Q2

Management's Discussion and Analysis

Second Quarter Report, June 30, 2013

CHARTWELL
retirement residences

making people's lives BETTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Six Months Ended June 30, 2013 and 2012

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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 and six months ended June 30, 2013. This MD&A should be read in conjunction with Chartwell's unaudited, condensed consolidated interim financial statements for the three and six months ended June 30, 2013 and the notes thereto (the "Financial Statements"), the audited financial statements for the year ended December 31, 2012 and the notes thereto (the "2012 Financial Statements") and the annual Management's Discussion and Analysis for the year ended December 31, 2012 (the "2012 MD&A"). This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2012, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of August 13, 2013.

All references to "Chartwell", "we", "our", "us" or the "Trust", unless the context indicates otherwise, refer to Chartwell Retirement Residences and its subsidiaries. For ease of reference "Chartwell" and the "Trust" are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2013" refers to the calendar year 2013; "2012" refers to the calendar year 2012 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q2 2013 and 2013 YTD are in comparison to results from Q2 2012 and 2012 YTD, respectively.

In this document we use a number of key performance indicators such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), "Same Property NOI", "Same Property Revenue", "Same Property Direct Operating Expenses", "G&A Expenses as a percentage of Revenue", "Interest Coverage Ratio", "Indebtedness Ratio", "Net Debt to Adjusted EBITDA Ratio" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust. These key performance indicators do not have any 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 "Key Performance Indicators" section of this MD&A for details of each of these non-IFRS performance indicators.

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 real estate investment 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, from independent supportive living ("ISL") communities, through assisted living ("AL") communities, to long term care ("LTC") communities, all of which are located in Canada and the United States ("U.S.").

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

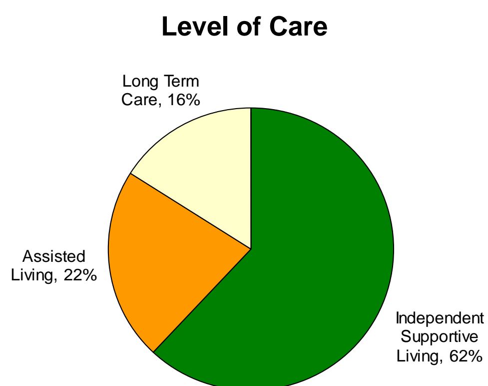
At June 30, 2013, our portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 31,941 suites in 233 communities. At June 30, 2013, our portfolio of owned and leased communities consisted of interests in 30,694 suites in 224 communities.

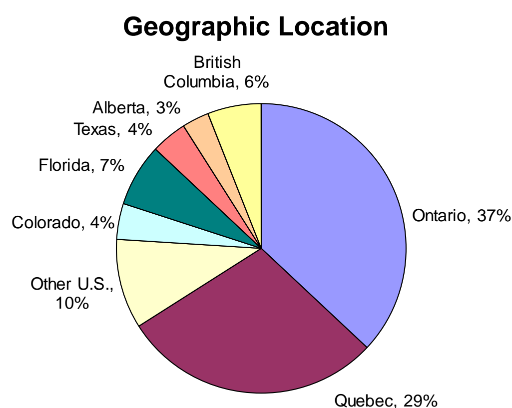
The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at June 30, 2013:

	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: [1]								
100% Owned								
Operating [2]	105	12,288	24	3,135	44	6,188	173	21,611
Lease-up	2	212	-	-	-	-	2	212
Total 100% Owned	107	12,500	24	3,135	44	6,188	175	21,823
Partially Owned - operating [3]	47	8,638	-	-	-	-	47	8,638
Total Owned	154	21,138	24	3,135	44	6,188	222	30,461
Properties under Operating Lease								
100% Interest	-	-	-	-	2	233	2	233
Total Owned and Leased	154	21,138	24	3,135	46	6,421	224	30,694
Managed Properties	5	639	4	608	-	-	9	1,247
Total	159	21,777	28	3,743	46	6,421	233	31,941

(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.
(2) Seven owned U.S. communities (613 suites) are classified as assets held for sale in our financial statements.
(3) We have a 50% ownership interest in these properties with the exception of one Canadian property in which we have a 33.3% ownership interest.

Composition of Portfolio of Owned and Leased Suites
at Chartwell's Share of Ownership or Leased Interest, at June 30, 2013 by:





Business Strategy

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

Grow core property portfolio contribution by:

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

Maintain a strong financial position by:

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

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:

- Maintaining our asset management program to ensure each asset is used to its highest potential.
- Maintaining a development program with up to five new projects per year.
- Sourcing accretive acquisitions of newer properties in our existing markets.
- Divesting non-core assets.

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

Grow core property portfolio contribution	• Commenced re-branding of our communities. • Same property NOI [(1)] grew \$2.4 million or 4.2% in Q2 2013. • Same property occupancy improved 0.9 percentage points to 89.4% in Q2 2013.
Maintain a strong financial position	• At June 30, 2013, we had cash on hand [(2)] of \$21.9 million and \$46.5 million available borrowing capacity on our secured revolving operating credit facility ("Credit Facility"). • Renewed our Credit Facility for a two-year term and increased our borrowing capacity to \$95.0 million. • Interest Coverage Ratio [(1)] improved to 2.26 in Q2 2013 from 1.95 in Q2 2012. • Net Debt to Adjusted EBITDA Ratio [(1)] improved to 8.5 at June 30, 2013 from 8.9 at June 30, 2012. • Indebtedness Ratio [(1)] improved to 56.9% at June 30, 2013, from 57.9% at December 31, 2012. • Obtained \$56.0 million of new fixed-rate mortgages with a weighted average term of 16 years, bearing a weighted average interest rate of 3.48% in 2013 YTD.
Improve quality and efficiency of our corporate support services	• Completed the implementation of our core financial system. • Completed the implementation of a prospect management system. • Continued functionality enhancements to our website and financial reporting system. • Completed the development of a capital budgeting system. • Commenced the development of a procurement system.
Build value of our real estate portfolio	• Completed acquisition of a 171-unit ISL residence and a 65-bed LTC residence in Gatineau, Quebec for \$19.0 million. • Completed the redevelopment of one 64-bed LTC residence in Ontario, with three other development/redevelopment projects (290 suites) in progress for completion in 2013. • Construction of a 24-bed memory care addition to one of our communities in Florida, and a 30-suite addition to one of our communities in Ontario are commencing in Q3 2013. • Completed the sale of five 50%-owned properties located in New York State in February 2013. • The sale of seven other U.S. non-core properties for \$80.9 million is expected to close in Q3 2013.

(1) Non-IFRS; refer to the "Key Performance Indicators" section of this MD&A.
(2) Non-IFRS; includes our share of joint-venture cash of \$3.8 million. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A.

2013 Outlook

Our 2012 MD&A contains a detailed discussion of our 2013 Outlook. There were no significant changes in Q2 2013.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2012 MD&A. There were no significant changes in 2013 YTD, except as follows:

On January 11, 2013, we announced that we changed our name from Chartwell Seniors Housing Real Estate Investment Trust to Chartwell Retirement Residences.

Acquisitions

On June 19, 2013, we purchased a 171-unit ISL residence and a 65-bed LTC residence located at the Cite Jardin complex in Gatineau, Quebec. We now own 100% interest in this six-tower complex with a total of 863 suites. These properties were constructed in 2007. The purchase price was $19.0 million, not including closing costs, and was fully financed by a two-year mortgage loan bearing interest at 4.5%.

Dispositions

During Q1 2013, we, along with our joint venture partner, completed the sale of a five-property portfolio located in New York State (the “Bristal Portfolio”). The sale price was U.S.$290.0 million and was settled by the purchaser’s assumption of debt of U.S.$197.7 million, with the balance, net of working capital adjustments and holdbacks, received in cash. We owned a 50% interest in the Bristal Portfolio and, as a result of this sale, a $48.9 million gain is included in our share of income from this joint venture.

During Q2 2013, we entered into an agreement to sell seven non-core communities (comprising 613 suites), located in the U.S. The sale price is U.S.$80.9 million and is expected to be partially settled by the assumption of debt with an outstanding balance of approximately U.S.$60.4 million at June 30, 2013. This transaction, subject to regulatory and lender approvals and certain other closing conditions, is expected to close in Q3 2013.

Adoption of IFRS 11 – Joint Arrangements

As of January 1, 2013, we have adopted IFRS 11 which requires certain joint ventures that were previously accounted for using line-by-line proportionate (“line-by-line”) consolidation to now be accounted for using the equity method (Please refer to the “Critical Accounting Policies and Estimates” section of this MD&A). Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint venture is held through a separate legal entity such as a 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 ventures and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell ownership	Method of accounting
Chartwell-HCN Landlord (1)	39	7,662	50%	Line-by-line
Chartwell-HCN Operator (1)	Same as above	Same as above	50%	Equity
Robert Speck	1	113	33%	Line-by-line
Oakville	1	147	50%	Equity
Constantia	1	121	50%	Equity
Pickering	1	117	50%	Equity
Valley Vista	1	151	50%	Line-by-line
Riverside	1	138	50%	Line-by-line
Churchill	1	97	50%	Line-by-line

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.

