interest in four seniors housing communities (note 2), Chartwell agreed to extend the maturity date of two mezzanine loans to Spectrum's joint venture partner totalling \$2,438 to August 31, 2010.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

5. Mezzanine loans receivable (continued):

During the three month period ended June 30, 2009, Chartwell recorded an impairment provision of \$30,684 of which \$22,969 is allocated to mezzanine loans advanced to Spectrum, Melior and their joint venture partners, with the balance being allocated to accounts receivable. Subsequent to June 30, 2009, Chartwell collected certain accounts receivable, for which an impairment provision was recorded during the second quarter. As a result, during the three months ended September 30, 2009, Chartwell reallocated approximately \$1,247 of the impairment provision from accounts receivable to mezzanine loans.

6. Limited life intangible assets:

	September 30, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Management contracts	\$ 9,047	\$ 5,265	\$ 3,782	\$ 9,503	\$ 4,236	\$ 5,267
Resident contracts	84,536	63,542	20,994	143,877	99,231	44,646
Other intangibles	20,491	7,080	13,411	23,074	5,917	17,157
	<u>\$ 114,074</u>	<u>\$ 75,887</u>	<u>\$ 38,187</u>	<u>\$ 176,454</u>	<u>\$ 109,384</u>	<u>\$ 67,070</u>

During the nine-month period ended September 30, 2009, Chartwell reduced the cost and accumulated amortization balances for management contracts, resident contracts and other intangibles that were fully amortized by \$53,694 (December 31, 2008 - \$46,931).

7. Other assets:

	September 30, 2009	December 31, 2008
Accounts receivable	\$ 19,931	\$ 19,869
Due from Spectrum, net of provision for impairment of \$4,974 (2008 - nil)	3,039	9,977
Due from ING	314	501
Prepaid expenses and deposits	11,694	10,571
Deposits in escrow	11,435	18,419
Other	3,827	3,934
	<u>\$ 50,240</u>	<u>\$ 63,271</u>

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

8. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are repayable as follows:

	Regular principal payments	Principal due on maturity	Total
2009	\$ 9,308	\$ 16,469	\$ 25,777
2010	31,680	84,371	116,051
2011	31,059	50,944	82,003
2012	31,953	95,047	127,000
2013	31,585	130,344	161,929
2014	26,632	125,475	152,107
2015	25,046	84,409	109,455
2016	22,363	178,892	201,255
2017	17,830	263,016	280,846
2018	15,644	32,625	48,269
2019 - 2023	67,538	136,266	203,804
Thereafter	81,004	44,409	125,413
	<u>\$ 391,642</u>	<u>\$ 1,242,267</u>	1,633,909
Mark-to-market adjustment arising on acquisition			13,797
Financing costs			(20,923)
			<u>\$ 1,626,783</u>

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

8. Secured debt (continued):

	September 30, 2009	December 31, 2008
Mortgages at fixed rates:		
Mortgages	\$1,589,920	\$1,644,135
Interest rates	2.60% - 10.00%	4.11% - 8.75%
Weighted average interest rate	5.51%	5.69%
Mortgages at variable rates:		
Mortgages	\$43,989	\$28,934
Interest rates	Prime minus 0.05% to prime plus 1.75%	Bankers' acceptance plus 0.95% to prime plus 3.00%
Weighted average interest rate	2.88%	3.23%
Blended weighted average rate of maturing debt	5.44%	5.65%

During the three-month and nine-month periods ended September 30, 2009, interest expense on mortgages payable amounted to \$22,577 and \$69,328 (three-month and nine-month periods ended September 30, 2008 - \$21,923 and \$64,518), respectively.

One of Chartwell's U.S. subsidiaries had not complied with certain financial covenants under the terms of a loan agreement for one of its individual properties. As at September 30, 2009, the amount of the loan was \$9,572 (U.S. - \$8,940), bearing interest at 6.24%, maturing on December 26, 2013. The loan payments are current. A pay down of \$1,737 (U.S. \$1,622) is required to remedy the default; hence, this amount was reclassified as a principal repayment due in 2009.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

8. Secured debt (continued):

(b) Revolving operating credit facility:

Chartwell has arranged for a \$75,000 secured revolving operating credit facility (the "Credit Facility"). At September 30, 2009, the maximum available borrowing capacity under the Credit Facility was \$54,382 (December 31 2008 - \$62,153) based on the security provided. The Credit Facility matures on June 27, 2010. Under the terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 2.75% or the applicable bankers' acceptance rate plus 4.00%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility is secured by first and second charges on specific properties. As at September 30, 2009, \$22,000 (December 31, 2008 - \$8,000) was outstanding under the Credit Facility.

