



**CHARTwell**  
retirement residences

making people's  
lives **BETTER**



First Quarter Report | March 31, 2015  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Q1**





# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three Months Ended March 31, 2015

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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 months ended March 31, 2015. This MD&A should be read in conjunction with Chartwell’s unaudited, interim condensed consolidated financial statements for the three months ended March 31, 2015, and the notes thereto (the “Financial Statements,”) the audited consolidated financial statements for the year ended December 31, 2014 and the notes thereto (the “2014 Financial Statements”) and the annual Management’s Discussion and Analysis for the year ended December 31, 2014 (the “2014 MD&A.”) This material is available on Chartwell’s website at [www.chartwell.com](http://www.chartwell.com). Additional information about Chartwell, including its Annual Information Form (“AIF”) for the year ended December 31, 2014, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The discussion and analysis in this MD&A is based on information available to management as of May 7, 2015.

All references to “Chartwell,” “we,” “our,” “us” or the “Trust” refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. 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; “2015” refers to the calendar year 2015; “2014” refers to the calendar year 2014 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for Q1 2015 are in comparison to results from Q1 2014.

In this document we use a number of performance measures that are not measures defined in 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,” “Adjusted EBITDA,” “Net Debt to Adjusted EBITDA Ratio,” “Chartwell’s Interest,” “Distributions Declared as a Percentage of Total AFFO” 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 “Joint Arrangements” and “Non-GAAP Measures” sections of this MD&A for details.

The results of operations of our United States Operations segment (our “U.S. portfolio”) are reported as discontinued operations throughout this MD&A. Unless otherwise indicated, all comparative amounts have been restated to conform to the current-period presentation.

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

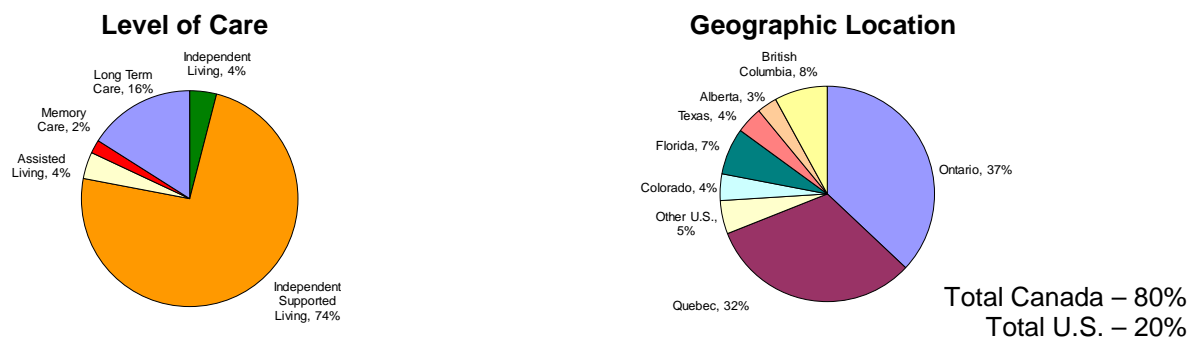
Trust – We believe in keeping our promises and doing the right thing

The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at March 31, 2015:

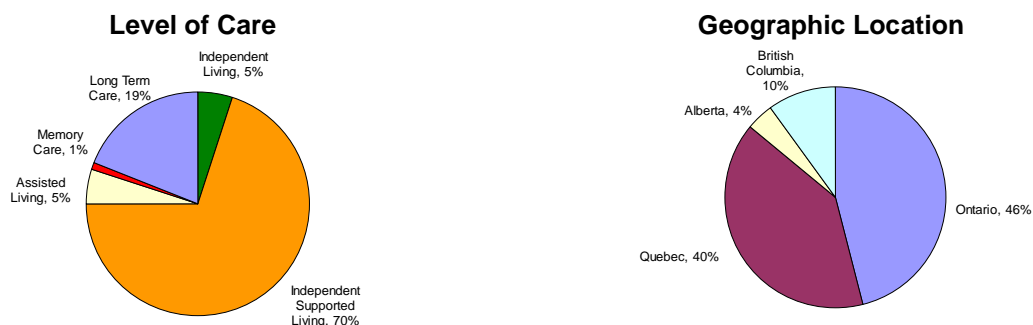
	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations <sup>(1)</sup>		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
<b>Owned Properties:</b> <sup>(2)</sup>								
100% Owned – operating <sup>(3)</sup>	98	12,209	24	3,138	33	4,792	155	20,139
Partially Owned – operating <sup>(4)</sup>	48	8,528	-	-	-	-	48	8,528
<b>Total Owned</b>	<b>146</b>	<b>20,737</b>	<b>24</b>	<b>3,138</b>	<b>33</b>	<b>4,792</b>	<b>203</b>	<b>28,667</b>
<b>Properties under Operating Lease</b>								
100% Interest	-	-	-	-	2	233	2	233
<b>Total Owned and Leased</b>	<b>146</b>	<b>20,737</b>	<b>24</b>	<b>3,138</b>	<b>35</b>	<b>5,025</b>	<b>205</b>	<b>28,900</b>
<b>Managed Properties</b>	<b>3</b>	<b>512</b>	<b>4</b>	<b>608</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>1,120</b>
<b>Total</b>	<b>149</b>	<b>21,249</b>	<b>28</b>	<b>3,746</b>	<b>35</b>	<b>5,025</b>	<b>212</b>	<b>30,020</b>

- (1) Includes 33 owned and two leased U.S. communities (5,025 suites) that are classified as assets held for sale in our Financial Statements, the results of which are presented as discontinued operations in our Financial Statements and this MD&A.
- (2) 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.
- (3) Includes one Canadian retirement community in Quebec (169 suites) that is classified as assets held for sale in our Financial Statements.
- (4) 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 March 31, 2015 by:**



**Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Leased Interest, at March 31, 2015 excluding discontinued operations by:**



## **Business Strategy**

Our business strategy is principally focused on providing quality services and care 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 where applicable, 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 to date:

<p><b>Grow core property portfolio contribution</b></p>	<ul style="list-style-type: none"> <li>Improved brand awareness and online and social media strategies have generated a 5.5% increase in initial contacts and a 4.0% increase in personal visits in Q1 2015.</li> <li>Same property NOI <sup>(1)</sup> increased \$0.8 million or 1.7% in Q1 2015.</li> <li>Same property occupancy improved to 90.4% in Q1 2015, compared to 89.1% in Q1 2014, driven by a strong 1.6 percentage-point growth in our Canadian retirement portfolio.</li> </ul>
<p><b>Maintain a strong financial position</b></p>	<ul style="list-style-type: none"> <li>At March 31, 2015, we had cash on hand <sup>(2)</sup> of \$5.2 million and \$34.0 million of available borrowing capacity under our Canadian Credit Facility.</li> <li>Interest Coverage Ratio <sup>(1)</sup> improved to 2.47 in Q1 2015 compared to 2.23 in Q1 2014.</li> <li>Net Debt to Adjusted EBITDA Ratio <sup>(1)</sup> improved to 8.4 at March 31, 2015 compared to 8.9 at March 31, 2014.</li> <li>Indebtedness Ratio <sup>(1)</sup> was 55.3% at March 31, 2015 compared to 55.0% at December 31, 2014.</li> </ul>
<p><b>Improve quality and efficiency of our corporate support services</b></p>	<ul style="list-style-type: none"> <li>Ongoing update to our website generating significant improvements to several key online metrics with our web traffic increasing by 36% in Q1 2015 from Q4 2014.</li> <li>Continued optimization of our unique call centre that now assists over 1,000 prospective customers and their family members per month.</li> <li>Ongoing reviews of corporate support processes generate improving and more efficient services to our operating teams.</li> </ul>
<p><b>Build value of our real estate portfolio</b></p>	<ul style="list-style-type: none"> <li>Announced the sale of our U.S. portfolio for U.S.\$849.0 million.</li> <li>Completed acquisition of one property in Ontario for \$22.1 million.</li> <li>Built strong acquisitions and development pipelines which position us well to accretively reinvest the proceeds from the U.S. portfolio sale over time.</li> </ul>

(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 \$4.9 million. Refer to the "Joint Arrangements" section of this MD&A for details.