The adoption of IFRS 11 has had a significant impact on the presentation of our consolidated financial statements. We believe that presenting our operating and financial results of our joint arrangements using line-by-line consolidation, a non-IFRS basis, provides more useful information to current and prospective investors to assist them with their understanding of our financial performance. Therefore, the discussion of our operating results in this MD&A is based on financial information developed using line-by-line consolidation for all our joint ventures. The following tables provide a complete reconciliation of our consolidated financial statements to the financial information used in this MD&A.

The following is the Q2 2013 Statement of Comprehensive Income adjusted to remove the effects of IFRS 11:

($000s)	Q2 2013 (1)	IFRS 11 adjustments (2)	Q2 2013 using line-by-line (3)
Revenue			
Resident	202,949	24,938	227,887
Management and other fees	1,818	-	1,818
Lease revenue from joint ventures	7,916	(7,916)	-
Mezzanine loan interest	33	-	33
	212,716	17,022	229,738
Expenses			
Direct operating	143,179	15,420	158,599
General, administrative and Trust (“G&A”)	7,793	-	7,793
	150,972	15,420	166,392
Income before the undernoted	61,744	1,602	63,346
Finance costs	27,800	411	28,211
Property lease expense	681	-	681
Other expense/(income)	(527)	(15)	(542)
Depreciation of property, plant and equipment (“PP&E”)	37,009	954	37,963
Amortization of intangible assets	627	-	627
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(7,437)	-	(7,437)
Share of joint venture loss/(income)	(252)	252	-
Income before income taxes	3,843	-	3,843
Income tax expense/(benefit):			
Current	66	-	66
Deferred	-	-	-
	66		66
Income/(loss) for the period	3,777	-	3,777
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	1,283	-	1,283
Total comprehensive income	5,060	-	5,060

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the Q2 2012 Statement of Comprehensive Loss adjusted to remove the effects of IFRS 11:

($000s)	Q2 2012 [1]	IFRS 11 Adjustments [2]	Q2 2012 using line-by-line [3]
Revenue			
Resident	193,949	23,159	217,108
Management and other fees	1,535	-	1,535
Lease revenue from joint ventures	4,984	(4,984)	-
Mezzanine loan interest	96	-	96
	200,564	18,175	218,739
Expenses			
Direct operating	137,809	13,789	151,598
G&A	6,766	-	6,766
	144,575	13,789	158,364
Income before the undernoted	55,989	4,386	60,375
Finance costs	31,200	2,036	33,236
Property lease expense	632	-	632
Other expense/(income)	6,300	194	6,494
Depreciation of PP&E	47,919	2,120	50,039
Amortization of intangible assets	950	-	950
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	10,512	-	10,512
Share of joint venture loss/(income)	(36)	36	-
Loss before income taxes	(41,488)	-	(41,488)
Income tax expense/(benefit):			
Current	82	-	82
Deferred	(7,683)	-	(7,683)
	(7,601)	-	(7,601)
Loss for the period	(33,887)	-	(33,887)
Other comprehensive loss:			
Unrealized foreign currency loss on translation of foreign operations	666	-	666
Total comprehensive loss	(33,221)	-	(33,221)

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the 2013 YTD Statement of Comprehensive Income adjusted to remove the effects of IFRS 11:

($000s)	2013 YTD [1]	IFRS 11 adjustments [2]	2013 YTD using line-by-line [3]
Revenue			
Resident	402,322	52,844	455,166
Management and other fees	3,860	-	3,860
Lease revenue from joint ventures	15,391	(15,391)	-
Mezzanine loan interest	96	-	96
	421,669	37,453	459,122
Expenses			
Direct operating	286,827	33,402	320,229
General, administrative and Trust (“G&A”)	15,669	-	15,669
	302,496	33,402	335,898
Income before the undernoted	119,173	4,051	123,224
Finance costs	55,620	1,698	57,318
Property lease expense	1,337	-	1,337
Other expense/(income)	(113)	(48,270)	(48,383)
Depreciation of property, plant and equipment (“PP&E”)	75,884	1,829	77,713
Amortization of intangible assets	1,061	-	1,061
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(6,873)	-	(6,873)
Share of joint venture loss/(income)	(48,794)	48,794	-
Income before income taxes	41,051	-	41,051
Income tax expense/(benefit):			
Current	129	-	129
Deferred	-	-	-
	129	-	129
Income/(loss) for the period	40,922	-	40,922
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	2,719	-	2,719
Total comprehensive income	43,641	-	43,641

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the 2012 YTD Statement of Comprehensive Loss adjusted to remove the effects of IFRS 11:

($000s)	2012 YTD [1]	IFRS 11 Adjustments [2]	2012 YTD using line-by-line [3]
Revenue			
Resident	386,395	31,089	417,484
Management and other fees	2,235	-	2,235
Lease revenue from joint ventures	4,984	(4,984)	-
Mezzanine loan interest	670	-	670
	394,284	26,105	420,389
Expenses			
Direct operating	275,805	18,362	294,167
G&A	13,130	-	13,130
	288,935	18,362	307,297
Income before the undernoted	105,349	7,743	113,092
Finance costs	62,201	4,056	66,257
Property lease expense	1,258	-	1,258
Other expense/(income)	8,385	286	8,671
Depreciation of PP&E	88,949	4,552	93,501
Amortization of intangible assets	2,060	-	2,060
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	38,512	-	38,512
Share of joint venture loss/(income)	1,151	(1,151)	-
Loss before income taxes	(97,167)	-	(97,167)
Income tax expense/(benefit):			
Current	141	-	141
Deferred	(15,059)	-	(15,059)
	(14,918)	-	(14,918)
Loss for the period	(82,249)	-	(82,249)
Other comprehensive loss:			
Unrealized foreign currency loss on translation of foreign operations	(745)	-	(745)
Total comprehensive loss	(82,994)	-	(82,994)

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the Balance Sheet at June 30, 2013 adjusted to remove the impact of IFRS 11:

($000s)	June 30, 2013 (1)	IFRS 11 Adjustments (2)	June 30, 2013 using line-by-line (3)
Assets			
Current assets:			
Cash and cash equivalents	18,095	3,803	21,898
Trade and other receivables	22,938	(674)	22,264
Mezzanine loans receivables	-	-	-
Capital funding receivable	4,572	-	4,572
Other assets	24,976	8,016	32,992
Assets held for sale	64,719	-	64,719
Total current assets	135,300	11,145	146,445
Non-current assets:			
Other assets	7,381	-	7,381
Capital funding receivable	66,060	-	66,060
Investment in joint ventures	32,850	(32,850)	-
Intangible assets	50,367	3	50,370
PP&E	2,617,158	48,031	2,665,189
Total non-current assets	2,773,816	15,184	2,789,000
Total assets	2,909,116	26,329	2,935,445
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	46,000	-	46,000
Accounts payable and other liabilities	111,813	(3,217)	108,596
Distributions payable	7,836	-	7,836
Mortgages payable	326,075	13,226	339,301
Liabilities held for sale	65,420	-	65,420
Total current liabilities	557,144	10,009	567,153
Non-current liabilities:			
Mortgages payable	1,629,544	16,320	1,645,864
Convertible debentures	145,125	-	145,125
Class B Units of Chartwell Master Care LP	16,384	-	16,384
Total non-current liabilities	1,791,053	16,320	1,807,373
Total liabilities	2,348,197	26,329	2,374,526
Unitholders' equity	560,919	-	560,919
Total liabilities and unitholders' equity	2,909,116	26,329	2,935,445

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the Balance Sheet at December 31, 2012 adjusted to remove the impact of IFRS 11:

($000s)	December 31, 2012 Restated for IFRS 11 (1)	IFRS 11 Adjustments (2)	December 31, 2012 As previously reported (3)
Assets			
Current assets:			
Cash and cash equivalents	25	5,284	5,309
Trade and other receivables	20,970	(674)	20,296
Mezzanine loans receivables	-	-	-
Capital funding receivable	4,396	-	4,396
Other assets	25,859	2,459	28,318
Assets held for sale	-	97,404	97,404
Total current assets	51,250	104,473	155,723
Non-current assets:			
Other assets	7,186	-	7,186
Capital funding receivable	56,661	-	56,661
Investment in joint ventures	33,498	(33,498)	-
Intangible assets	50,775	-	50,775
PP&E	2,685,431	49,512	2,734,943
Total non-current assets	2,833,551	16,014	2,849,565
Total assets	2,884,801	120,487	3,005,288
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	77,000	-	77,000
Accounts payable and other liabilities	122,993	(1,921)	121,072
Distributions payable	7,800	-	7,800
Obligation to joint venture	7,296	(7,296)	-
Mortgages payable	269,026	13,197	282,223
Deferred consideration on business combinations	520	-	520
Liabilities held for sale	-	99,969	99,969
Total current liabilities	484,635	103,949	588,584
Non-current liabilities:			
Mortgages payable	1,680,589	16,538	1,697,127
Convertible debentures	147,150	-	147,150
Class B Units of Chartwell Master Care LP	18,302	-	18,302
Deferred tax liabilities	-	-	-
Total non-current liabilities	1,846,041	16,538	1,862,579
Total liabilities	2,330,676	120,487	2,451,163
Unitholders' equity	554,125	-	554,125
Total liabilities and unitholders' equity	2,884,801	120,487	3,005,288