9. Accounts payable and other liabilities:

	September 30, 2009	December 31, 2008
Accounts payable and accrued liabilities	\$ 73,141	\$ 75,893
Income taxes payable	–	3,003
Below-market resident contracts, net of accumulated amortization of \$2,460 (December 31, 2008 - \$2,274)	1,607	2,101
Resident deposits	4,698	5,033
Deferred revenue	4,829	6,433
	<u>\$ 84,275</u>	<u>\$ 92,463</u>

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

10. Non-controlling interest:

The details of non-controlling interest are as follows:

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 16,446	\$ 47,005
Non-controlling interest's share of loss for the period	(1,377)	(3,918)
Distributions on Class B Units of Master LP	(1,128)	(3,595)
Exchange of Class B Units of Master LP for Trust Units and redemptions	(4,984)	(24,296)
Other comprehensive income (loss)	(329)	1,250
Balance, end of period	\$ 8,628	\$ 16,446

11. Unitholders' equity:

(a) The following Trust Units are issued and outstanding as at September 30, 2009 and exclude the issuance of LTIP Units:

	Number of voting units	Amount
Balance, January 1, 2008	91,625,701	\$ 1,102,573
Trust Units issued under DRIP	1,265,991	9,230
Trust Units issued on exchange of Class B Units of Master LP	3,407,906	24,296
Disposition of LTIP Units surrendered	70,000	932
Balance, January 1, 2009	96,369,598	1,137,031
Trust Units issued under DRIP	896,062	4,368
Trust Units issued on exchange of Class B Units of Master LP	888,613	4,965
LTIP Units transferred to Trust units (note 11(b))	120,000	1,200
Balance, September 30, 2009	98,274,273	\$ 1,147,564

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

11. Unitholders' equity (continued):

- (b) The following table summarizes LTIP Units issued under the LTIP as at September 30, 2009:

	Number of Units under subscription	Amount
Balance, January 1, 2008	2,336,323	\$ 31,894
Sale of Trust Units	(15,000)	(150)
Issuance of Trust Units	656,667	5,929
Compensation expense	–	752
Units transferred to Treasury	(406,000)	(4,326)
Balance, January 1, 2009	2,571,990	34,099
Issuance of Trust Units	122,500	614
Compensation expense	–	389
Units transferred to Treasury	(110,927)	(2,405)
LTIP Units transferred to Trust Units	(120,000)	(1,200)
Balance, September 30, 2009	2,463,563	\$ 31,497

In the three month period ended September 30, 2009, 120,000 Trust units were issued to an LTIP participant upon repayment of the participant's LTIP instalment loan.

- (c) Deferred unit plan:

During 2008, the Trust implemented a deferred unit plan which was approved by unitholders at the annual general meeting held on May 21, 2009. The plan entitles independent directors, at their option, to receive all, 75%, 50% or 25% of their trustee fees in the form of Deferred Trust Units. The number awarded is based on the fair market value, as defined by the plan, of the Trust units on the award date. The deferred units earn additional deferred units related to distributions that would otherwise have been paid if Trust units, as opposed to Deferred Trust Units, had been issued on the date of the grant. The number of deferred units issued in regard to distributions is based on the fair market value of the Trust's units, as defined in the plan, on the date distributions are paid.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

11. Unitholders' equity (continued):

The following table summarizes the Deferred Trust Unit activity since inception:

	Units outstanding	Amount
Granted since inception	96,474	\$ 494
Reinvested distributions	7,214	37
Balance, September 30, 2009	103,688	\$ 531

12. Loss per Unit calculation:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Numerator:				
Loss for the period - continuing operations	\$ (5,685)	\$ (4,076)	\$ (54,626)	\$ (24,825)
Loss for the period - discontinued operations	(3,265)	(1,875)	(9,383)	(5,519)
	\$ (8,950)	\$ (5,951)	\$ (64,009)	\$ (30,344)
Denominator:				
Denominator for basic earnings per Unit - weighted average Units	98,113,597	95,527,436	97,673,218	93,242,411
Denominator for diluted earnings per Unit - weighted average Units	98,113,597	95,527,436	97,673,218	93,242,411
Loss per Unit:				
Basic and diluted - continuing operations	\$ (0.058)	\$ (0.043)	\$ (0.559)	\$ (0.266)
Basic and diluted - discontinued operations	(0.033)	(0.019)	(0.096)	(0.059)
Total loss per Unit	\$ (0.091)	\$ (0.062)	\$ (0.655)	\$ (0.325)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