## 2015 Outlook

Our 2014 MD&A contains a detailed discussion of our 2015 Outlook. There were no significant changes in Q1 2015 except for the following:

### ***U.S Operations***

On March 17, 2015, we announced a definitive agreement to sell all outstanding shares of our US subsidiary CSH Master Care USA Inc. (the "U.S. Subsidiary") through a series of transactions. The U.S. Subsidiary wholly owns our U.S. portfolio comprising 5,025 suites in 35 properties.

The closing of these transactions, subject to regulatory approvals, is expected on June 30, 2015. Initially, we expect to reinvest the net proceeds from the sale, estimated at approximately \$410.0 million, to repay certain Canadian mortgages and amounts outstanding on our Credit Facility. Over time, we expect to reinvest these proceeds in acquisitions and developments of seniors residences in Canada.

### ***Taxes***

As a result of the announced sale of our U.S. portfolio and the intended use of proceeds, we may incur cash specified investment flow-through ("SIFT") taxes in 2016. The magnitude of such taxes is dependent on the timing of our investments in acquisitions and developments in Canada and, at this time, we do not expect the impact of such taxes to be material.

## Significant Events

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

### ***Acquisitions***

On May 4, 2015, we completed the acquisition of a 94-suite retirement residence in Thunder Bay, Ontario. The residence opened in 2011 and is currently 88% occupied. The purchase price was \$22.1 million before closing costs and was settled utilizing our Canadian Credit Facility. Our acquisitions pipeline remains strong and we are analysing a number of other opportunities at this time.

### ***Dispositions***

We entered into a definitive agreement to sell our U.S. portfolio, as discussed in the 2015 Outlook section. The gross sale price is U.S.\$849.0 million. The U.S. portfolio is currently encumbered by mortgage debt with the principal amount estimated at U.S.\$439.0 million as of June 30, 2015, and bearing interest at a weighted average rate of 5.85% per annum. The repayment of the mortgage debt, including estimated prepayment costs of U.S.\$24.0 million, will be netted against the purchase price. To reduce the foreign exchange risk on the conversion of the expected net proceeds from the sale of the U.S. portfolio, we entered into a foreign exchange swap agreement with a current notional principal amount of \$180.0 million that provides for a minimum CAD/USD exchange rate of \$1.26 and allows us to participate in the CAD/USD exchange rate increase up to \$1.34. After accounting for estimated tax and certain closing adjustments, including transaction costs, we expect to receive net cash proceeds of approximately \$410.0 million based on the current CAD/USD exchange rates and hedges in place. This sale would allow us to fully focus on the Canadian seniors housing markets where we believe we have a strong competitive advantage due to the quality of our management platform and our scale. The sale will also reduce operating risk by removing the reliance on third-party management and eliminate U.S. mortgage refinancing and foreign exchange risks.



In our Financial Statements and throughout this MD&A, the Q1 2015 results of operations of our U.S. portfolio are reported as discontinued operations. Comparative Q1 2014 amounts have been restated to conform with this treatment.

## 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 in order to gain access to attractive sites in strong markets.

The following table summarizes development projects that were in progress at March 31, 2015:

Project	Location	Suites / Beds	Actual / Estimated Development Costs <sup>(1)</sup>	Actual / Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield <sup>(2)</sup>
Chartwell Georgian Traditions Memory Care Phase II	Collingwood, ON	30	\$9.2 million	Q2 2015	Q4 2016	9.0%
Chartwell Tranquility Place Apartments Phase II <sup>(3)</sup>	Brantford, ON	30	\$7.7 million	Q4 2015	Q4 2016	7.7%
Chartwell L'Unique Phase II <sup>(4)</sup>	Ste. Eustache, QC	90	N/A	Q2 2015	Q2 2016	N/A
Chartwell Le Teasdale <sup>(5)</sup>	Terrebonne, QC	347	N/A	Q3 2016	Q3 2018	N/A
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(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 pursuant to our agreements with Batimo.

(5) Development is undertaken by Batimo. Construction commenced in March 2015. Chartwell expects to advance a mezzanine loan of \$6.0 million in Q2 2015 and intends to acquire an 85% ownership interest in this project upon stabilization pursuant to our agreements with Batimo.

## Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint arrangements 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 arrangement 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 <sup>(1)(2)</sup>	38	7,605	50.0%	Line-by-line
Chartwell-HCN Operator <sup>(1)(2)</sup>	Same as above	Same as above	50.0%	Equity
Batimo	3	267	85.0%	Line-by-line
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
Kamloops	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 July 2, 2014, one property (196 suites) previously held by Chartwell-HCN Landlord and operated by Chartwell-HCN Operator was sold.

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 excluding discontinued operations. 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 arrangements at Chartwell’s Interest, a non-GAAP basis, provides 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 arrangements. Management uses this measure when making strategic and operational decisions at the portfolio level.

The following table provides a reconciliation of the Q1 2015 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q1 2015 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	Q1 2015 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	152,911	26,104	179,015
Management and other fees	1,924	-	1,924
Lease revenue from joint ventures	8,150	(8,150)	-
Interest on loans receivable	203	-	203
	163,188	17,954	181,142
<b>Expenses</b>			
Direct operating	112,635	16,556	129,191
General, administrative and Trust ("G&A")	8,668	-	8,668
	121,303	16,556	137,859
Income before the undernoted	41,885	1,398	43,283
Finance costs	18,118	348	18,466
Other expense/(income)	(1,039)	(14)	(1,053)
Depreciation of property, plant and equipment ("PP&E")	28,032	851	28,883
Amortization of intangible assets	204	4	208
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	7,817	113	7,930
Share of net income from joint ventures	(96)	96	-
Net loss from continuing operations	(11,151)	-	(11,151)
Net income from discontinued operations	22,279	-	22,279
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	7,761	-	7,761
<b>Total comprehensive income</b>	<b>18,889</b>	<b>-</b>	<b>18,889</b>

(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.

The following table provides a reconciliation of the Q1 2014 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q1 2014 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	Q1 2014 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	152,096	25,601	177,697
Management and other fees	1,848	-	1,848
Lease revenue from joint ventures	8,030	(8,030)	-
Interest on loans receivable	60	-	60
	162,034	17,571	179,605
<b>Expenses</b>			
Direct operating	112,730	16,235	128,965
G&A	9,935	-	9,935
	122,665	16,235	138,900
Income before the undernoted	39,369	1,336	40,705
Finance costs	18,884	393	19,277
Other expense/(income)	(2,239)	(70)	(2,309)
Depreciation of PP&E	28,773	895	29,668
Amortization of intangible assets	234	-	234
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	3,636	-	3,636
Share of net income from joint ventures	(118)	118	-
Loss before income taxes	(9,801)	-	(9,801)
Income tax expense/(benefit):			
Current	(2,218)	-	(2,218)
Net loss from continuing operations	(7,583)	-	(7,583)
Net loss from discontinued operations	(9,287)	-	(9,287)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	2,754	-	2,754
Total comprehensive loss	(14,116)	-	(14,116)

(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.