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The implementation of IFRS 11 has had a significant impact on the presentation of our consolidated financial statements; however, it had no impact on our operating performance, financial position or key performance indicators.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates, per unit amounts and number of units)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Resident revenue [1]	227,887	217,108	10,779	455,166	417,484	37,682
Weighted average occupancy rate - same property portfolio [2]	89.4%	88.5%	0.9pp	89.5%	88.8%	0.7pp
Same property NOI [3]	58,703	56,333	2,370	114,202	111,522	2,680
AFFO [4][5]	32,254	27,825	4,429	59,879	50,046	9,833
AFFO per unit diluted [6][7]	0.18	0.16	0.02	0.34	0.31	0.03
FFO [8]	35,302	29,793	5,509	66,449	55,306	11,143
FFO per unit diluted [6][7]	0.20	0.17	0.03	0.38	0.34	0.04
Distributions declared [9]	23,429	24,331	(902)	46,862	44,105	2,757
Distributions declared per unit [7]	0.14	0.14	-	0.27	0.27	-
Distributions declared as a percentage of AFFO	72.6%	87.4%	(14.8pp)	78.3%	88.1%	(9.8pp)
Net income/(loss) for the period	3,777	(33,887)	37,664	40,922	(82,249)	123,171

(1) Non-IFRS; includes our share of revenue from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) pp = percentage points.
(3) Non-IFRS; excludes the effects of foreign exchange on the U.S. dollar. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.
(4) Refer to the "Non-IFRS Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.
(5) Includes $0.4 million and $0.9 million in negative AFFO incurred on properties in lease-up in Q2 2013 and 2013 YTD, respectively ($0.8 million and $1.5 million in Q2 2012 and 2012 YTD, respectively).
(6) Includes dilutive impact of conversion of convertible debentures into Trust Units.
(7) Refer to the "Key Performance Indicators – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.
(8) Refer to the "Non-IFRS 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.
(9) Includes distributions declared on Trust Units and distributions on Class B Units of Chartwell Master Care LP ("Class B Units") and subscription receipts recorded as interest expense.

In Q2 2013, AFFO was $32.3 million or $0.18 per unit diluted. This represents an increase of $4.4 million or 15.9% compared to Q2 2012 AFFO of $27.8 million or $0.16 per unit diluted. The changes in AFFO, including our share of amounts from joint ventures, include the following:

- Incremental contribution from our property portfolio of $3.7 million, primarily due to acquisitions and same property NOI growth;
- Lower interest expense of $1.3 million, primarily due to the sale of the Bristal Portfolio in Q1 2013;
- Higher management fee income and other combined for $0.4 million;

Offset by:

- Higher G&A expenses of $1.0 million incurred to support significant growth in our property portfolio.

Per unit amounts were also impacted by the dilutive effect of the $135.0 million aggregate principal amount of 5.7% convertible debentures issued in Q1 2012.

For 2013 YTD, AFFO was $59.9 million or $0.34 per unit diluted. This represents an increase of $9.8 million or 19.6% compared to AFFO in 2012 YTD of $50.0 million or $0.31 per unit diluted. The changes in AFFO include the following:

- Incremental contribution from the property portfolio of $11.0 million, primarily due to acquisitions and same property NOI growth;
- Higher management fee income of $1.6 million, primarily due to fees generated by providing management services to Health Care REIT ("HCN") for the Maestro properties acquired in 2012;

Offset by:

- Higher G&A expenses of $2.5 million incurred to support significant growth in our property portfolio; and
- Lower mezzanine interest income and other combined for $0.3 million.

Per unit amounts were also impacted by the dilutive effect of the $135.0 million aggregate principal amount of 5.7% convertible debentures issued in Q1 2012.

In Q2 2013, FFO increased by $5.5 million or 18.5% to $35.3 million or $0.20 per unit diluted compared to Q2 2012 FFO of $29.8 million or $0.17 per unit diluted. In addition to the items noted in the discussion of AFFO above, FFO was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

For 2013 YTD, FFO was $66.4 million or $0.38 per unit diluted. This represents an increase of $11.1 million or 20.1% compared to 2012 YTD FFO of $55.3 million or $0.34 per unit diluted.

Net income in Q2 2013 was $3.8 million compared to a net loss in Q2 2012 of $33.9 million. In addition to items which impacted AFFO and FFO as discussed above, net income was also impacted by depreciation of properties and amortization of limited life intangibles, changes in fair value of financial instruments and unrealized foreign exchange, and changes in deferred income taxes. In addition, net income in 2013 YTD increased due to a $48.9 million gain on the sale of the Bristal Portfolio. Net loss for 2012 YTD included transaction costs related to the Maestro Portfolio acquisition, convertible debenture issuance costs and distributions on subscription receipts recorded as interest expense. There were no such expenses in 2013 YTD.

Refer to the "Key Performance Indicators" section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Canadian retirement:						
NOI [1]	33,521	32,247	1,274	64,315	64,192	123
Occupancy	87.3%	86.7%	0.6pp	87.7%	87.0%	0.7pp
Canadian LTC:						
NOI [1]	6,932	6,365	567	13,035	12,217	818
Occupancy	98.8%	98.5%	0.3pp	98.4%	98.2%	0.2pp
U.S.:						
NOI (U.S.$) [1]	18,250	17,721	529	36,852	35,113	1,739
Occupancy	89.3%	87.4%	1.9pp	88.8%	87.8%	1.0pp
Combined:						
NOI [1][2]	58,703	56,333	2,370	114,202	111,522	2,680
Occupancy	89.4%	88.5%	0.9pp	89.5%	88.8%	0.7pp

(1) Non-IFRS; includes our share of NOI from joint ventures. Refer to the “Adoption of IFRS 11 – Joint Arrangements” section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

(2) Non-IFRS; excludes the effect of foreign exchange. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

For Q2 2013, combined same property occupancy improved to 89.4% with same property NOI increasing $2.4 million or 4.2% as follows:

- In our Canadian retirement portfolio, same property NOI increased $1.3 million or 4.0% due to occupancy improvements and higher ancillary revenues from enhanced services provided to our residents, which were partly offset by higher move-in incentives. Q2 2013 occupancy improved to 87.3% from 86.7% in Q2 2012.
- In our Canadian LTC portfolio, same property NOI improved $0.6 million or 8.9% primarily due to higher government funding and increased preferred accommodation rates. Occupancy remained high at 98.8% compared to 98.5% in Q2 2012.
- In our U.S. portfolio, same property NOI increased 3.0% primarily due to higher revenues as a result of improved occupancy, increased ancillary revenues from enhanced services provided to our residents, and regular annual rental rate increases in line with competitive market conditions. Occupancy improved to 89.3% in Q2 2013 from 87.4% in Q2 2012.

For 2013 YTD, combined same property occupancy improved to 89.5% with same property NOI increasing $2.7 million or 2.4% as follows:

- In our Canadian retirement portfolio, same property NOI increased 0.2%, primarily as a result of occupancy improvements, increased ancillary revenues from enhanced services provided to our residents and regular annual rental rate increases in line with competitive market conditions, which were partly offset by higher move-in incentives. 2013 YTD occupancy improved to 87.7% from 87.0% in 2012 YTD.
- In our Canadian LTC portfolio, same property NOI increased 6.7%, primarily due to higher government funding. Occupancies remained high at 98.4% compared to 98.2% in 2012 YTD.
- In our U.S. portfolio, same property NOI increased 5.0%, primarily due to higher revenues as a result of improved occupancies and savings in controllable expenses. Occupancies improved to 88.8% in 2013 YTD from 87.8% in 2012 YTD.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Resident Revenue						
Same property [1][2]	195,242	190,054	5,188	388,221	380,160	8,061
Acquisitions and other [1][2]	31,357	26,450	4,907	65,176	36,645	28,531
Foreign exchange on U.S. dollar revenue [1]	1,288	604	684	1,769	679	1,090
	227,887	217,108	10,779	455,166	417,484	37,682
Less: Share of resident revenue from joint ventures	24,938	23,159	1,779	52,844	31,089	21,755
Total resident revenue	202,949	193,949	9,000	402,322	386,395	15,927
Direct Operating Expenses						
Same property [1][2]	136,539	133,721	2,818	274,019	268,638	5,381
Acquisitions and other [1][2]	21,203	17,484	3,719	45,041	25,088	19,953
Foreign exchange on U.S. dollar expenses [1]	857	393	464	1,169	441	728
	158,599	151,598	7,001	320,229	294,167	26,062
Less: Share of direct operating expenses from joint ventures	15,420	13,789	1,631	33,402	18,362	15,040
Total direct operating expenses	143,179	137,809	5,370	286,827	275,805	11,022
Net Operating Income						
Same property [1][2]	58,703	56,333	2,370	114,202	111,522	2,680
Acquisitions and other [1][2]	10,154	8,966	1,188	20,135	11,557	8,578
Foreign exchange on U.S. dollar expenses [1]	431	211	220	600	238	362
	69,288	65,510	3,778	134,937	123,317	11,620
Less: Share of NOI from joint ventures	9,518	9,370	148	19,442	12,727	6,715
Total NOI	59,770	56,140	3,630	115,495	110,590	4,905
Weighted average occupancy rate - same property portfolio	89.4%	88.5%	0.9pp	89.5%	88.8%	0.7pp
Weighted average occupancy rate - total portfolio	88.9%	88.0%	0.9pp	89.0%	88.2%	0.8pp

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) Non-IFRS; excludes the effect of foreign exchange. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue grew 4.6% in Q2 2013 and 4.1% in 2013 YTD through increased revenue in our same property and acquisitions portfolios.