12. Loss per Unit calculation (continued):

Excluded from the calculation of diluted weighted average units are the following weighted average Units:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Deferred Units	89,661	—	65,065	—
LTIP Units under subscription	2,687,407	2,800,838	2,632,881	2,644,022
Class B Units of Master LP	1,985,589	3,149,852	2,159,563	5,134,449
Assumed conversion of convertible debentures	12,623,398	12,623,398	12,623,398	12,623,398

13. Transactions with Spectrum:

Except as disclosed elsewhere in these consolidated financial statements, transactions with Spectrum were as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Contractual mezzanine loan interest (note 5)	\$ 874	\$ 1,398	\$ 3,272	\$ 4,091
Effective interest rate adjustment	(42)	(25)	(147)	(160)
Development fees	157	436	321	1,250
Operations management fees	437	575	1,458	1,557
Other fees	17	17	51	101
Interest on overdue receivables	117	212	351	241

In the three month period ended June 30, 2009, Chartwell recorded an impairment provision related to amounts due from Spectrum (note 18(a)). Consequently, Chartwell recognizes revenue from Spectrum based on the receipt of amounts due.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information:

Chartwell monitors and operates its Canadian retirement, Canadian long-term care, Canadian management and United States operations separately.

The accounting policies of each of the segments are the same as those described for Chartwell. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information (continued):

	Three-month period ended September 30, 2009				Total
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	
Revenue	\$ 81,052	\$ 36,503	\$ 1,912	\$ 44,003	\$ 163,470
Below-market lease amortization	243	–	–	3	246
Direct operating expense	(51,058)	(31,303)	(1,025)	(29,353)	(112,739)
Income before the undernoted	30,237	5,200	887	14,653	50,977
Interest expense	(9,985)	(2,297)	–	(10,808)	(23,090)
Property lease expense	(24)	(51)	–	(513)	(588)
Income before the following	20,228	2,852	887	3,332	27,299
Depreciation and amortization	(14,988)	(1,742)	(450)	(9,852)	(27,032)
	<u>\$ 5,240</u>	<u>\$ 1,110</u>	<u>\$ 437</u>	<u>\$ (6,520)</u>	267
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					2,121
General, administrative and trust expenses					(4,425)
Interest on convertible debentures					(4,083)
Unrealized and realized loss on derivative financial instruments and unrealized and realized foreign exchange loss					(3,848)
Provision for impairment on mezzanine loans and accounts receivable					–
Non-controlling interest					140
Current income tax expense					(91)
Future income tax expense					4,234
Loss from discontinued operations, net of tax					(3,265)
Loss for the period					\$ (8,950)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, limited life intangible assets, licenses and other assets	\$ –	\$ –	\$ –	\$ –	\$ –
Capital improvements	7,527	324	–	3,525	11,376

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information (continued):

	Three-month period ended September 30, 2008					Total
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations		
Revenue	\$ 71,803	\$ 35,050	\$ 2,318	\$ 42,206	\$ 151,377	
Equity income from variable interest entities	1,011	–	–	–	1,011	
Below-market lease amortization	78	–	–	195	273	
Direct operating expense	(44,798)	(30,180)	(1,025)	(27,546)	(103,549)	
Income before the undernoted	28,094	4,870	1,293	14,855	49,112	
Interest expense	(8,604)	(2,442)	–	(10,255)	(21,301)	
Property lease expense	(34)	(57)	–	(499)	(590)	
Income before the following	19,456	2,371	1,293	4,101	27,221	
Depreciation and amortization	(14,360)	(1,698)	(1,173)	(11,459)	(28,690)	
Gain (loss) on sale of assets	159	–	(33)	–	126	
	<u>\$ 5,255</u>	<u>\$ 673</u>	<u>\$ 87</u>	<u>\$ (7,358)</u>	(1,343)	
Items not allocated to operating segments:						
Mezzanine loan interest, bank interest and other income					3,863	
General, administrative and trust expenses					(4,098)	
Interest on convertible debentures					(3,986)	
Unrealized and realized gain on derivative financial instruments and unrealized and realized foreign exchange gain					3,358	
Non-controlling interest					259	
Current income taxes					(629)	
Future income taxes					(1,500)	
Loss from discontinued operations, net of tax					(1,875)	
Loss for the period					\$ (5,951)	
Expenditures for assets by land segment:						
Acquisitions - properties, land held for development, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	\$ –	\$ –	\$ –	\$ –	\$ –	
Capital improvements	14,492	777	1,206	4,070	20,545	