The following table provides a reconciliation of the March 31, 2015 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	March 31, 2015 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	March 31, 2015 Chartwell's Interests <sup>(3)</sup>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	280	4,876	5,156
Trade and other receivables	10,313	(603)	9,710
Capital funding receivable	5,031	-	5,031
Other assets	14,508	3,319	17,827
Assets held for sale	723,443	-	723,443
<b>Total current assets</b>	<b>753,575</b>	<b>7,592</b>	<b>761,167</b>
Non-current assets:			
Other assets	2,756	-	2,756
Loans receivable	9,901	-	9,901
Capital funding receivable	60,204	-	60,204
Investment in joint ventures	23,306	(23,306)	-
Intangible assets	46,000	40	46,040
PP&E	1,897,073	45,039	1,942,112
<b>Total non-current assets</b>	<b>2,039,240</b>	<b>21,773</b>	<b>2,061,013</b>
<b>Total assets</b>	<b>2,792,815</b>	<b>29,365</b>	<b>2,822,180</b>
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Credit Facilities	66,000	-	66,000
Accounts payable and other liabilities	79,760	929	80,689
Distributions payable	8,130	-	8,130
Mortgages payable	201,597	472	202,069
Liabilities related to assets held for sale	228,555	-	228,555
<b>Total current liabilities</b>	<b>584,042</b>	<b>1,401</b>	<b>585,443</b>
Non-current liabilities:			
Mortgages payable	1,191,124	27,964	1,219,088
Mortgages payable related to assets held for sale	409,229	-	409,229
Convertible debentures	155,075	-	155,075
Class B Units of Chartwell Master Care LP ("Class B Units")	20,352	-	20,352
<b>Total non-current liabilities</b>	<b>1,775,780</b>	<b>27,964</b>	<b>1,803,744</b>
<b>Total liabilities</b>	<b>2,359,822</b>	<b>29,365</b>	<b>2,389,187</b>
Unitholders' equity	432,993	-	432,993
<b>Total liabilities and unitholders' equity</b>	<b>2,792,815</b>	<b>29,365</b>	<b>2,822,180</b>

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities 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.

The following table provides a reconciliation of the December 31, 2014 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2014 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	December 31, 2014 Chartwell's Interests and Discontinued Operations	Discontinued Operations	December 31, 2014 Chartwell's Interests <sup>(3)</sup>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	10,927	3,705	14,632	(5,808)	8,824
Trade and other receivables	18,940	(88)	18,852	(9,106)	9,746
Capital funding receivable	4,963	-	4,963	-	4,963
Other assets	24,641	3,278	27,919	(9,600)	18,319
Assets held for sale	5,306	-	5,306	603,246	608,552
<b>Total current assets</b>	<b>64,777</b>	<b>6,895</b>	<b>71,672</b>	<b>578,732</b>	<b>650,404</b>
Non-current assets:					
Other assets	7,008	-	7,008	(4,232)	2,776
Loans receivable	9,901	-	9,901	-	9,901
Capital funding receivable	61,506	-	61,506	-	61,506
Investment in joint ventures	23,431	(23,431)	-	-	-
Intangible assets	49,025	45	49,070	(2,864)	46,206
PP&E	2,489,601	45,569	2,535,170	(571,636)	1,963,534
<b>Total non-current assets</b>	<b>2,640,472</b>	<b>22,183</b>	<b>2,662,655</b>	<b>(578,732)</b>	<b>2,083,923</b>
<b>Total assets</b>	<b>2,705,249</b>	<b>29,078</b>	<b>2,734,327</b>	<b>-</b>	<b>2,734,327</b>
<b>Liabilities and Unitholders' Equity</b>					
Current liabilities:					
Credit Facilities	45,500	-	45,500	-	45,500
Accounts payable and other liabilities	124,221	538	124,759	(30,348)	94,411
Distributions payable	7,954	-	7,954	-	7,954
Mortgages payable	372,184	466	372,650	(162,312)	210,338
Liabilities related to assets held for sale	6,086	-	6,086	542,558	548,644
<b>Total current liabilities</b>	<b>555,945</b>	<b>1,004</b>	<b>556,949</b>	<b>349,898</b>	<b>906,847</b>
Non-current liabilities:					
Mortgages payable	1,544,892	28,074	1,572,966	(349,898)	1,223,068
Convertible debentures	151,200	-	151,200	-	151,200
Class B Units	19,614	-	19,614	-	19,614
<b>Total non-current liabilities</b>	<b>1,715,706</b>	<b>28,074</b>	<b>1,743,780</b>	<b>(349,898)</b>	<b>1,393,882</b>
<b>Total liabilities</b>	<b>2,271,651</b>	<b>29,078</b>	<b>2,300,729</b>	<b>-</b>	<b>2,300,729</b>
Unitholders' equity	433,598	-	433,598	-	433,598
<b>Total liabilities and unitholders' equity</b>	<b>2,705,249</b>	<b>29,078</b>	<b>2,734,327</b>	<b>-</b>	<b>2,734,327</b>

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities 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 excluding discontinued operations.

# Consolidated Results of Operations

## Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q1 2015	Q1 2014	Increase / (Decrease)
Resident revenue <sup>(1)</sup>	179,015	177,697	1,318
Weighted average occupancy rate - same property portfolio <sup>(2)</sup>	90.4%	89.1%	1.3pp
Same property NOI <sup>(3)</sup>	47,936	47,146	790
AFFO - continuing operations <sup>(4)</sup>	23,282	22,951	331
AFFO per unit diluted - continuing operations <sup>(5)(6)</sup>	0.13	0.13	-
Total AFFO <sup>(4)</sup>	31,337	30,019	1,318
Total AFFO per unit diluted <sup>(5)(6)</sup>	0.17	0.17	-
FFO - continuing operations <sup>(7)</sup>	25,778	25,815	(37)
FFO per unit diluted - continuing operations <sup>(5)(6)</sup>	0.15	0.15	-
Total FFO <sup>(7)</sup>	34,596	33,688	908
Total FFO per unit diluted <sup>(5)(6)</sup>	0.19	0.19	-
Distributions declared <sup>(8)</sup>	24,115	23,745	370
Distributions declared per unit <sup>(6)</sup>	0.14	0.14	-
Distributions declared as a percentage of total AFFO <sup>(9)</sup>	77.0%	79.1%	(2.1pp)
Net loss from continuing operations	(11,151)	(7,583)	(3,568)

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$152.9 million in Q1 2015 (\$152.1 million in Q1 2014.) Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

(3) Non-GAAP; reported at Chartwell's Interest. 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 "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.

(5) Includes dilutive impact of conversion of convertible debentures into Trust Units.

(6) 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.

(7) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.

(8) Non-GAAP; includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").

(9) Non-GAAP; refer to the "Non-GAAP Measures – Distributions Declared as a Percentage of Total AFFO" section of this MD&A for details of this calculation.

For Q1 2015, AFFO from continuing operations was \$23.3 million or \$0.13 per unit diluted, in line with \$23.0 million or \$0.13 per unit diluted in Q1 2014. The following items impacted the change in AFFO from continuing operations:

- incremental AFFO from our same property portfolio of \$1.8 million, primarily due to higher NOI and lower interest expenses;
- lower G&A expenses of \$1.3 million, primarily due to severance costs related to a corporate reorganization incurred in Q1 2014 and lower legal costs;
- higher management fee income and interest income on loans receivable of \$0.2 million; and
- other items combined of \$0.4 million;

partially offset by:

- proceeds of the settlement of prior years' SIFT tax matters in Q1 2014 of \$2.2 million; and
- the reversal of a previously-recorded provision for impairment of mezzanine loans in Q1 2014 of \$1.2 million.