Same property resident revenue increased $5.2 million or 2.7% for Q2 2013 and $8.1 million or 2.1% for 2013 YTD, primarily as a result of occupancy improvements, regular annual rental rate increases and higher ancillary services revenues; offset by higher move-in incentives in our Canadian retirement portfolio.

Total direct operating expenses grew 3.9% in Q2 2013 and 4.0% in 2013 YTD, due to growth in our same property and acquisition portfolios.

Same property direct operating expenses increased $2.8 million or 2.1% in Q2 2013 and $5.4 million or 2.0% in 2013 YTD, primarily due to inflationary increases in expenses and higher staffing costs related to growth in the scope of services provided to our residents and to respond to new regulatory requirements; offset by lower administrative costs and property taxes.

Total NOI increased in 2013 YTD due to growth in our same property and acquisitions portfolios.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
G&A expenses	7,793	6,766	1,027	15,669	13,130	2,539
G&A as a percentage of revenue (1)	3.4%	3.1%	0.3pp	3.4%	3.1%	0.3pp

(1) Non-IFRS; refer to the "Key Performance Indicators – General, Administrative and Trust Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric.

G&A expenses increased $1.0 million or 15.2% in Q2 2013 and $2.5 million or 19.3% in 2013 YTD, primarily due to staffing costs incurred to support significant growth in our Canadian property portfolio as well as our increased investments in training, education, employee recognition and information technology.

G&A expenses as a percentage of revenue, including our share of revenue from joint ventures, were 3.4% in Q2 2013 and 2013 YTD compared to 3.1% in Q2 2012 and 2012 YTD, respectively.

Management Fee Revenue

($000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
HCN	1,352	856	496	2,928	856	2,072
Spectrum	-	81	(81)	-	205	(205)
ING	-	26	(26)	13	71	(58)
Other	466	572	(106)	919	1,103	(184)
Total management fee revenue	1,818	1,535	283	3,860	2,235	1,625

Management fee revenue increased $0.3 million or 18.4% in Q2 2013 and $1.6 million or 72.7% in 2013 YTD, primarily due to fees earned from HCN. Under our agreements with HCN, we are entitled to operations management fees of 5% of gross revenues, which could be increased to up to 6% of gross revenues, or decreased no lower than 4% of gross revenues upon over or under achievement of agreed-upon operating results, respectively. In addition, we are entitled to capital project oversight fees of between 3% and 7% of the value of the capital project, depending on the size of the project. Only HCN's share of these fees is reported as management fee revenue. The portion of fees related to our ownership in the joint venture properties is offset against G&A expenses, or capital cost of the assets, on consolidation, as applicable.

As we completed the settlement with Spectrum in Q4 2012, and sold the Bristal Portfolio previously co-owned with ING in Q1 2013, we no longer earn fees from these entities.

The decrease in other management fees primarily relates to the loss of one management contract as a result of the sale of the property by the owner in 2012.

Finance Costs

($000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Mortgages and loans payable [1]						
Same property [2]	22,295	23,377	(1,082)	44,616	47,005	(2,389)
Acquisitions and other [2][3]	3,313	3,775	(462)	7,565	5,880	1,685
Foreign exchange on U.S. dollar expenses	216	114	102	295	129	166
	25,824	27,266	(1,442)	52,476	53,014	(538)
Convertible debentures	1,929	1,924	5	3,816	3,298	518
Credit Facility	392	535	(143)	906	1,260	(354)
	28,145	29,725	(1,580)	57,198	57,572	(374)
Amortization of financing costs and debt mark-to-market adjustments [1]	74	1,445	(1,371)	153	1,672	(1,519)
	28,219	31,170	(2,951)	57,351	59,244	(1,893)
Interest capitalized to properties under development	(197)	(403)	206	(481)	(1,046)	565
Distributions on Class B Units recorded as interest expense	189	227	(38)	448	454	(6)
Distributions on subscription receipts	-	2,242	(2,242)	-	2,242	(2,242)
Convertible debenture issuance costs	-	-	-	-	5,363	(5,363)
	28,211	33,236	(5,025)	57,318	66,257	(8,939)
Less: Share of joint-venture finance costs	411	2,036	(1,625)	1,698	4,056	(2,358)
Total finance costs	27,800	31,200	(3,400)	55,620	62,201	(6,581)

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

(2) Non-IFRS; excludes the effect of foreign exchange. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

(3) Includes $0.4 million and $0.8 million related to properties in lease-up in Q2 2013 and 2013 YTD, respectively ($0.4 million and $0.7 million in Q2 2012 and 2012 YTD, respectively).

Interest expense on the same property portfolio decreased $1.1 million in Q2 2013 and $2.4 million in 2013 YTD, due to regular mortgage principal repayments and lower interest rates achieved on renewals.

Interest expense in our acquisitions and other portfolio decreased $0.5 million in Q2 2013 primarily due to the sale of the Bristal Portfolio in February 2013. For 2013 YTD, interest expense in our acquisitions and other portfolio increased $1.7 million primarily due to the acquisition of the Maestro Portfolio in May 2012; offset by the sale of the Bristal Portfolio.

Interest expense on our convertible debentures increased slightly in 2013 YTD. In Q1 2012, we issued a new series of $135.0 million aggregate principal amount of 5.7% convertible debentures and redeemed all of the issued and outstanding $75.0 million aggregate principal amount of 5.9% convertible debentures.

Amortization of financing costs and debt mark-to-market adjustments decreased by $1.4 million in Q2 2013 and $1.5 million in 2013 YTD. In Q2 2012, we repaid two mortgages prior to maturity and refinanced them with new long-term mortgages. As a result, 2012 amounts include additional amortization of financing costs and defeasance costs related to these mortgages. There were no comparable amounts in Q2 2013 or 2013 YTD.

We capitalized interest of $0.2 million and $0.5 million in Q2 2013 and 2013 YTD, respectively, related to our development projects under construction. Interest capitalization stops once a development project becomes available for use.

In Q2 2012, on conversion of the subscription receipts to Trust Units, we paid $2.2 million of distributions related to the period when the subscription receipts were outstanding. Under IFRS, such distributions are recorded as interest expense.

Under IFRS, we have elected to carry our convertible debentures at fair value and as a result, the issuance costs of $5.4 million were expensed in Q1 2012.

Other (Expense)/Income

($000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions [1]	(510)	(7,816)	7,306	(2,598)	(11,049)	8,451
Interest income on capital funding receivable and bank balances [1]	1,052	1,043	9	2,034	2,099	(65)
Gain on sale of assets [1]	-	279	(279)	48,947	279	48,668
	542	(6,494)	7,036	48,383	(8,671)	57,054
Less: Share of joint ventures	15	(194)	209	48,270	(286)	48,556
Total other (expense)/income	527	(6,300)	6,827	113	(8,385)	8,498

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

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.

Gain on sale of assets of $48.9 million in 2013 YTD represents the disposition of the Bristal Portfolio which closed in Q1 2013.

Other Items

($000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Property lease expense	681	632	49	1,337	1,258	79
Depreciation of PP&E [1]	37,963	50,039	(12,076)	77,713	93,501	(15,788)
Amortization of limited life intangible assets	627	950	(323)	1,061	2,060	(999)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	(7,437)	10,512	(17,949)	(6,873)	38,512	(45,385)
Current income tax expense/(benefit)	66	82	(16)	129	141	(12)
Deferred income tax expense/(benefit)	-	(7,683)	7,683	-	(15,059)	15,059

(1) Non-IFRS; includes our share of joint-venture depreciation of $0.9 million in Q2 2013 ($2.1 million in Q2 2012). Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

Depreciation of PP&E and limited life intangible assets decreased primarily due to certain assets being fully amortized in 2012 and 2013 YTD.

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.

Under IFRS, subscription receipts issued on March 9, 2012 were required to be recorded as a liability on our balance sheet until May 1, 2012, when the subscription receipts were converted to Trust Units and reclassified to unitholders' equity. We were also required to fair-value this liability. As a result, in Q2

2012 and 2012 YTD, we recorded losses of $8.7 million and $29.6 million, respectively, related to the change in fair value of these subscription receipts. There were no comparable amounts in 2013.