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information (continued):

	Nine-month period ended September 30, 2009				Total
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	
Revenue	\$ 240,914	\$ 107,956	\$ 5,557	\$ 141,460	\$ 495,887
Below-market lease amortization	560	–	–	354	914
Direct operating expense	(155,436)	(93,883)	(3,074)	(91,913)	(344,306)
Income before the undernoted	86,038	14,073	2,483	49,901	152,495
Interest expense	(29,402)	(6,934)	–	(34,164)	(70,500)
Property lease expense	(98)	(153)	–	(1,748)	(1,999)
Income before the following	56,538	6,986	2,483	13,989	79,996
Depreciation and amortization	(44,928)	(6,091)	(1,384)	(34,439)	(86,842)
	<u>\$ 11,610</u>	<u>\$ 895</u>	<u>\$ 1,099</u>	<u>\$ (20,450)</u>	(6,846)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					8,941
General, administrative and trust expenses					(16,067)
Interest on convertible debentures					(12,174)
Unrealized and realized loss on derivative financial instruments and unrealized and realized foreign exchange loss					(6,141)
Provision for impairment on mezzanine loans and accounts receivable					(30,684)
Non-controlling interest					1,175
Current income taxes					(5)
Future income taxes					7,175
Loss from discontinued operations, net of tax					(9,383)
Loss for the period					\$ (64,009)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	\$ 51,874	\$ –	\$ –	\$ –	\$ 51,874
Capital improvements	17,890	2,054	–	11,187	31,131

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information (continued):

	Nine-month period ended September 30, 2008				Total
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	
Revenue	\$ 213,146	\$ 102,595	\$ 6,914	\$ 123,549	\$ 446,204
Equity income from variable interest entities	2,858	–	–	–	2,858
Below-market lease amortization	233	–	–	575	808
Direct operating expense	(135,358)	(89,212)	(3,075)	(80,947)	(308,592)
Income before the undernoted	80,879	13,383	3,839	43,177	141,278
Interest expense	(27,426)	(7,323)	–	(29,818)	(64,567)
Property lease expense	(95)	(153)	–	(1,457)	(1,705)
Income before the following	53,358	5,907	3,839	11,902	75,006
Depreciation and amortization	(43,559)	(6,631)	(2,205)	(36,056)	(88,451)
Gain (loss) on sale of assets	65	–	(33)	–	32
	<u>\$ 9,864</u>	<u>\$ (724)</u>	<u>\$ 1,601</u>	<u>\$ (24,154)</u>	(13,413)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					11,083
General, administrative and trust expenses					(14,600)
Interest on convertible debentures					(11,889)
Unrealized and realized gain on derivative financial instruments and unrealized and realized foreign exchange gain					5,648
Non-controlling interest					1,578
Current income taxes					(1,495)
Future income taxes					(1,737)
Loss from discontinued operations, net of tax					(5,519)
Loss for the period					\$ (30,344)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	\$ 40,901	\$ –	\$ –	\$ –	\$ 40,901
Capital improvements	43,934	1,676	1,703	8,310	55,623

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

14. Segmented information (continued):

September 30, 2009						
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	\$ 1,365,790	\$ 294,666	\$ 3,620	\$ 805,182	\$ 70,978	\$ 2,540,236
Total liabilities	991,892	182,167	–	626,723	199,920	2,000,702

December 31, 2008						
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	\$ 1,331,094	\$ 298,772	\$ 13,937	\$ 953,830	\$ 107,854	\$ 2,705,487
Total liabilities	922,332	190,187	–	717,956	208,332	2,038,807

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

15. Commitments and contingencies:

(a) Operating leases of seniors housing properties:

At September 30, 2009, Chartwell had a leasehold interest in 25 properties through the acquisition of a 49% interest in HBR and a leasehold interest in two properties acquired with the Merrill Gardens Portfolio. The master lease for 25 properties expires on February 1, 2019 and December 1, 2019 and contains two five-year renewal options. Annual lease payments for Chartwell's share amount to \$43,544 (U.S. \$37,441), subject to annual increases as per the Master Lease Agreement. On October 1, 2009, as part of the reorganization of Chartwell's relationship with Horizon Bay, Chartwell sold its interest in the 25 properties (note 20(c)) and, therefore, the future lease payments related to the properties have not been included in the table below. The leases on two other properties expire on December 1, 2017 with a 10-year option to renew or an option to buy these properties. The annual lease payments on these properties amount to \$1,710 (U.S. \$1,597). Chartwell's share of the aggregate amount of all future minimum lease payments under these two leases is as follows:

