



**CHARTwell**  
retirement residences



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

FOR THE YEAR ENDED  
DECEMBER 31

# **2019**



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

For the Year Ended December 31, 2019

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## ***About this Management's Discussion and Analysis***

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 year ended December 31, 2019. This MD&A should be read in conjunction with Chartwell's audited, consolidated financial statements for the years ended December 31, 2019 and 2018, and the notes thereto (the "Financial Statements"). This material is available on Chartwell's website at [www.chartwell.com](http://www.chartwell.com). Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2019, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The discussion and analysis in this MD&A is based on information available to management as of February 27, 2020.

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

In this document we refer to joint ventures as defined by International Financial Reporting Standards ("IFRS") in 'IFRS 11 – Joint Arrangements' and that are accounted for using the equity method as "Equity-Accounted JVs".

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; "2019" refers to the calendar year 2019; and "2018" refers to the calendar year 2018.

Unless otherwise indicated, all comparisons of results for 2019 and Q4 2019 are in comparison to results from 2018 and Q4 2018, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), "Adjusted NOI", Funds from Operations ("FFO"), Internal Funds from Operations ("IFFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Debt", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Stabilized NOI", "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense", "Total Equity" and any related per unit ("PU") amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. The Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO") (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "Interest Coverage Ratio", "Total Leverage Ratio", "Adjusted Consolidated Unitholders' Equity Ratio", "Secured Indebtedness Ratio", "Unencumbered Property Asset Ratio", "Consolidated EBITDA to Consolidated Interest Expense Ratio", "Indebtedness Percentage", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets, AFFO", "Secured Indebtedness", "Consolidated Unsecured Indebtedness", "Unencumbered Property Asset Value", "Aggregate Adjusted Assets", "Unencumbered Aggregate Adjusted Assets", "Adjustment for

accumulated depreciation and amortization”, “Payment of cash distributions”, “Investment restrictions”, “Coverage ratio” and, “Amortization of finance costs and fair value adjustments on assumed mortgages”. These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures, and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the “Liquidity and Capital Resources – Financial Covenants” section of this MD&A for details.

All dollar references, unless otherwise stated, are in Canadian dollars.

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 on page 52 of this MD&A for more information.

Some of the industry data provided in this MD&A was provided by third parties. Although we have no reason to believe such information is inaccurate or incomplete, we cannot guarantee the accuracy or completeness of such information.

## Business Overview

Chartwell is an open-ended real estate trust governed by the laws of the Province of Ontario. We indirectly own and operate a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada.

***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;
- to attract and retain employees who care about making a difference in our residents' lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

***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

***Our Portfolio***

- Independent living ("IL") - Age-qualified suites/ townhouses/ bungalows/ apartments with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living ("ISL") - Age-qualified suites/ townhouses/ bungalows/ apartments with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living ("AL") - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care ("MC") - Age-qualified suites with personal care services included in base fee for persons with Alzheimer's disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care ("LTC") - Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

The following is the composition of our owned and managed portfolio of communities in our two operating segments at December 31, 2019:

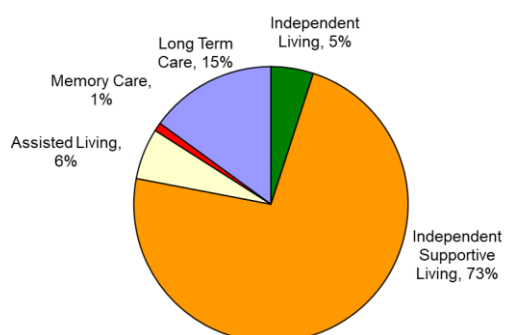
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
<b>Owned Communities:</b> <sup>(1)</sup>						
100% Owned – operating	119	15,052	24	3,075	143	18,127
Partially Owned – operating <sup>(2)</sup>	45	8,676	-	-	45	8,676
Total Owned	164	23,728	24	3,075	188	26,803
<b>Managed Communities</b>	9	2,381	4	608	13	2,989
<b>Total</b>	<b>173</b>	<b>26,109</b>	<b>28</b>	<b>3,683</b>	<b>201</b>	<b>29,792</b>