Total AFFO increased \$1.3 million or 4.4% in Q1 2015, primarily due to positive effect of the foreign exchange on our U.S. operations.

In Q1 2015, FFO from continuing operations was \$25.8 million or \$0.15 per unit diluted, consistent with Q1 2014. Total FFO increased \$0.9 million or 2.7% in Q1 2015.

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 Q1 2015, net loss from continuing operations was \$11.2 million compared to net loss of \$7.6 million in Q1 2014. In addition to the items noted in the discussion of AFFO and FFO above, net loss from continuing operations was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions and changes in fair value of financial instruments.

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)	Q1 2015	Q1 2014	Increase / (Decrease)
Canadian retirement:			
NOI <sup>(1)</sup>	41,492	40,596	896
Occupancy	88.8%	87.2%	1.6pp
Canadian LTC:			
NOI <sup>(1)</sup>	6,444	6,550	(106)
Occupancy	98.0%	98.4%	(0.4pp)
Combined:			
NOI <sup>(1)(2)</sup>	47,936	47,146	790
Occupancy	90.4%	89.1%	1.3pp

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

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

In Q1 2015, combined same property occupancy was 90.4% compared to 89.1% in Q1 2014 with same property NOI increasing \$0.8 million or 1.7% as follows:

- In our Canadian retirement portfolio, same property NOI increased 2.2%. The growth in revenues, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and higher ancillary revenues from enhanced services provided to our residents was partially offset by higher staffing costs incurred to improve services delivered to our residents as well as higher food, marketing, utilities, property tax and insurance expenses. Occupancy increased to 88.8% from 87.2% in Q1 2014.
- In our Canadian LTC portfolio, same property NOI decreased 1.6%, primarily due to the impact of higher utilities expenses and timing of other expenses. Occupancy remained high at 98.0% compared to 98.4% in Q1 2014.



## Summary of Net Operating Income

(\$000s, except occupancy rates)	Q1 2015	Q1 2014	Increase / (Decrease)
<b>Resident Revenue</b>			
Same property <sup>(1)(2)</sup>	172,092	167,127	4,965
Acquisitions and other <sup>(1)(2)</sup>	6,923	10,570	(3,647)
	179,015	177,697	1,318
Less: Share of resident revenue from joint ventures	26,104	25,601	503
Total resident revenue	152,911	152,096	815
<b>Direct Operating Expenses</b>			
Same property <sup>(1)(2)</sup>	124,156	119,981	4,175
Acquisitions and other <sup>(1)(2)</sup>	5,035	8,984	(3,949)
	129,191	128,965	226
Less: Share of direct operating expenses from joint ventures	16,556	16,235	321
Total direct operating expenses	112,635	112,730	(95)
<b>Net Operating Income</b>			
Same property <sup>(1)(2)</sup>	47,936	47,146	790
Acquisitions and other <sup>(1)(2)</sup>	1,888	1,586	302
	49,824	48,732	1,092
Less: Share of net operating income from joint ventures	9,548	9,366	182
Total net operating income	40,276	39,366	910
Weighted average occupancy rate - same property portfolio	90.4%	89.1%	1.3pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	90.4%	88.2%	2.2pp

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

(2) Non-GAAP. 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 increased 0.5% in Q1 2015. The changes in resident revenue were primarily due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments, partially offset by the reduction in revenue from the sales of non-core Ontario properties in 2014.

Same property resident revenue increased \$5.0 million or 3.0% in Q1 2015, primarily as a result of higher occupancies, regular annual rental rate increases in line with competitive market conditions and higher ancillary revenues from enhanced services provided to our residents.

Total direct operating expenses decreased 0.1% in Q1 2015. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments and a reduction in expenses from the sales of non-core Ontario properties in 2014.

Same property direct operating expenses increased \$4.2 million or 3.5% in Q1 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents and increases in food, utilities, insurance and marketing expenses.

## General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q1 2015	Q1 2014	Increase / (Decrease)
G&A expenses	8,668	9,935	(1,267)
G&A expenses as a percentage of revenue <sup>(1)</sup>	4.8%	5.5%	(0.7pp)

(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 \$1.3 million or 12.8% in Q1 2015, primarily due to lower severance, legal and professional costs partially offset by higher staff compensation expenses and higher education costs primarily related to the cost of our annual leadership conference which took place in February 2015.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 4.8% in Q1 2015 compared to 5.5% in Q1 2014.

## Management Fee Revenue

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
HCN	1,419	1,411	8
Other	505	437	68
Total management fee revenue	1,924	1,848	76

Management fee revenue increased 4.1% in Q1 2015 compared to Q1 2014, primarily due to fees earned from projects co-owned with or managed for Batimo.

## Finance Costs

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Mortgages and loans payable <sup>(1)</sup>			
Same property <sup>(2)</sup>	15,079	16,226	(1,147)
Acquisitions and other <sup>(2)</sup>	827	729	98
	15,906	16,955	(1,049)
Convertible debentures	1,897	1,897	-
Credit Facilities and other interest expense	491	407	84
	18,294	19,259	(965)
Amortization of financing costs and debt mark-to-market adjustments <sup>(1)</sup>	30	(101)	131
	18,324	19,158	(834)
Interest capitalized to properties under development	(80)	(105)	25
Distributions on Class B Units recorded as interest expense	222	224	(2)
	18,466	19,277	(811)
Less: Share of finance costs from joint ventures	348	393	(45)
Total finance costs	18,118	18,884	(766)

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

(2) Non-GAAP. 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 \$1.1 million in Q1 2015, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Amortization of financing costs and debt mark-to-market adjustments increased \$0.1 million in Q1 2015, primarily as a result of acceleration of amortization of mark-to-market adjustments upon refinancing of certain mortgages.

## ***Other (Expense)/Income***

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	-	(778)	778
Interest income on capital funding receivable, bank balances and other income <sup>(1)</sup>	909	1,014	(105)
Reversal of previously-recorded impairment provision	-	1,245	(1,245)
Gain on remeasurement to fair value of existing interest	-	435	(435)
Gain/(loss) on sale of assets <sup>(1)</sup>	247	491	(244)
Property lease expense <sup>(1)</sup>	(103)	(98)	(5)
	1,053	2,309	(1,256)
Less: Share of other (expense)/income from joint ventures	14	70	(56)
<b>Total other (expense)/income</b>	<b>1,039</b>	<b>2,239</b>	<b>(1,200)</b>

(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. Transaction costs related to the sale of our U.S. portfolio are reported in discontinued operations.

Interest income on capital funding receivable was \$0.9 million in Q1 2015, compared to \$1.0 million in Q1 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.

## Other Items

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Depreciation of PP&E <sup>(1)</sup>	28,883	29,668	(785)
Amortization of intangible assets <sup>(1)</sup>	208	234	(26)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) <sup>(1)</sup>	7,930	3,636	4,294
Current income tax expense/(benefit) <sup>(1)</sup>	-	(2,218)	2,218

(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 benefit of \$2.2 million in Q1 2014 relates to a SIFT tax refund received for the 2007 taxation year.

## Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in Q1 2015.

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.

All results are presented at Chartwell's Interest (refer to the "Non-GAAP Measures" section of this MD&A.)