	U.S. \$	Cdn. \$
Remainder of 2009	\$ 399	\$ 427
2010	1,597	1,710
2011	1,597	1,710
2012	1,597	1,710
2013	1,597	1,710
Thereafter	6,389	6,841
	<u>\$ 13,176</u>	<u>\$ 14,108</u>

(b) Other leases:

Chartwell has assumed an obligation with respect to one land lease. The lease expires on July 17, 2061 with annual payments of \$126.

Pursuant to the RegencyCare Portfolio acquisition, the Trust assumed one land lease expiring August 31, 2044 with annual payments of \$100 through to August 31, 2024 and \$120 for the remainder of the term, and one land lease expiring May 31, 2048 with annual payments of \$138, negotiated to market every 15 years thereafter. Chartwell's share is 50% of the amounts due under these leases.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

15. Commitments and contingencies (continued):

In addition, Chartwell has operating leases on office space in Canada that expire on various dates up to May 31, 2015. Annual payments in aggregate on these leases vary from \$974 to \$1,082 over the term of the lease.

(c) Purchase obligations:

Chartwell has entered into various construction contracts related to various internal growth projects. As at September 30, 2009, the remaining commitments under these contracts amounted to approximately \$7,164.

Chartwell has entered into fixed-price natural gas contracts with a third party natural gas supplier for \$1,778 to provide gas for its own use at its properties. Chartwell has also entered into fixed-price electricity and natural gas contracts with local utilities in the United States for \$1,224 (U.S. \$1,143) to provide electricity for its own use at its properties. These contracts vary in length ranging from one to three years. The gas contracts are recorded at fair value and the impact of EIC-173 on the valuation is not material (note 1(b)(ii)).

(d) Contingent consideration on acquisitions:

Under the respective Purchase and Sale Agreements, contingent consideration is payable upon properties achieving predetermined operating targets over set time periods.

At September 30, 2009, contingent consideration on acquisitions of properties amounted to \$2,795 (December 31, 2008 - \$2,795).

(e) Other contracts:

(i) Properties Chartwell owns in the United States are managed by Horizon Bay Chartwell LLC ("HBC") and HBC II Manager LLC ("HBC II"). The properties' management agreements are for a term of 20 years and call for payment of management fees between 4.0% and 5.5% of gross revenue plus an incentive fee based on certain operating targets. Subsequent to September 30, 2009, Chartwell restructured its relationship in Horizon Bay (note 20(c)) such that it owns a direct 50% interest in HBC and a direct 80% interest in HBC II.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

15. Commitments and contingencies (continued):

(ii) In accordance with contracts between Chartwell and Melior, Chartwell has committed to the following:

(a) For a period of 10 years, expiring February 5, 2016, payment of a referral and due diligence fee of 2.5% of the purchase amount of properties acquired by Chartwell in the Province of Quebec whether or not such acquisition is introduced, presented or referred by Melior and 2.0% of the purchase amount of each and every acquisition by Chartwell of properties in Canada, excluding the Province of Quebec, which is introduced, presented or referred by Melior.

(b) Reimbursement of legal fees incurred by Melior in relation to mezzanine financings in excess of the lesser of \$50 and 3.0% of total budgeted development costs for the related project.

(f) Litigation and claims:

In the ordinary course of business activities, Chartwell may be contingently liable for litigation and claims from, among others, residents, partners and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

16. Supplemental cash flow information:

The change in non-cash operating items for the three-month and nine-month periods ending September 30 are as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Change in non-cash operating items:				
Accounts receivable	\$ 585	\$ 1,065	\$ (931)	\$ 4,867
Deposits on acquisitions	–	–	–	111
Due from Spectrum	206	(1,867)	(5,530)	(2,141)
Due from ING	27	86	204	4,350
Accounts payable and other liabilities	1,247	5,089	223	7,345
Prepaid expenses	1,272	3,507	(1,568)	768
Other	(355)	(100)	(1,285)	1,361
	\$ 2,982	\$ 7,780	\$ (8,887)	\$ 16,661