Non-IFRS Measures

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

Refer to the "Key Performance Indicators" section of this MD&A for a detailed discussion of the nature of various adjustments made in the calculation of FFO and AFFO, along with Management's discussion of the usefulness of these measures in evaluating our performance.

Funds from Operations ("FFO")

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

($000s, except per unit amounts)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Net income/(loss) for the period	3,777	(33,887)	37,664	40,922	(82,249)	123,171
Add (Subtract):						
Depreciation of PP&E [1]	37,963	50,039	(12,076)	77,713	93,501	(15,788)
Amortization of limited life intangible assets	627	950	(323)	1,061	2,060	(999)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(327)	(144)	(183)	(473)	(288)	(185)
Gain on sale of assets [1]	-	(279)	279	(48,947)	(279)	(48,668)
Transaction costs arising on business acquisitions and dispositions [1]	510	7,816	(7,306)	2,598	11,049	(8,451)
Deferred income taxes	-	(7,683)	7,683	-	(15,059)	15,059
Distributions on Class B Units recorded as interest expense	189	227	(38)	448	454	(6)
Distributions on subscription receipts recorded as interest expense	-	2,242	(2,242)	-	2,242	(2,242)
Convertible debenture issuance costs	-	-	-	-	5,363	(5,363)
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	(7,437)	10,512	(17,949)	(6,873)	38,512	(45,385)
FFO [2]	35,302	29,793	5,509	66,449	55,306	11,143
Interest expense on 5.7% convertible debentures	1,918	1,918	-	3,816	2,402	1,414
Diluted FFO [2][3]	37,220	31,711	5,509	70,265	57,708	12,557
FFO per unit	0.20	0.17	0.03	0.38	0.34	0.04
FFO per unit diluted [4]	0.20	0.17	0.03	0.38	0.34	0.04

(1) Non-IFRS; includes our share of amounts from joint-ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(3) Diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.
(4) Includes dilutive impact of 5.7% convertible debentures.

FFO increased by $5.5 million or 18.5% in Q2 2013 primarily due to higher contribution from the property portfolio and higher management fees, offset by higher finance costs and G&A expenses incurred as a result of the significant growth in our property portfolio.

Adjusted Funds from Operations ("AFFO")

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
FFO [1]	35,302	29,793	5,509	66,449	55,306	11,143
Add (Subtract):						
Principal portion of capital subsidy receivable from Health Authorities	1,042	929	113	2,085	1,845	240
Amounts received under income guarantees	931	465	466	1,361	465	896
Amortization of financing costs and debt mark-to-market adjustments [2]	26	1,445	(1,419)	55	1,672	(1,617)
Financing cost reserve [3]	(490)	(465)	(25)	(968)	(892)	(76)
AFFO before capex reserve	36,811	32,167	4,644	68,982	58,396	10,586
Maintenance capex reserve - 2% of property revenue	(4,557)	(4,342)	(215)	(9,103)	(8,350)	(753)
AFFO [4]	32,254	27,825	4,429	59,879	50,046	9,833
Interest expense on 5.7% convertible debentures	1,918	1,918	-	3,816	2,403	1,413
Diluted AFFO [4][5]	34,172	29,743	4,429	63,695	52,449	11,246
AFFO per unit	0.18	0.16	0.02	0.34	0.31	0.03
AFFO per unit diluted [6]	0.18	0.16	0.02	0.34	0.31	0.03

(1) *Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.*
(2) *Excludes amortization of financing costs incurred in respect of renewal of our Credit Facility.*
(3) *Financing cost reserve is calculated quarterly as 60 basis points applied to our mortgages payable at the end of the quarter, pro-rated based on the weighted average term to maturity.*
(4) *Refer to the "Key Performance Indicators – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.*
(5) *Diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.*
(6) *Includes the dilutive impact of 5.7% convertible debentures.*

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

Weighted Average Number of Units

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

(000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Weighted average number of units [1]	174,642	172,594	2,048	174,358	162,873	11,485
Dilutive impact of 5.7% convertible debentures	12,273	12,273	-	12,273	7,687	4,586
Weighted average number of units, diluted	186,915	184,867	2,048	186,631	170,560	16,071

(1) *Includes Class B Units and units issued under LTIP, DTU and subscription receipts.*

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

	2013		**2012** (Restated)				2011 [1]	
($000s)	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	212,716	208,953	210,849	205,059	200,564	193,719	199,530	187,293
Direct operating expenses	(143,179)	(143,648)	(144,044)	(137,937)	(137,809)	(137,996)	(141,611)	(131,652)
G&A expenses	(7,793)	(7,876)	(7,190)	(5,847)	(6,766)	(6,363)	(6,198)	(6,018)
Income before the understated [2]	61,744	57,429	59,615	61,275	55,989	49,360	51,721	49,623
Finance costs	(27,800)	(27,820)	(28,511)	(28,378)	(31,200)	(31,001)	(27,194)	(25,114)
Property lease expense	(681)	(656)	(627)	(619)	(632)	(627)	(644)	(632)
Other income/(expense)	527	(414)	(11,117)	(714)	(6,300)	(2,084)	(2,538)	8,102
Depreciation and amortization	(37,636)	(39,309)	(58,856)	(47,316)	(48,868)	(42,140)	(52,032)	(39,350)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	7,437	(564)	(1,604)	(9,262)	(10,512)	(28,001)	(3,212)	8,753
Share of earnings (loss)/gain	252	48,542	1,120	1,058	36	(1,187)	-	-
Current income tax (expense)/recovery	(66)	(63)	(78)	(77)	(82)	(59)	(79)	(80)
Deferred income tax (expense)/recovery	-	-	1,423	5,495	7,683	7,376	8,729	(2,072)
Net income/(loss) for the period	3,777	37,145	(38,635)	(18,538)	(33,887)	(48,363)	(25,249)	(770)
FFO [3]	35,302	31,147	33,421	35,432	29,793	25,512	24,792	24,958
Diluted FFO	37,220	33,044	44,780	37,366	31,711	25,512	24,792	24,958
FFO per unit diluted	0.20	0.18	0.19	0.20	0.17	0.17	0.17	0.17
AFFO [3]	32,254	27,625	30,104	31,409	27,825	22,217	22,036	22,368
Diluted AFFO	34,172	29,522	41,463	33,343	29,743	22,217	22,036	22,368
AFFO per unit diluted	0.18	0.16	0.17	0.18	0.16	0.15	0.15	0.15

(1) 2011 results have not been restated for the impact of IFRS 11 and include our share of amounts from joint ventures.
(2) Refers to income before finance costs, property lease expense, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and unrealized foreign exchange gains/(losses), and income tax.
(3) Q4 2012 amounts exclude the $9.4 million reversal of provision for impairment associated with the Spectrum settlement.

Our results for the past eight quarters have been affected by the contribution of acquisitions and dispositions, our decision in 2008 to reduce our exposure to third-party developers and related mezzanine loans which resulted in declining mezzanine loan interest and management fee income, changes in foreign exchange rates resulting in foreign exchange gains and losses on cross-border intercompany loans, and the issuance of Trust Units. Beginning in Q2 2012, our results were also affected by the Maestro Portfolio acquisition and by the sale of the Bristal Portfolio in Q1 2013.

Summary of Results of Operations by Division

The following section provides an analysis of the operating performance of each of our operating segments in Q2 2013.

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

Canadian Retirement Operations

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

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property					
100% owned	101	8,530	2,648	676	11,854
Partially owned [(1)]	7	847	37	-	884
Total same property owned	108	9,377	2,685	676	12,738
Acquisitions & Development					
100% owned:					
Operating	4	241	11	182	434
Development suites in lease-up	2	163	49	-	212
	6	404	60	182	646
50% owned - operating	40	7,266	428	60	7,754
Total acquisitions & development	46	7,670	488	242	8,400
Total	154	17,047	3,173	918	21,138

(1) We have a 50% ownership interest in these properties with the exception of one property in which we have a 33.3% ownership interest.

The following table presents the results of operations of our Canadian Retirement Operations segment using line-by-line consolidation:

($000s)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Revenue						
Same property	92,610	89,800	2,810	183,641	179,631	4,010
Acquisitions and development	27,769	16,544	11,225	54,795	17,097	37,698
Total revenue	120,379	106,344	14,035	238,436	196,728	41,708
Direct Operating Expenses						
Same property	59,089	57,553	1,536	119,326	115,439	3,887
Acquisitions and development	17,885	10,531	7,354	36,261	11,308	24,953
Total direct operating expenses	76,974	68,084	8,890	155,587	126,747	28,840
Net Operating Income						
Same property	33,521	32,247	1,274	64,315	64,192	123
Acquisitions and development [(1)]	9,884	6,013	3,871	18,534	5,789	12,745
Total net operating income	43,405	38,260	5,145	82,849	69,981	12,868
Weighted average occupancy rate - same property	87.3%	86.7%	0.6pp	87.7%	87.0%	0.7pp
Weighted average occupancy rate – total portfolio	86.9%	86.1%	0.8pp	87.2%	86.4%	0.8pp

(1) There was no negative NOI incurred on properties in lease-up in Q2 2013 or 2013 YTD as the properties delivered break-even results. 2012 amounts include $0.4 million and $0.7 million of negative NOI in Q2 2012 and 2012 YTD, respectively.