### Canadian Retirement Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
<b>Same Property</b>							
100% owned	94	771	9,482	681	73	663	11,670
50% owned	44	499	6,958	510	61	45	8,073
Total same property owned	138	1,270	16,440	1,191	134	708	19,743
<b>Acquisitions, Development &amp; Other</b>							
100% owned – operating	4	-	367	-	50	122	539
Partially owned – operating <sup>(1)</sup>	4	43	314	98	-	-	455
Total acquisitions, development & other	8	43	681	98	50	122	994
Total	146	1,313	17,121	1,289	184	830	20,737

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

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

(\$000s, except occupancy rates)	Q1 2015	Q1 2014	Increase / (Decrease)
<b>Revenue</b>			
Same property	119,114	114,670	4,444
Acquisitions, development and other	6,923	10,570	(3,647)
Total revenue	126,037	125,240	797
<b>Direct Operating Expenses</b>			
Same property	77,622	74,074	3,548
Acquisitions, development and other	5,035	8,984	(3,949)
Total direct operating expenses	82,657	83,058	(401)
<b>Net Operating Income</b>			
Same property	41,492	40,596	896
Acquisitions, development and other	1,888	1,586	302
Total net operating income	43,380	42,182	1,198
Weighted average occupancy rate - same property	88.8%	87.2%	1.6pp
Weighted average occupancy rate – total portfolio	89.0%	86.3%	2.7pp

Same property revenue increased 3.9% in Q1 2015, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions and higher ancillary revenues from enhanced services provided to our residents.

Same property direct operating expenses increased 4.8% in Q1 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents as well as higher food, marketing, insurance, property tax and utilities expenses.

Same property NOI increased \$0.9 million or 2.2% in Q1 2015 as follows:

- Our Ontario retirement platform same property NOI increased \$0.1 million or 0.7%, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions. These were partially offset by higher staffing, food, marketing, insurance and utilities expenses.
- Our Western Canada platform same property NOI increased \$0.5 million or 4.8%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses. These were partially offset by higher staffing, food, repairs and maintenance, insurance and marketing expenses.
- Our Quebec platform same property NOI increased \$0.3 million or 2.2%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower repairs and maintenance expenses. These were partially offset by higher staffing, food, utilities, property tax, insurance and marketing expenses.

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

	Q1 2015	Q1 2014	Increase / (Decrease)	Q4 2014	Increase / (Decrease)
Ontario	87.0%	86.1%	0.9pp	86.2%	0.8pp
Western Canada	92.1%	89.4%	2.7pp	92.2%	(0.1pp)
Quebec	89.1%	87.3%	1.8pp	89.6%	(0.5pp)
Total	88.8%	87.2%	1.6pp	88.8%	-

In Q1 2015, occupancies in our Canadian retirement same property portfolio increased to 88.8%, a 1.6 percentage point increase from Q1 2014 and consistent with Q4 2014. While we normally see lower leasing activity and higher resident turnover in the first quarter of the year, our successful sales and marketing initiatives allowed us to mitigate this seasonal impact in Q1 2015, which we believe, positions us well for continuing growth in occupancy and NOI in all our operating platforms in the remainder of 2015.

## **Canadian Long Term Care Operations**

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	24	-	135	-	-	3,003	3,138
Total	24	-	135	-	-	3,003	3,138

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

(\$000s, except occupancy rates)	Q1 2015	Q1 2014	Increase / (Decrease)
Same property revenue	52,978	52,457	521
Same property direct operating expenses	46,534	45,907	627
Total net operating income	6,444	6,550	(106)
Weighted average occupancy rate – same property	98.0%	98.4%	(0.4pp)

Same property NOI decreased \$0.1 million or 1.6% in Q1 2015, primarily due to higher utilities expenses and timing of other expenses.

Weighted average occupancies in the same property portfolio remained high at 98.0% in Q1 2015 compared to 98.4% in Q1 2014.

## Financial Position

### Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for March 31, 2015 compared to December 31, 2014.

	Increase / (Decrease) (\$millions)	Explanation
<b>Total assets</b>	<b>87.6</b>	Total assets increased \$87.6 million primarily as a result of the deferred tax benefit of \$65.2 million related to the expected sale of the U.S. portfolio, increases in foreign exchange rates and additions to PP&E of \$9.9 million, partially offset by depreciation of \$37.4 million
<b>Total liabilities</b>	<b>88.2</b>	Total liabilities increased \$88.2 million primarily as a result of higher utilization of the Canadian Credit Facility of \$20.5 million, valuation adjustment of the U.S. mortgages of \$28.6 million, increases in the fair value of Chartwell liabilities of \$7.8 million, and increases in foreign exchange rates.
<b>Equity</b>	<b>(0.6)</b>	The decrease in equity is primarily due to distributions to unitholders.

### Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q1 2015:

	Trust Units	Trust Units under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2014	173,485,992	1,640,764	1,641,323	692,049	177,460,128
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	325,984	-	-	-	325,984
Trust Units issued under the Long Term Incentive Plan ("LTIP")	-	71,734	-	-	71,734
Trust Units released on settlement of LTIP receivable	33,217	(33,217)	-	-	-
Trust Units issued in exchange of convertible debentures	7,453	-	-	-	7,453
DTUs issued	-	-	-	23,395	23,395
DTU distributions	-	-	-	7,597	7,597
Balance March 31, 2015	173,852,646	1,679,281	1,641,323	723,041	177,896,291

## 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 March 31, 2015, we had cash on hand in the amount of \$5.2 million, including cash from Chartwell's Interest in equity-accounted investments of \$4.9 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”) and arranged mortgage debt financing. At times we 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 March 31, 2015, based on security provided, the maximum available borrowing capacity under the Canadian Credit Facility was \$105.0 million, of which \$5.0 million was utilized to support outstanding letters of credit and \$66.0 million was drawn, leaving available borrowing capacity at \$34.0 million. We have commenced discussions with our lending syndicate and expect to complete the renewal of our Canadian Credit Facility prior to its maturity.

### 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)	March 31, 2015	December 31, 2014
Mortgages payable (contractual amount)	1,425,022	1,436,826
Credit Facilities	66,000	45,500
Total Indebtedness excluding convertible debentures	1,491,022	1,482,326
Convertible debentures (at face value)	134,918	135,000
Total Indebtedness	1,625,940	1,617,326
Total assets	2,098,737	2,125,775
Accumulated depreciation and amortization	545,749	520,798
Cumulative transaction costs on business combinations	19,219	19,238
Change in GBV on transition to IFRS	276,288	276,288
GBV of assets	2,939,993	2,942,099
Indebtedness Ratio before convertible debentures <sup>(1) (2)</sup>	50.7%	50.4%
Indebtedness Ratio including convertible debentures <sup>(1) (2)</sup>	55.3%	55.0%

(1) Excludes assets held for sale and related liabilities.

(2) 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)	Q1 2015	Q1 2014
Interest expense including capitalized interest	18,324	19,158
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") <sup>(1)</sup>	45,322	42,771
Interest Coverage Ratio <sup>(2)</sup>	2.47	2.23
Target Interest Coverage Ratio	>1.65	

(1) Non-GAAP; 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)	Q1 2015	Q1 2014
Net income/(loss) for the period	(11,151)	(7,583)
<i>Add (Subtract):</i>		
Current income tax	-	(2,218)
Reversal of previously-recorded impairment provision	-	(1,245)
Gain on remeasurement to fair value of existing interest	-	(435)
Transaction costs arising on business acquisitions and dispositions	-	778
Finance costs	18,466	19,277
Depreciation of PP&E	28,883	29,668
Amortization of intangible assets	208	234
Gain on sale of assets	(247)	(491)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	7,930	3,636
Principal portion of capital funding receivable from Health Authorities	1,233	1,150
Adjusted EBITDA <sup>(1)</sup>	45,322	42,771

(1) Non-GAAP; 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 March 31, 2015 and 2014, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	March 31, 2015	March 31, 2014 <sup>(1)</sup>
Trailing 12-month Adjusted EBITDA	191,485	183,536
<i>Add (Subtract):</i>		
Adjustment for part-year acquisitions	1,380	1,692
Adjustment for part-year dispositions and assets held for sale	(830)	(2,346)
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	192,035	182,882
Indebtedness <sup>(2)</sup>	1,625,940	1,617,326
Less: Cash and cash equivalents	5,156	(4,654)
Net debt	1,620,784	1,621,980
Net Debt to Adjusted EBITDA Ratio <sup>(3)</sup>	8.4	8.9

(1) March 31, 2014 amounts have been restated to adjust for discontinued operations.