The following amounts recognized during the three-month and nine-month periods ended September 30 have been excluded from operating, financing and investing activities in the consolidated statements of cash flows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Discharge of mezzanine loans receivable	\$ –	\$ –	\$ 5,676	\$ 5,860
Distributions applied against instalment loans receivable related to LTIP	459	520	1,461	1,656
Interest on instalment loans receivable related to LTIP	254	287	771	829
Trust Units issued pursuant to the DRIP	849	2,273	4,368	7,707

During the three-month and nine-month periods ended September 30, 2009, \$22,534 and \$75,275 (three-month and nine-month periods ended September 30, 2008 - \$21,870 and \$70,015), respectively, was paid in interest.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

17. Income taxes:

For the three-month and nine-month periods ended September 30, 2009, Chartwell recorded a current income tax expense of \$91 and \$5 (three-month and nine-month periods ended September 30, 2008 - \$629 and \$1,495) and a future income tax recovery of \$4,234 and \$(7,175) (three-month and nine-month periods ended September 30, 2008 - expense of \$1,500 and \$1,737), respectively.

As at September 30, 2009, the net future tax assets of Chartwell's U.S. corporate subsidiaries consist of net operating losses and tax and book basis differences relating to the United States operations of \$43,091 (U.S. \$40,246) against which a valuation allowance of \$43,091 (U.S. \$40,246) has been recorded.

18. Financial instruments and financial risk management:

Financial risk management objectives and policies:

In the normal course of business, Chartwell is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for unitholder returns. Chartwell is exposed to financial risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine loans, risks of changes in foreign exchange rates and rate regulation by provincial governments.

The Audit Committee has overall responsibility for the establishment and oversight of the Trust's financial risk management framework. Management is responsible for developing and monitoring the Trust's financial risk management policies and reports regularly to the Audit Committee on its activities.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

These risks are managed as follows:

(a) Credit risk:

Chartwell is exposed to credit risk arising from the possibility that parties responsible for payment of fees or the borrowers of mezzanine loans may experience financial difficulty and be unable to fulfill their contractual obligations. Chartwell has the following significant categories of receivables: resident receivables, mezzanine loans, funding from various provincial governments, development fees and asset and operations management fees receivable from Spectrum, Melior, ING and other joint venture partners.

Chartwell regularly monitors the credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in a loss.

Chartwell's exposure to credit risk from resident receivables is influenced mainly by the individual characteristics of each resident, the demographics of its resident base and general economic conditions. Due to the nature of the Trust's business and geographic spread of its resident base, there is no significant concentration of receivables from residents.

In addition to project-specific security, all Spectrum mezzanine loans contain cross-default provisions and are secured by Spectrum's corporate guarantee. Chartwell is involved in the development and operations management of Spectrum's development projects. All loans to entities affiliated with Melior are guaranteed by Residence Melior Inc. The mezzanine loan compliance group monitors performance and risk of each loan on an ongoing basis and reports quarterly to the investment committee of Chartwell.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

At September 30, 2009, Spectrum was in breach of certain covenants under its agreements with Chartwell. Chartwell has not delivered a default notice and is currently working with Spectrum to have these covenants remedied. In the three month period ended June 30, 2009, Chartwell recorded an impairment provision of \$11,589, of which \$5,369 was allocated to mezzanine loans from Spectrum and \$6,220 was allocated to accounts receivable from Spectrum. Chartwell collected certain accounts receivable, for which an impairment provision was recorded in the second quarter. As a result, during the three-month period ended September 30, 2009, Chartwell reallocated \$1,247 of the impairment provision from accounts receivable to mezzanine loans. Chartwell believes that Spectrum has sufficient equity to satisfy its remaining obligations, net of impairment provisions, in due course. The process of determining whether Spectrum has sufficient equity value is subjective and requires management to exercise significant judgment in making valuation assumptions.

At September 30, 2009, Melior was in arrears on interest payments on six projects. In the three month period ended June 30, 2009, Chartwell recorded a provision for impairment of these mezzanine loans of \$24,006 (December 31, 2008 - \$6,406) (note 5).

Receivables from provincial governments represent capital and operating funding for licensed long-term care properties primarily from the agencies of the Government of Ontario. Management believes that collection risk on these receivables is not significant.

Generally, the carrying amount on the consolidated balance sheets of the Trust's financial assets exposed to credit risk, net of applicable loss allowances, represents the Trust's maximum exposure to credit risk.

Accounts receivable from residents are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a resident will default. Chartwell records an allowance for doubtful accounts when accounts are determined to be uncollectible.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

The aging of resident receivables at September 30, 2009 is as follows:

Current	\$ 3,721
31 - 60 days	890
61 - 90 days	388
Over 90 days	1,658
	<u>6,657</u>
Allowance for doubtful accounts	(1,192)
Net resident receivables	<u>\$ 5,465</u>

The Trust limits its exposure to credit risk related to derivatives by transacting with counterparties that are stable and of high creditworthiness.

