

The following information is being provided to assist U.S. individual unitholders of Chartwell Retirement Residences ("Chartwell") in reporting income and distributions received from Chartwell on their Internal Revenue Service Form 1040, "U.S. Individual Income Tax Form". The information is intended to provide general guidance to assist in income tax reporting for U.S. resident individual holders of Chartwell units. It is not intended to constitute legal or tax advice to any holder or potential holder of Chartwell units. Unitholders should consult their own legal or tax advisors as to their particular tax consequences of holding Chartwell units. Chartwell believes that it should be treated as a partnership for U.S. federal income tax purposes and its units should therefore be treated as ownership interests in a partnership for U.S. federal income tax purposes.

Chartwell believes that interest and dividend income paid by Chartwell's underlying subsidiaries should pass through directly to individual unitholders who should report this income on their individual tax returns. Chartwell believes that the dividends paid to it by any underlying subsidiary that is a corporation (or that is treated as a corporation for U.S. federal income tax purposes), and which are passed through to individual U.S. unitholders, may be "qualified dividends" for U.S. federal income tax purposes. Such dividends may qualify for a reduced rate of tax provided that certain other requirements are satisfied (e.g. holding period requirements). In addition, Chartwell believes that all cash distributions paid by it to unitholders should be treated as a distribution from a partnership for U.S. federal income tax purposes. The aforementioned discussion was intended to provide general guidance only. Holders or potential holders of Chartwell units should consult their own tax advisors as to their particular tax consequences and reporting obligations. Chartwell has not received an IRS letter ruling or a tax opinion from its tax advisors on any of the matters contained herein.