(2) Excludes indebtedness related to assets held for sale.

(3) 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 March 31, 2015 at Chartwell's Interest:

(\$000s)	2014 <sup>(1)</sup>	Subtract: 2014 YTD <sup>(1)</sup>	Add: 2015 YTD	12 months ended March 31, 2015
Adjusted EBITDA <sup>(2)</sup>	188,934	42,771	45,322	191,485

(1) 2014 amounts have been restated to adjust for discontinued operations.

(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.

## 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.

## Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest. At March 31, 2015, we had \$1,425.0 million of mortgages payable related to our Canadian properties, excluding mortgages related to assets held for sale.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at March 31, 2015:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate on Maturing Debt
Year					
Remainder of 2015	36,833	135,835	172,668	12%	4.46%
2016	46,555	123,202	169,757	12%	4.86%
2017	45,089	66,195	111,284	8%	4.94%
2018	44,083	78,096	122,179	9%	4.62%
2019	42,994	31,666	74,660	5%	3.18%
2020	43,476	53,562	97,038	7%	4.22%
2021	41,883	50,150	92,033	6%	4.59%
2022	38,767	62,200	100,967	7%	3.54%
2023	33,971	58,992	92,963	7%	4.25%
2024	24,505	127,725	152,230	11%	3.91%
2025	18,796	9,697	28,493	2%	3.93%
2026	19,188	1,528	20,716	1%	5.13%
Thereafter	144,744	45,290	190,034	13%	4.42%
Total	580,884	844,138	1,425,022	100%	
Mark-to-market adjustments arising on acquisition			13,657		
Less: Financing costs			(17,522)		
Total Mortgage Debt			1,421,157		

The following table provides selected financial statistics for our mortgage debt portfolio at Chartwell's Interest:

	At March 31, 2015			At December 31, 2014
	Canadian Debt		Combined	Combined
	Fixed Rate	Variable Rate		
Amount (\$millions)	1,270.8	154.2	1,425.0	1,436.8
Weighted average interest rate	4.52%	4.12%	4.48%	4.50%
Average term to maturity (years)	9.2	1.7	8.4	8.4

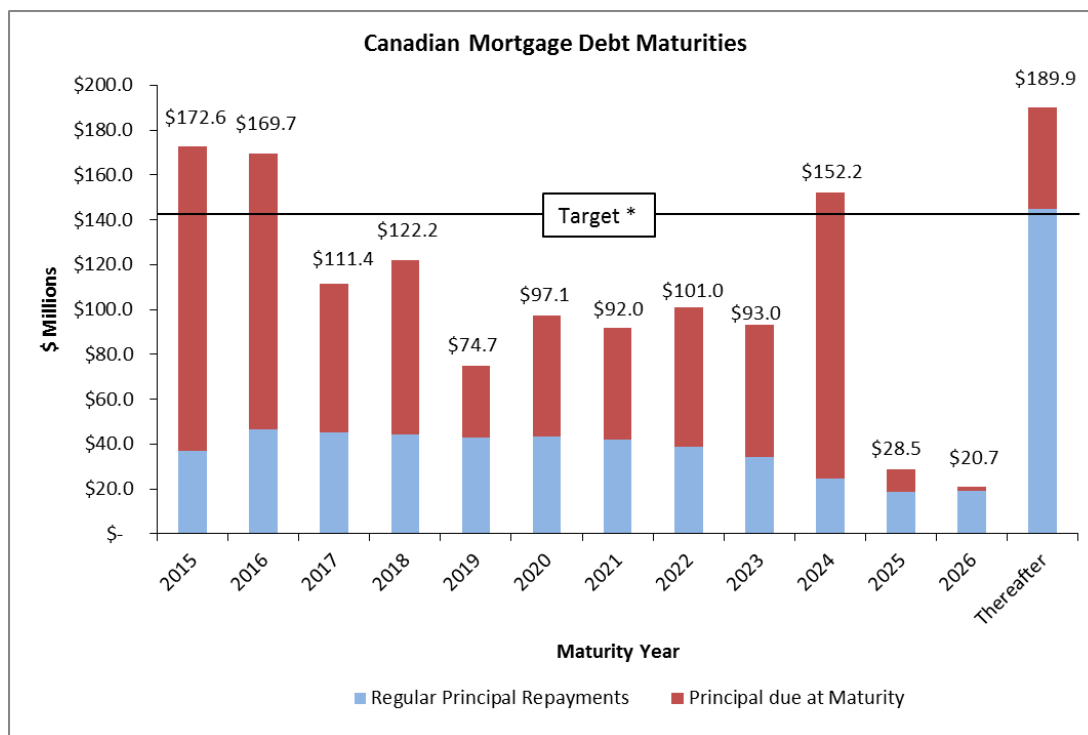
In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). Our Canadian properties are generally eligible for CMHC financing and as of March 31, 2015, approximately 65% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

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 at Chartwell's Interest as at March 31, 2015:

(\$000s, except number of projects)	Number of Projects	March 31, 2015	Number of Projects	December 31, 2014
Mortgages on properties under construction	1	4,195	1	3,358
Mortgages on non-stabilized properties	9	95,638	9	101,948
Mortgages on stabilized properties	5	54,389	4	36,071
Total	15	154,222	14	141,377

The following chart provides the breakdown of our mortgage debt maturities in Canada at Chartwell's Interest:



\* 10% of total Canadian mortgage debt = \$142.5 million

## Convertible Debentures

At March 31, 2015, we have \$134.9 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 service offerings to our residents. Also includes projects that were identified during 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 Q1 2015:

(\$000s)	Q1 2015
Routine	2,474
Major projects / compliance	133
Accretive / acquisitions	2,259
Development	1,609
<b>Total <sup>(1)(2)(3)</sup></b>	<b>6,475</b>

(1) Excludes \$0.6 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles.

(2) Excludes \$0.1 million in capital additions, the majority of which has been or is expected to be, funded by insurers.

(3) Excludes \$3.0 million in capital additions relating to discontinued operations.

## Contractual Obligations and Guarantees

### Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at March 31, 2015, excluding discontinued operations:

(\$000s)	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	1,425,022	172,668	169,757	111,284	122,179	74,660	774,474
Accounts payable and other liabilities	80,689	80,689	-	-	-	-	-
Distributions payable	8,130	8,130	-	-	-	-	-
Convertible debentures	134,918	-	-	-	134,918	-	-
Credit Facility	66,000	66,000	-	-	-	-	-
Purchase obligations	3,290	3,290	-	-	-	-	-
Other operating leases	8,449	980	1,164	1,129	1,129	1,129	2,918
Land leases	14,776	296	395	395	395	395	12,900
<b>Total contractual obligations</b>	<b>1,741,274</b>	<b>332,053</b>	<b>171,316</b>	<b>112,808</b>	<b>258,621</b>	<b>76,184</b>	<b>790,292</b>

## Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2015 and Q1 2014 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	4.6	Cash flows from operating activities increased primarily due to changes in working capital items.
Financing activities	(8.1)	Cash flows from financing activities decreased primarily due to lower utilization of our Credit Facilities, partially offset by higher proceeds from mortgage financing, net of repayments.
Investing activities	5.5	Cash flows from investing activities increased primarily due to lower investments in acquisitions and PP&E, partially offset by lower distributions from joint ventures.