(b) Liquidity risk:

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to Chartwell to fund its growth program and refinance or meet its payment obligations as they arise.

The Trust's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to unitholders, and possible property acquisition funding requirements.

The above liquidity needs are funded from cash flows from operating the property portfolio, with the exception of debt repayment obligations and property acquisition funding requirements. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy. If this strategy is unsuccessful, other sources of funding include additional draws on the Credit Facility, raising new equity by issuing Units or convertible debentures or the disposition of properties. At September 30, 2009, the Trust had \$54,382 available on a secured revolving Credit Facility. The risk with issuing new capital is that the capital markets may not be receptive to an equity or debenture issue with financial terms favourable to the Trust.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management mitigates this risk by spreading debt maturities over time and through the use of programs, such as Canada Mortgage and Housing Corporation ("CMHC") insured mortgages.

At September 30, 2009, Chartwell's remaining 2009 debt maturities amounted to approximately \$16,469, all of which are CMHC-insured.

There is also risk that the secured revolving Credit Facility will not be renewed on terms and conditions acceptable to the Trust or on any terms at all.

Chartwell's major contractual obligations for the periods ending December 31, 2009 and 2010 as at September 30, 2009 are as follows:

	2009	2010	Total
Mortgages payable	\$ 25,777	\$ 116,051	\$ 141,828
Revolving operating credit facility	22,000	—	22,000
Property operating leases	427	1,710	2,137
Other operating leases	299	1,083	1,382
Land leases	61	245	306
	<u>\$ 48,564</u>	<u>\$ 119,089</u>	<u>\$ 167,653</u>

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

(c) Market risk:

Market risk is the risk of an adverse financial impact due to a change in market conditions, such as interest rates, foreign exchange rates and equity prices, that will affect Chartwell's income or the value of its holdings of financial instruments. Chartwell may buy derivative instruments in the ordinary course of business, and also may incur financial liabilities, in order to manage potential market risks.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating rate debt on an ongoing basis and its fixed rate debt upon renewal. At September 30, 2009, \$65,989 (December 31, 2008 - \$36,934) of Chartwell's mortgages and loans payable, excluding hedged loans, bear interest at floating rates. To mitigate interest rate risk, Chartwell fixes or otherwise limits the interest rate on its long-term debt to the extent possible either on renewal or through the purchase of derivative instruments. Generally, Chartwell fixes the term of long-term debt within a range from 3 to 30 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell spreads the maturities of its fixed rate long-term debt over time.

To reduce the interest rate cash flow risk on one of its mortgages payable, Chartwell entered into an interest rate swap contract with a current notional principal amount of \$11,455 that entitles Chartwell to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 5.6% until the mortgage matures in February 2014. The net interest receivable or payable under the contract is settled monthly with the counterparty, which is a Canadian chartered bank. The fair value of the interest rate swap contract based on the present value of the estimated net cash flows using net adjusted discount rates as at September 30, 2009 is a loss position of \$1,433 (December 31, 2008 - \$2,087), which is included in accrued liabilities on the consolidated balance sheets (note 9). Included in other comprehensive loss for the three and nine-month periods ended September 30, 2009 is a gain of \$48 and \$406 (net of future taxes of nil and \$147) (three-month and nine-month periods ended September 30, 2008 - a loss of \$231 and \$598 (net of future taxes of \$50 and \$170)) respectively, that relates to the effective portion of the net change in fair value of the interest rate swap designated as a hedge.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

The Trust's interest-bearing financial instruments were:

	Carrying amount	
	September 30, 2009	December 31, 2008
Fixed rate instruments:		
Financial assets (mezzanine loans)	\$ 67,332	\$ 96,822
Financial liabilities	1,777,787	1,828,769
Variable rate instruments:		
Financial liabilities	\$ 65,989	\$ 36,934

A change in interest rates at September 30, 2009 would not affect loss for the period with respect to the fixed rate instruments, including hedged loans. Therefore, no sensitivity analysis is provided for the fixed rate instruments. An increase of 100 basis points in interest rates at September 30, 2009 for the variable rate mortgages would have decreased equity by \$165 and increased the loss for the period by \$165 (on a pre-tax basis).