Same property revenues increased 3.1% in Q2 2013 primarily due to higher ancillary revenues from enhanced services provided to our residents, higher occupancies and regular annual rental rate increases in line with competitive market conditions, offset by higher move-in incentives.

Same property direct operating expenses increased 2.7% in Q2 2013 primarily due to higher staffing costs incurred to provide additional services to our residents, and higher utility costs. These increases and inflationary increases in other cost categories were offset by lower property taxes and bad debt expenses and higher purchasing volume incentives.

Same property NOI increased $1.3 million or 4.0% in Q2 2013 as follows:

- Our Ontario retirement platform same property NOI increased $0.5 million or 3.2% as a result of regular annual rental rate increases in line with competitive market conditions, higher ancillary revenues from enhanced services provided to our residents and lower property taxes, which were partly offset by lower occupancies, higher resident move-in incentives and higher staffing and utility costs.
- Our Western Canada platform same property NOI increased $0.5 million or 6.3% primarily due to improved occupancies, partly offset by increases in utility costs and property taxes.
- Our Quebec platform same property NOI increased $0.3 million or 3.4% as the impact of higher occupancies, regular annual rental rate increases in line with competitive market conditions, lower property taxes and bad debt expenses were offset by higher resident move-in incentives, higher staffing costs incurred in response to new regulatory requirements, higher utility costs and inflationary increases in other expenses.

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

	Q2 2013	Q2 2012	Increase / (Decrease)	Q1 2013	Increase / (Decrease)
Ontario	87.2%	87.6%	(0.4pp)	88.9%	(1.7pp)
Western Canada	92.4%	91.4%	1.0pp	92.2%	0.2pp
Quebec	85.3%	83.6%	1.7pp	85.5%	(0.2pp)
Combined	87.3%	86.7%	0.6pp	88.1%	(0.8pp)

In Q2 2013, occupancies in our Canadian retirement same property portfolio increased to 87.3%, a 0.6 percentage point increase from Q2 2012 and a decrease of 0.8 percentage points from Q1 2013. In the first half of 2013, we have seen higher than normal attrition rates in our Ontario portfolio which we partially attribute to a higher-than-average number of flu outbreaks. The leasing activity has recently improved and turnover began to stabilize in the spring and we expect to see improving occupancies in our Canadian retirement portfolio in the second half of 2013**.**

For 2013 YTD, the results from the Chartwell-HCN properties were ahead of our expectations.

Canadian Long Term Care Operations

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

	Properties	Composition of Suites			
		ISL	**AL**	**LTC**	**Total**
Same Property – 100% owned	21	-	123	2,782	2,905
Acquisitions & Development					
100% owned:					
Operating	1	-	-	64	64
Development	2	-	11	155	166
Total	24	-	134	3,001	3,135

The following table presents the results of operations of our Canadian Long Term Care Operations segment using line-by-line consolidation:

($000s, except occupancy rates)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Revenue						
Same property	47,486	47,470	16	94,595	94,496	99
Acquisitions and development	3,582	3,521	61	7,099	6,982	117
Total revenue	51,068	50,991	77	101,694	101,478	216
Direct Operating Expenses						
Same property	40,554	41,105	(551)	81,560	82,279	(719)
Acquisitions and development	3,262	3,179	83	6,507	6,347	160
Total direct operating expenses	43,816	44,284	(468)	88,067	88,626	(559)
Net Operating Income						
Same property	6,932	6,365	567	13,035	12,217	818
Acquisitions and development	320	342	(22)	592	635	(43)
Total net operating income	7,252	6,707	545	13,627	12,852	775
Weighted average occupancy rate - same property	98.8%	98.5%	0.3pp	98.4%	98.2%	0.2pp
Weighted average occupancy rate – total portfolio	98.5%	98.5%	-	98.1%	98.2%	(0.1pp)

Same property NOI increased $0.6 million or 8.9% in Q2 2013, primarily due to higher government funding and increased preferred accommodation rates. In the first six months of 2013, acuity-related government funding was lower than in the same period of 2012 and was offset by a corresponding reduction in staffing costs, which together, had no impact on NOI.

Weighted average occupancies in the same property portfolio remained high at 98.8% in Q2 2013.

U.S. Operations

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

	Properties	Composition of Suites			
		ISL	**AL**	**LTC**	**Total**
Same property - 100% owned	44	3,388	2,610	190	6,188
Properties under operating lease – 100% interest	2	42	191	-	233
Total	46	3,430	2,801	190	6,421

The following table presents the results of operations of our U.S. Operations segment using line-by-line consolidation:

(U.S.$000s, except as noted otherwise)	**Q2 2013**	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Revenue						
Same property	55,146	52,784	2,362	109,985	106,033	3,952
Acquisitions and other [1]	6	6,385	(6,379)	3,282	12,566	(9,284)
Total revenue	55,152	59,169	(4,017)	113,267	118,599	(5,332)
Direct Operating Expenses						
Same property	36,896	35,063	1,833	73,133	70,920	2,213
Acquisitions and other [1]	56	3,774	(3,718)	2,273	7,433	(5,160)
Total direct operating expenses	36,952	38,837	(1,885)	75,406	78,353	(2,947)
Net Operating Income						
Same property	18,250	17,721	529	36,852	35,113	1,739
Acquisitions and other [1]	(50)	2,611	(2,661)	1,009	5,133	(4,124)
Total net operating income	18,200	20,332	(2,132)	37,861	40,246	(2,385)
Foreign exchange in CDN	431	211	220	600	238	362
Total net operating income in CDN	18,631	20,543	(1,912)	38,461	40,484	(2,023)
Weighted average occupancy rate – same property	89.3%	87.4%	1.9pp	88.8%	87.8%	1.0pp
Weighted average occupancy rate – total portfolio	89.3%	87.9%	1.4pp	89.4%	88.1%	1.3pp

(1) Represents results of the Bristal Portfolio which was sold in February 2013.

Same property revenue increased U.S.$2.4 million or 4.5% in Q2 2013 primarily due to improved occupancies and rental rate increases in line with competitive market conditions.

Weighted average occupancy rate in our same property U.S operating segment improved by 1.9 percentage points to 89.3% in Q2 2013 from 87.4% in Q2 2012. Total portfolio occupancy was 89.3% in Q2 2013 compared to 87.9% in Q2 2012.

Same property direct operating expenses increased U.S.$1.8 million or 5.2% in Q2 2013, primarily due to higher compensation, marketing, food, utility, insurance and management fees; partially offset by lower administrative and realty tax expenses.

As a result of the above, same property NOI increased U.S.$0.5 million or 3.0% in Q2 2013.

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:

	Q2 2013	Q2 2012	Increase / (Decrease)	**2013 YTD**	2012 YTD	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.02	1.01	0.01	1.01	1.01	-

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar would impact AFFO by approximately $0.3 million in 2013.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and unitholders' equity for June 30, 2013 compared to December 31, 2012.

	Increase / (Decrease) ($millions)	Explanation
Total assets	**24.3**	The increase in total assets is primarily due to the following:
Current assets	19.3	Current assets increased primarily due to the timing of cash receipts.
Assets held for sale	64.7	Assets held for sale increased due the sale of the seven U.S. non-core properties which is expected to close in Q3 2013.
PP&E	(68.3)	PP&E decreased primarily due to items reclassified to assets held for sale of $63.1 million, depreciation of $75.9 million, capital funding of $11.7 million, offset by additions of $22.9 million, additions due to acquisitions of $19.0 million and foreign exchange translation of $40.5 million.
Total liabilities	**17.5**	The increase in total liabilities is primarily due to the following:
Credit Facility	(31.0)	Credit Facility decreased primarily due to repayments from the net proceeds of sale from the Bristal Portfolio in Q1 2013.
Accounts payable and other liabilities	(11.2)	Accounts payable and other liabilities decreased primarily due to lower transaction cost accruals and the timing of settlement of liabilities.
Liabilities related to assets held for sale	65.4	Liabilities related to assets held for sale increased due to the sale of the seven U.S. non-core properties which is expected to close in Q3 2013.
Unitholders' equity	**6.8**	The increase in unitholders' equity is primarily due to the allocation of net income to the Trust's unitholders which was partially offset by cash distributions.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q2 2013:

	Trust Units	Trust Units issued under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2012	169,441,855	2,207,464	1,679,128	485,505	173,813,952
Trust Units issued pursuant to the Dividend Reinvestment Plan ("DRIP")	867,123	-	-	-	867,123
Trust Units issued under LTIP	-	271,917	-	-	271,917
Trust Units surrendered for cancellation under LTIP	-	(329,321)	-	-	(329,321)
Trust Units released on settlement of LTIP receivable	6,268	(6,268)	-	-	-
DTUs issued	-	-	-	52,430	52,430
DTU distributions	-	-	-	12,464	12,464
Exchange of Class B Units	20,816	-	(20,816)	-	-
Balance June 30, 2013	170,336,062	2,143,792	1,658,312	550,399	174,688,565

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 June 30, 2013, we had cash on hand in the amount of $21.9 million, including our share of joint-venture cash of $3.8 million. In order to provide for our operating and capital requirements, we also raise funds through the capital markets, arrange mortgage debt financing and have put in place a Credit Facility.