## 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. On February 26, 2015, the Trustees approved a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to \$0.0459 per unit (\$0.5508 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015.

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 Q1 2015, our average DRIP participation was 16.6% compared to 21.5% participation in Q1 2014.

The following table summarizes distributions made in Q1 2015, 2014, and 2013:

(\$000s)	Q1 2015	2014	2013
Distributions declared on Trust Units	23,799	94,103	93,069
Distributions on Class B Units	222	889	895
Distributions on DTUs	94	336	-
Distributions reinvested under DRIP	(3,896)	(17,408)	(19,058)
Distributions applied against LTIP receivable	(220)	(1,009)	(1,081)
Distributions on DTUs reinvested	(94)	(336)	-
Distributions paid or payable in cash	19,905	76,575	73,825

The following table summarizes distributions declared on Trust Units in Q1 2015, 2014 and 2013 in relation to net income/(loss) and cash flows from operating activities:

(\$000s)	Q1 2015	2014	2013
Cash flows from operating activities	18,141	123,375	131,852
Net income/(loss) from continuing operations	(11,151)	(26,027)	(72,443)
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	(5,658)	29,272	38,783
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(34,950)	(120,130)	(165,512)

We distributed cash to our unitholders while recording a net loss from continuing operations in Q1 2015, 2014 and 2013. 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.

In Q1 2015, our distributions declared on Trust Units exceeded cash flows from operating activities by \$5.7 million, primarily due to seasonal factors affecting our business and higher transaction-related expenses. Excess distributions were funded utilizing our Credit Facilities and through the issuance of Trust Units under DRIP.

We believe our current distributions are sustainable.

## Summary of Select Financial Information

### Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2015		2014 <sup>(1)</sup>		2013 <sup>(2)(3)</sup>			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	163,188	167,520	162,782	159,509	162,034	166,263	160,805	156,277
Direct operating expenses	(112,635)	(114,964)	(109,730)	(108,928)	(112,730)	(116,980)	(110,553)	(107,399)
G&A expenses	(8,668)	(6,950)	(6,442)	(8,255)	(9,935)	(8,547)	(6,800)	(7,793)
Income before the understated <sup>(4)</sup>	41,885	45,606	46,610	42,326	39,369	40,736	43,452	41,085
Finance costs	(18,118)	(18,423)	(18,571)	(20,505)	(18,884)	(20,707)	(18,253)	(18,073)
Other income/(expense)	1,039	754	5,288	2,064	2,239	(10,821)	451	721
Depreciation and amortization	(28,236)	(34,070)	(29,475)	(29,275)	(29,007)	(32,474)	(30,232)	(26,092)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	(7,817)	(7,529)	(662)	(3,790)	(3,636)	(367)	3,074	7,437
Share of net income/(loss) from joint ventures	96	349	789	65	118	(74)	304	273
Current income tax (expense)/benefit	-	600	(198)	(397)	2,218	-	-	(2)
Net income/(loss) for the period	(11,151)	(12,713)	3,781	(9,512)	(7,583)	(23,707)	(1,204)	5,349
FFO – continuing operations	25,778	29,405	30,616	24,269	25,815	23,354	28,703	27,041
Diluted FFO – continuing operations	27,675	31,345	32,555	26,188	27,712	25,294	30,642	28,959
FFO per unit diluted – continuing operations	0.15	0.17	0.17	0.14	0.15	0.13	0.16	0.15
Total FFO <sup>(5)</sup>	34,596	36,171	37,364	35,818	33,688	30,459	36,577	35,302
Total Diluted FFO <sup>(5)</sup>	36,493	38,111	39,303	37,737	35,585	32,399	38,516	37,220
Total FFO per unit diluted <sup>(5)</sup>	0.19	0.20	0.21	0.20	0.19	0.17	0.21	0.20
AFFO – continuing operations	23,282	26,655	27,919	21,270	22,951	20,423	25,784	25,046
Diluted AFFO – continuing operations	25,179	28,595	29,858	23,189	24,848	22,363	27,723	26,964
AFFO per unit diluted – continuing operations	0.13	0.15	0.16	0.12	0.13	0.12	0.15	0.14
Total AFFO <sup>(5)</sup>	31,337	32,695	33,886	31,899	30,019	26,635	32,569	32,254
Total Diluted AFFO <sup>(5)</sup>	33,234	34,635	35,825	33,818	31,916	28,575	34,508	34,172
Total AFFO per unit diluted <sup>(5)</sup>	0.17	0.18	0.19	0.18	0.17	0.15	0.18	0.18

(1) 2014 amounts have been restated to adjust for discontinued operations.

(2) 2013 amounts have been restated to include the effect of the property tax adjustment requirements of IFRIC 21, effective January 1, 2014.

(3) 2013 amounts have been restated to adjust for discontinued operations.

(4) Refers to income before finance costs, 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.

(5) Non-GAAP; includes the reversal of provision for impairment associated with the mezzanine loan portfolio of \$1.2 million in Q1 2014.

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 2014 MD&A for details. In addition, our results have been affected by reversals of previously-recorded provisions for mezzanine loans in Q1 2014, a recovery of SIFT tax in Q1 2014 and changes in the fair value of liabilities.

## Discontinued Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
100% owned	33	-	4,378	-	224	190	4,792
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,572	-	263	190	5,025

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

(U.S.\$000s, except as noted otherwise)	Q1 2015	Q1 2014	Increase / (Decrease)
Revenue	46,265	50,350	(4,085)
Operating expenses	35,553	38,528	(2,975)
NOI	10,712	11,822	(1,110)
Foreign exchange in CDN	2,522	1,201	1,321
Total NOI in CDN	13,234	13,023	211
Weighted average occupancy rate – total portfolio	88.6%	88.0%	0.6pp

In Q3 2014, we completed the sale of four of our non-core U.S. properties (827 suites) (the “Cypress Portfolio”).

Revenue decreased U.S.\$4.1 million or 8.1% in Q1 2015. The Cypress Portfolio contributed U.S.\$5.8 million of revenues in Q1 2014. The remaining portfolio generated revenue growth of U.S.\$1.7 million in Q1 2015, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Direct operating expenses decreased U.S.\$3.0 million or 7.7% in Q1 2015. The Cypress Portfolio had U.S.\$3.5 million in operating expenses in Q1 2014. Operating expenses in the remaining portfolio increased by U.S.\$0.5 million, primarily due to higher staffing costs.

As a result of the above, NOI decreased U.S.\$1.1 million or 9.4% in Q1 2015.



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:

	Q1 2015	Q1 2014	Increase / (Decrease)
Weighted average exchange rate for U.S.\$1.00 to CDN	1.24	1.10	0.14

### Other Items Related to Discontinued Operations

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Finance costs	8,412	9,719	(1,307)
Other expense/(income)	10,281	243	10,038
Depreciation of PP&E	9,433	12,812	(3,379)
Amortization of intangible assets	255	227	28
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) and adjustment on mortgages	26,823	(1,212)	28,035
Deferred income tax benefit	65,244	-	65,244

Finance costs and depreciation of PP&E decreased in Q1 2015, primarily due to the sale of the Cypress Portfolio in Q3 2014.

Other expenses in Q1 2015 includes \$10.2 million of transaction costs related to the expected sale of our U.S. portfolio.

Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) and adjustment on mortgages in Q1 2015 includes a \$28.6 million valuation adjustment on our U.S. mortgages payable.