(ii) Foreign currency exchange risk:

At September 30, 2009, through its self-sustaining United States operations, 32% (December 31, 2008 - 35%) of Chartwell's assets and 36% (December 31, 2008 - 40%) of Chartwell's mortgages payable were held in the United States and, for the three-month and nine-month periods ended September 30, 2009, 36% and 37% (three-month and nine-month periods ended September 30, 2008 - 36% and 37%) respectively, of its revenue was generated in the United States. Foreign currency exchange risk results from changes in the exchange rate between Chartwell's reporting currency (Canadian dollar) and the U.S. dollar in respect of intercompany balances, cash and other U.S. dollar-denominated financial instruments, which are not a component of the self-sustaining U.S. operations or part of the net investment in self-sustaining U.S. operations.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

18. Financial instruments and financial risk management (continued):

Whenever possible, Chartwell strives to achieve a natural hedge to mitigate its foreign currency risk. For example, cash flow from U.S. operating activities is first used for repayment of loans denominated in U.S. dollars. Chartwell may use derivative financial instruments to hedge its net foreign currency exposures. Chartwell's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative instruments may or may not qualify for hedge accounting treatment in the consolidated financial statements. The U.S. operations are primarily funded through U.S. dollar-denominated debt, which serves to mitigate foreign exchange risk. There were no foreign exchange hedge contracts outstanding as at September 30, 2009.

Chartwell is exposed to the following currency risk on cash, intercompany balances and its net investment in self-sustaining U.S. operations at September 30, 2009:

	U.S. dollar
Cash	\$ 112
Loans receivable from self-sustaining U.S. operations	66,462
Loan payable to self-sustaining U.S. operations	(28,121)
Net investment in self-sustaining U.S. operations	100,216
Net exposure	\$ 138,669

Subsequent to September 30, 2009, one intercompany cross-border note receivable from self-sustaining U.S. operations in the amount of \$30,945 (U.S. \$28,901) and the loans payable to self-sustaining U.S. operations of \$30,109 (U.S. \$28,121) were settled.

A \$0.01 reduction in the foreign exchange translation rate of U.S. dollars to Canadian dollars would have decreased the loss for the period and decreased other comprehensive loss for the period by the amounts shown below:

Decrease in loss before income taxes for the period	\$ 385
Decrease in other comprehensive income before income taxes for the period	1,002

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

19. Capital structure financial policies:

The Trust monitors capital based on the debt to adjusted gross book value ratio.

The Trust's strategy for capital management is driven by policies stated under the Declaration of Trust and external requirements from certain of its lenders. There have been no changes in the Trust's capital management strategy during the period.

The following are the debt leverage ratios at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008	Decrease
Debt to adjusted gross book value ratio, excluding convertible debentures	54.7%	55.2%	(0.7)%
Debt to adjusted gross book value ratio, including convertible debentures	61.4%	61.7%	(0.6)%

Debt includes guarantees and is determined on a consolidated basis for the Trust and its consolidated subsidiaries.

Adjusted gross book value means, at any time, the consolidated book value of the assets of the Trust, as shown on the Trust's most recent consolidated balance sheets (or if approved by a majority of the Independent Directors of the General Partner at any time, the appraised value thereof), plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration on business combinations in the notes thereto.

The debt to adjusted gross book value ratio at September 30, 2009 has decreased from the December 31, 2008 ratio due primarily to a decrease in outstanding mortgages payable.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Three-month and nine-month periods ended September 30, 2009 and 2008
(Unaudited)

20. Subsequent events:

- (a) On October 8, 2009, Chartwell completed a public offering of 14,375,000 Trust units for \$6.00 per Trust unit for gross proceeds of \$86,250 to a syndicate of underwriters.
- (b) Subsequent to September 30, 2009, Chartwell acquired one seniors housing facility in Canada from Spectrum for consideration, before closing costs, of approximately \$23,197. The purchase price after working capital adjustments of \$211 was settled through the assumption of existing mortgage debt of \$17,150, the settlement of outstanding accounts receivable of \$2,810 and mezzanine loans of \$3,026.
- (c) Subsequent to September 30, 2009, Chartwell disposed of its 49% interest in HBR to HB Partners LLC for nominal consideration. Prior to disposition, HBR distributed to Chartwell a portion of its interest in HBC II. Upon completion of the transaction, Chartwell no longer has an interest in the 25 seniors housing facilities leased by subsidiaries of HBR and has an 80% interest in HBC II.

21. Comparative figures:

Certain 2008 figures have been reclassified to conform with the financial statement presentation adopted in 2009.