On June 22, 2013, we renewed our Credit Facility for a two-year term, expiring on June 22, 2015 and increased our borrowing capacity to $95.0 million. Under the renewal terms, the Credit Facility bears interest at the bank's prime rate plus 0.95%, or the applicable borrower's acceptance rate plus 1.95%. The Credit Facility 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 June 30, 2013, the maximum available borrowing capacity under the Credit Facility was $95.0 million, based on security provided, of which $2.5 million was utilized to support outstanding letters of credit and $46.0 million was drawn, leaving available borrowing capacity at $46.5 million.

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, including our share of amounts from joint ventures and excluding assets and liabilities held for sale:

($000s)	**June 30, 2013**	December 31, 2012
Mortgages payable (contractual amount)	1,983,113	1,975,625
Credit Facility	46,000	77,000
Total Indebtedness excluding convertible debentures	2,029,113	2,052,625
Convertible debentures (at face value)	135,000	135,000
Total Indebtedness	2,164,113	2,187,625
Total assets	2,870,725	2,907,884
Accumulated depreciation and amortization	554,807	489,761
Cumulative transaction costs on business combinations	16,163	16,129
Change in GBV on transition to IFRS	361,994	365,314
GBV of assets	3,803,689	3,779,088
Less: Assets financed by deferred purchase consideration on acquisition properties	-	520
GBV of assets (net of deferred consideration)	3,803,689	3,778,568
Indebtedness Ratio before convertible debentures (1)	53.3%	54.3%
Indebtedness Ratio including convertible debentures (1)	56.9%	57.9%

(1) Refer to the "Key Performance Indicators – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

If assets and liabilities held for sale were included in the table above, our Indebtedness Ratio would have been 53.8% excluding and 57.2% including convertible debentures.

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 times. Refer to the "Key Performance Indicators – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table summarizes our Interest Coverage Ratio, including our share of amounts from joint ventures and assets held for sale:

($000s, except Interest Coverage Ratio)	**Q2 2013**	Q2 2012	**2013 YTD**	2012 YTD
Interest expense including capitalized interest	28,219	31,374	57,351	59,244
Property lease expense	681	632	1,337	1,258
	28,900	32,006	58,688	60,502
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1)	65,440	62,347	127,343	117,036
Interest Coverage Ratio (2)	2.26	1.95	2.17	1.93
Target Interest Coverage Ratio		>1.65		

(1) In Q1 2013, we changed our definition of Adjusted EBITDA; refer to the "Key Performance Indicators – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(2) Refer to the "Key Performance Indicators – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

If we excluded interest expense, property lease expense and Adjusted EBITDA related to assets held for sale, our Interest Coverage Ratio would have been 2.28 times for Q2 2013 and 2.18 times for 2013 YTD.

The following table presents the calculation of Adjusted EBITDA, including our share of amounts from joint ventures and assets held for sale:

($000s)	**Q2 2013**	Q2 2012	**2013 YTD**	2012 YTD
Net income/(loss) for the period	3,777	(33,887)	40,922	(82,249)
Add (Subtract):				
Current income tax	66	82	129	141
Deferred income tax	-	(7,683)	-	(15,059)
Transaction costs arising on business acquisitions and dispositions	510	7,816	2,598	11,049
Finance costs	28,211	33,236	57,318	66,257
Property lease expense	681	632	1,337	1,258
Depreciation of PP&E	37,963	50,039	77,713	93,501
Amortization of intangible assets	627	950	1,061	2,060
Loss/(gain) on sale of assets	-	(279)	(48,947)	(279)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	(7,437)	10,512	(6,873)	38,512
Principal portion of capital subsidy receivable from Health Authorities (1)	1,042	929	2,085	1,845
Adjusted EBITDA	65,440	62,347	127,343	117,036

(1) In Q1 2013, we changed our definition of Adjusted EBITDA to include principal portion of capital funding subsidy receivable; refer to the "Key Performance Indicators – 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 June 30, 2013 and 2012, including our share of amounts from joint ventures and excluding assets held for sale and related liabilities:

($000s, except Net Debt to Adjusted EBITDA Ratio)	**June 30, 2013**	June 30, 2012
Trailing 12-month Adjusted EBITDA	260,540	222,095
Add (Subtract):		
Adjustment for part-year acquisitions	1,553	35,078
Adjustment for part-year dispositions	(10,591)	(23,516)
Trailing12-month Adjusted EBITDA (net of part-year acquisitions and dispositions)	251,502	233,657
Indebtedness	2,164,113	2,109,124
Less: Cash and cash equivalents	21,898	28,062
Net debt	2,142,215	2,081,062
Net Debt to Adjusted EBITDA Ratio (1)	8.5	8.9

(1) Refer to the "Key Performance Indicators – 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 for the 12 months ended June 30, 2013:

($000s)	2012	*Subtract:* 2012 YTD	*Add:* 2013 YTD	12 months ended June 30, 2013
Adjusted EBITDA as previously reported	246,421	115,191	125,258	256,488
Add:				
Principal portion of capital subsidy receivable from Health Authorities	3,812	1,845	2,085	4,052
Adjusted EBITDA	250,233	117,036	127,343	260,540

Debt Strategy

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

- access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing; and
- 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.

Mortgage Debt

At June 30, 2013, excluding mortgages related to assets held for sale, we had $1,983.1 million of mortgages payable of which $1,381.7 million related to our Canadian properties and $601.4 million (U.S.$571.8 million) related to our U.S. properties. Our Canadian properties balance includes $29.9 million representing our share of joint-venture balances. We monitor our mortgage portfolio on a line-by-line consolidation basis and, as such, this section includes our share of mortgages from joint

ventures.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at June 30, 2013.

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate on Maturing Debt
Remainder of 2013	25,907	139,424	165,331	8%	4.37%
2014	49,214	245,061	294,275	15%	4.41%
2015	42,611	314,370	356,981	18%	4.83%
2016	37,051	312,275	349,326	18%	6.07%
2017	27,426	212,728	240,154	12%	5.64%
2018	28,381	44,777	73,158	4%	5.17%
2019	28,397	10,591	38,988	2%	4.53%
2020	28,533	48,899	77,432	4%	4.35%
2021	26,450	50,150	76,600	4%	4.59%
2022	22,786	62,200	84,986	4%	3.54%
2023	18,282	15,573	33,855	2%	5.79%
2024	13,611	18,042	31,653	1%	7.09%
Thereafter	135,241	25,133	160,374	8%	4.82%
Total	483,890	1,499,223	1,983,113	100%	
Mark-to-market adjustments arising on acquisition			18,714		
Less: Financing costs			(16,664)		
Total Mortgage Debt			1,985,163		

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

	At June 30, 2013					At December 31, 2012
	Canadian Debt		U.S. Debt		Combined	Combined
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate		
Amount ($millions)	1,213.5	168.2	576.8	24.6	1,983.1	1,975.6
Weighted average interest rate	4.87%	4.43%	5.92%	2.57%	5.11%	5.23%
Average term to maturity (years)	8.0	1.1	3.0	0.4	5.9	6.0

In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation (“CMHC”). All of our Canadian properties are eligible for CMHC financing and as of June 30, 2013, approximately 64% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

In the U.S., approximately 72% of our mortgages are with the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal National Mortgage Association (“Fannie Mae”). Both of these entities are government-sponsored enterprises which provide access to competitive financing for seniors housing properties.

In 2013 YTD, we refinanced $21.8 million of maturing mortgages on six of our properties bearing interest at a weighted average rate of 4.45%, with $21.8 million of new mortgages bearing interest at a weighted average interest rate of 2.74% and having a weighted average term to maturity of 10.6 years. In addition, we arranged new or increased mortgage financing on five of our properties in the amount of $34.2 million bearing interest at a weighted average rate of 3.95% and a weighted average term to maturity of 20 years.

Our variable-rate mortgages primarily relate to recently acquired communities in lease-up and our development projects in Canada. Variable-rate loans are expected to be refinanced with fixed-rate,

CMHC-insured debt upon completion and stabilization of the development properties and acquired properties in lease-up.