The deferred income tax benefit in Q1 2015 is the result of the benefit expected related to the temporary difference between the accounting and tax basis of our investment in the U.S. portfolio, as well as the recognition of the benefit of current year losses available to reduce the expected income from the U.S. portfolio.

The following table provides the calculation of FFO from discontinued operations:

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Net income/(loss) for the period	22,279	(9,287)	31,566
<i>Add (Subtract):</i>			
Depreciation of PP&E <sup>(1)</sup>	9,433	12,812	(3,379)
Amortization of limited life intangible assets <sup>(1)</sup>	255	227	28
(Gain)/loss on sale of assets <sup>(1)</sup>	58	123	(65)
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	10,224	121	10,103
Tax on gains/losses on disposal of properties	5	-	5
Adjustment for property tax accounted for under IFRIC 21	4,985	5,089	(104)
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	26,823	(1,212)	28,035
Deferred income tax	(65,244)	-	(65,244)
FFO <sup>(1)(2)</sup>	8,818	7,873	945

(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.

The following table provides the calculation of AFFO from discontinued operations:

(\$000s)	Q1 2015	Q1 2014	Increase / (Decrease)
FFO <sup>(1)</sup>	8,818	7,873	945
<i>Add (Subtract):</i>			
Amortization of financing costs and debt mark-to-market adjustments <sup>(2)(3)</sup>	508	440	68
Financing cost reserve <sup>(4)</sup>	(123)	(133)	10
AFFO before capital maintenance reserve	9,203	8,180	1,023
Capital maintenance reserve - 2% of property revenue <sup>(5)</sup>	(1,148)	(1,112)	(36)
AFFO <sup>(6)</sup>	8,055	7,068	987

(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.

## 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.
- Q. Results of discontinued operations.
- R. Adjustments for equity accounted entities.

- S. Non-controlling interests in respect of the above.
- T. Incremental leasing costs.

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.

FFO from continuing operations excludes the results of our U.S portfolio classified as discontinued operations.

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 following table provides a reconciliation of net income/(loss) to FFO:

(\$000s, except per unit amounts)	Q1 2015	Q1 2014	Increase / (Decrease)
Net loss from continuing operations	(11,151)	(7,583)	(3,568)
<i>Add (Subtract):</i>			
Depreciation of PP&E <sup>(1)</sup>	28,883	29,668	(785)
Amortization of limited life intangible assets <sup>(1)</sup>	208	234	(26)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above <sup>(1)</sup>	(67)	(216)	149
Gain on sale of assets <sup>(1)</sup>	(247)	(491)	244
Gain on remeasurement to fair value of existing interest	-	(435)	435
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	-	778	(778)
Distributions on Class B Units recorded as interest expense	222	224	(2)
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	7,930	3,636	4,294
FFO - continuing operations <sup>(1)(2)</sup>	25,778	25,815	(37)
FFO - discontinued operations	8,818	7,873	945
Total FFO <sup>(1)(2)</sup>	34,596	33,688	908
FFO - continuing operations <sup>(1)(2)</sup>	25,778	25,815	(37)
Interest expense on 5.7% convertible debentures	1,897	1,897	-
Diluted FFO - continuing operations <sup>(3)</sup>	27,675	27,712	(37)
FFO - discontinued operations	8,818	7,873	945
Total diluted FFO <sup>(3)</sup>	36,493	35,585	908
FFO per unit – continuing operations <sup>(4)</sup>			
Basic	0.15	0.15	-
Diluted	0.15	0.15	-
Total FFO per unit <sup>(4)</sup>			
Basic	0.19	0.19	-
Diluted	0.19	0.19	-

(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.

## 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 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.

**Discontinued operations:** This item represents the impact of the items above specifically related to discontinued operations.

AFFO from continuing operations excludes the results of our U.S. portfolio classified as discontinued operations.

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 following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q1 2015	Q1 2014	Increase / (Decrease)
FFO - continuing operations <sup>(1)</sup>	25,778	25,815	(37)
<i>Add (Subtract):</i>			
Principal portion of capital subsidy receivable from Health Authorities	1,233	1,150	83
Amounts receivable under income guarantees	253	-	253
Amortization of financing costs and debt mark-to-market adjustments <sup>(2)(3)</sup>	(78)	(136)	58
Financing cost reserve <sup>(4)</sup>	(323)	(324)	1
AFFO before capital maintenance reserve	26,863	26,505	358
Capital maintenance reserve - 2% of property revenue - continuing operations <sup>(5)</sup>	(3,581)	(3,554)	(27)
AFFO - continuing operations <sup>(6)</sup>	23,282	22,951	331
AFFO - discontinued operations	8,055	7,068	987
<b>Total AFFO <sup>(6)</sup></b>	<b>31,337</b>	<b>30,019</b>	<b>1,318</b>
AFFO - continuing operations <sup>(6)</sup>	23,282	22,951	331
Interest expense on 5.7% convertible debentures	1,897	1,897	-
Diluted AFFO - continuing operations <sup>(7)</sup>	25,179	24,848	331
AFFO - discontinued operations	8,055	7,068	987
<b>Total diluted AFFO</b>	<b>33,234</b>	<b>31,916</b>	<b>1,318</b>
AFFO per unit - continuing operations <sup>(8)</sup>			
Basic	0.13	0.13	-
Diluted	0.13	0.13	-
Total AFFO per unit <sup>(8)</sup>			
Basic	0.18	0.17	0.01
Diluted	0.17	0.17	-

(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.

## 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, 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 excluding discontinued operations, 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.

## **Weighted Average Number of Units**

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

(000s)	Q1 2015	Q1 2014	Increase / (Decrease)
Weighted average number of units <sup>(1)</sup>	177,657	176,193	1,464
Dilutive impact of 5.7% convertible debentures	12,265	12,273	(8)
Weighted average number of units, diluted	189,922	188,466	1,456

(1) Includes Class B Units, units issued under LTIP and DTUs.

## **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 Q1 2015:

	Properties	Suites/Beds
Canadian Retirement Operations	138	19,743
Canadian Long Term Care Operations	24	3,138
Total same property portfolio	162	22,881

## **Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI**

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics 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)	Q1 2015	Q1 2014
Revenue	163,188	162,034
Equity-accounted investments	17,954	17,571
Chartwell's Interest	181,142	179,605
Interest income	882	948
Equity-accounted investments	27	66
Chartwell's Interest	909	1,014
Total revenue at Chartwell's Interest	182,051	180,619

## ***Distributions Declared as a Percentage of Total AFFO***

Distributions declared as a percentage of total AFFO is calculated using distributions declared on our Trust Units, Class B Units and DTUs.

## **Critical Accounting Policies and Estimates**

### ***Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies***

We monitor and assess all accounting pronouncements. In our Financial Statements, our 2014 MD&A as well as in our 2014 Financial Statements, 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 Q1 2015.

### ***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 have evaluated, or caused an evaluation under their direct supervision of, the design of 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 March 31, 2015. 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 (2013). 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.

For the quarter ended March 31, 2015, Chartwell performed an internal assessment which assisted the organization in transitioning to key principles identified as core parameters of COSO's 2013 Internal Control - Integrated Framework in applicable key areas consisting of the following: Control Environment; Risk Assessment; Control Activities; Information & Communication and Monitoring Activities.

There were no material changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2015, that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

## Forward-Looking Information and Risks and Uncertainties

### *Forward-Looking Information*

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- 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 expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- 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;
- our expectations regarding the amount of cash to be received as a result of the sale of our U.S. portfolio;
- our expectations regarding the timing of the sale of our U.S. portfolio; and
- our ability to obtain the regulatory approvals required for the sale of our U.S. portfolio.

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 AIF dated February 26, 2015 and our 2014 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.