The following table summarizes our variable-rate mortgages as at June 30, 2013:

($000s, except number of projects)	Number of Projects	**June 30, 2013**	Number of Projects	**December 31, 2012**
Mortgages on properties under construction	4	24,092	3	13,452
Mortgages on properties in lease-up [(1)]	10	141,289	11	145,939
Mortgages on stabilized properties	4	27,431	3	8,249
Total	18	192,812	17	167,640

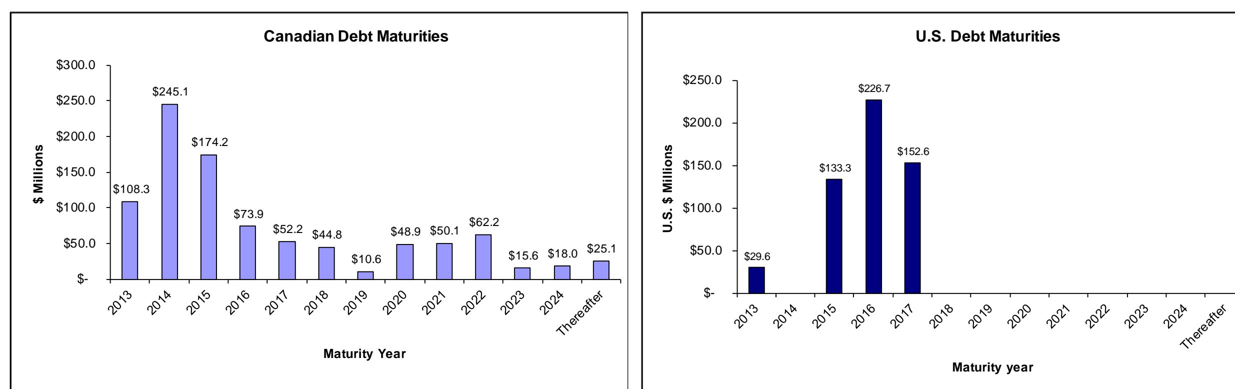
(1) Includes our share of one joint-venture variable-rate mortgage of $12.8 million.

The increase in mortgages on properties under construction is due to progress draws related to these four properties.

In the first six months of 2013, we converted two $26.8 million, variable-rate loans to two $22.9 million, short-term fixed-rate loans, arranged a new variable-rate loan on another property in lease-up of $16.8 million and completed final progress draws on three recently completed developments.

In addition, we refinanced one $5.3 million, variable-rate mortgage on a stabilized property with a new 10-year, CMHC-insured mortgage in the amount of $7.8 million bearing interest at 3.03%. Mortgages on two of our stabilized properties in the U.S. in the amount of U.S.$24.0 million, came due in Q1 2013 and we exercised our right to extend these mortgages to the end of 2013, at variable rates.

The following charts provide the breakdown of our debt maturities in Canada and the U.S. including the related mortgages on joint-venture properties:



Convertible Debentures

At June 30, 2013, we have $135.0 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for the redemption of the debentures, at a conversion price of $11.00 per Trust Unit.

Capital Expenditures

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

- Development – capital expenditures in respect of our development projects in progress.
- Acquisition – capital expenditures which were identified during acquisition due diligence for newly acquired assets.
- Revenue enhancing and repositioning – capital expenditures that improve the revenue generating potential of our properties.
- Maintenance – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment. We generally reserve 2% of our gross property revenue for maintenance capital expenditures annually; however, actual amounts spent may fluctuate from period to period.

The following table summarizes additions to properties during Q2 2013 and 2013 YTD:

($000s)	**Q2 2013**	2013 YTD
Development	5,430	9,372
Acquisition	2,503	3,125
Revenue enhancing and repositioning	266	393
Maintenance	6,255	10,210
Total (1)	14,454	23,100

(1) 2013 YTD amount excludes $0.2 million in capital additions relating to corporate office leasehold improvements and corporate office information technology assets.

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are disclosed in our 2012 MD&A. There were no significant changes in our contractual obligations and guarantees in Q2 2013 which are outside of the ordinary course of business.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2013 and Q2 2012 using the statements of cash flows prepared in accordance with IFRS 11:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	25.9	Cash flows from operating activities increased due to increases in net operating income and positive net changes in working capital balances.
Financing activities	(205.6)	Cash flows from financing activities decreased primarily due to the subscription receipts offering in Q2 2012. In addition, higher proceeds from mortgage financing, net of repayments in Q2 2013, were offset by lower utilization of the Credit Facility.
Investing activities	170.1	Cash flows from investing activities increased primarily due to higher distributions received from joint ventures, lower additions to PP&E and lower acquisition activity.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the “Trustees”). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. Our current monthly distributions are $0.0450 per unit, or $0.54 per unit on an annualized basis.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan (“DRIP”), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In Q2 2013, our average DRIP participation was 14.8**%** compared to 24.9% participation in Q1 2013. In Q1 2013, we eliminated the 1,000-unit participation threshold.

The following table summarizes distributions made in Q2 2013, 2013 YTD, 2012 and 2011:

($000s)	**Q2 2013**	**2013 YTD**	**2012**	2011
Distributions declared on Trust Units [(1)]	23,240	46,414	89,791	77,538
Distributions on Class B Units	189	448	909	908
Distributions reinvested under DRIP	(3,394)	(9,099)	(15,791)	(15,075)
Distributions applied against LTIP receivable	(310)	(608)	(1,200)	(1,230)
Distributions paid or payable in cash	19,725	37,155	73,709	62,141

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

The following table summarizes cash distributions made in Q2 2013, 2013 YTD, 2012 and 2011 in relation to net income/(loss) and cash flows from operating activities:

($000s)	**Q2 2013** [(1)]	**2013 YTD** [(1)]	2012 [(1)]	2011 [(1)]
Cash flows from operating activities	33,541	48,292	102,840	110,998
Net income/(loss)	3,777	40,922	(139,342)	(63,331)
Distributions paid or payable in cash [(2)] [(3)]	19,725	37,155	73,709	62,141
Excess/(shortfall) of cash flows from operating activities over cash distributions paid	13,816	11,137	29,131	48,857
Excess/(shortfall) of net income/(loss) over cash distributions paid	(15,948)	3,767	(213,051)	(125,472)

(1) Q2 2013 and 2013 YTD amounts are disclosed using equity accounting in accordance with IFRS 11. Amounts for 2012 and 2011 are disclosed as previously reported prior to the adoption of IFRS 11.
(2) Cash distributions do not include distributions satisfied through issuance of units under DRIP or distributions applied against the LTIP receivable.
(3) 2012 amount includes $2.2 million distributions on subscription receipts recorded as interest expense for accounting purposes.

We distributed cash to our unitholders while recording net losses in each of 2012 and 2011. We do not use net loss as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net 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 as we believe that the value of our real estate investments generally does not diminish over time. We also give consideration to maintenance capital expenditures in establishing the level of annual distributions to unitholders. We believe that our current distribution level is sustainable.

Key Performance Indicators

We use a number of key performance indicators ("KPIs") for monitoring and analyzing our financial results as outlined in this section. These KPIs 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. We monitor our KPIs on a line-by-line consolidation basis and, as such, we include our share of joint ventures. KPIs are described below:

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. Gain or loss on the sale of an investment in a foreign operation.
M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
N. Bargain purchase or goodwill impairment.
O. Effects of redeemable units classified as financial liabilities.

Other items:

P. Results of discontinued operations.
Q. Adjustments for equity accounted entities.
R. Non-controlling interests in respect of the above.

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

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

Adjusted Funds from Operations

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

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

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

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

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

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

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

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. 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. We monitor NOI on a line-by-line consolidated basis and as such, we include our share of NOI from joint ventures.

Per Unit Amounts

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

Same Property Performance

We evaluate our financial performance by analyzing our same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year. 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 Q2 2013:

	Properties	Suites/Beds
Canadian Retirement Operations	108	12,738
Canadian Long Term Care Operations	21	2,905
U.S. Operations (owned and leased)	46	6,421
Total same property portfolio	175	22,064

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 exclude the effects of foreign exchange to enhance comparability between periods and to eliminate the volatility in the Canadian / U.S. dollar exchange rate.

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. We monitor our same property metrics on a line-by-line consolidated basis and as such include our share of joint ventures.

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. 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. We monitor the Indebtedness Ratio on a line-by-line consolidated basis, and as such, we include our share of assets and liabilities of joint ventures.

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. We monitor the Interest Coverage Ratio on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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. 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. In Q1 2013, we changed our definition of Adjusted EBITDA to also include the principal portion of the capital subsidy receivable from MOHLTC. This long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties. 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 include capital funding subsidy in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A. We monitor Adjusted EBITDA on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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. We monitor our net debt on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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 interest income. We monitor this metric on a line-by-line consolidated basis, and as such, we include our share of revenue from joint ventures.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Q2 2013 Financial Statements as well as in our 2012 MD&A, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations.

Changes in Accounting Estimates and Changes in Accounting Policies

Future Accounting Policy Changes

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.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of June 30, 2013, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective as at June 30, 2013.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate 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. The President and Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at June 30, 2013, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO framework, published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no material changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2013, 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:

- 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 expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing or due to other general business risks;
- our ability to predict seasonal increases in occupancy rates due to uncertain economic conditions;
- our ability to renew maturing debt and to obtain new financings, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;

- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent Annual Information Form.

Risks and Uncertainties

Our Annual Information Form dated March 6, 2013 and our 2012 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.