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

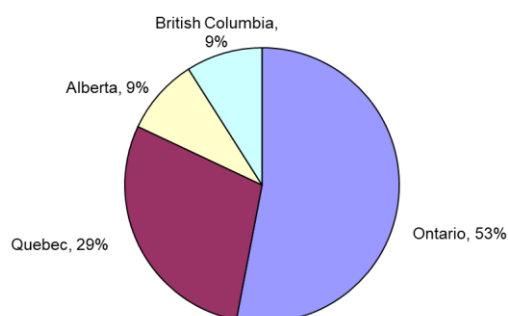
(2) We have a 50% ownership interest in 40 of these communities (7,577 suites), an 85% ownership interest in three of these communities (602 suites), a 60% ownership interest in one community (165 suites) and a 45% ownership interest in one community (332 suites).

### Composition of Portfolio of Owned Suites/Beds at Chartwell's Share of Ownership Interest, at December 31, 2019 by:

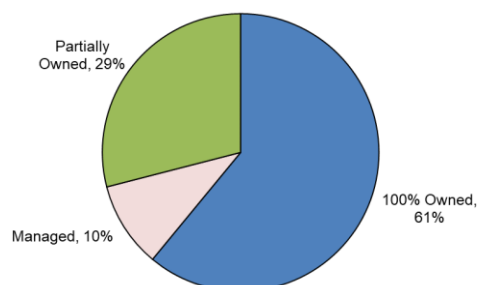
#### Level of Care



#### Geographic Location



### Composition of Portfolio of Suites/Beds by Ownership, at December 31, 2019:



## Business Strategy

"In 2023, we will achieve in our retirement residences, **Employee Engagement** of 55% (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and Same Property **Occupancy** of 95% to drive strong **IFFOPU** growth by providing exceptional resident experiences through personalized services in our upscale and mid-market residences in urban and suburban locations."

### Objectives:

We believe that only **highly engaged employees** will deliver the great resident experiences that drive high resident satisfaction scores. We know that **very satisfied residents** are much more likely to recommend their residence to their friends and be Chartwell ambassadors in their communities. We know that the majority of our new residents move in based on such recommendations. Therefore, by focusing our efforts and investments in the areas of employee engagement and resident satisfaction, we expect to generate **high occupancy rates** which, in turn, should drive strong growth in earnings. We elected to measure this earnings growth by utilizing an Internal Funds from Operations ("IFFO") metric on a per unit basis ("**IFFOPU**"). IFFO is calculated by adding to FFO the following: (a) lease-up-losses and imputed financing costs related to our development properties, (b) current income taxes, and (c) income guarantees due from vendors of certain acquired properties. The reconciliation of IFFO to net income/(loss) and FFO, explanations and rationale for adjustments can be found in the "Additional Information on Non-GAAP Financial Measures" section on page 47 of this MD&A.

### Scope and Competitive Advantage:

**Exceptional resident experience** – Our customer is our resident. Our Unique Value Proposition is an exceptional resident experience and we achieve it by providing **personalized services**. Our service standards are 'Safety, Respect, Efficiency and WOW'.

**Personalized services** – We treat each resident as a unique individual. We get to know them well before they come to reside with us and we tailor our service offering to their individual preferences and needs.

**Our residences** – We own, operate and develop our residences. With a few specific exceptions we do not manage residences for third parties, nor do we invest in residences managed by others.

**Upscale to Mid-market** – We target the upscale and mid retirement market. We do not operate residences with base-level services and a limited staff complement due to high operating risks. We do not operate residences with premium upscale services due to the small size and narrow focus of this niche market.

**Urban and suburban** – We target residences in urban and suburban areas and will not operate in markets with populations less than 25,000 within a 10 km radius of our residences. In addition, to achieve management efficiencies we will not operate residences that generate less than \$1million of Net Operating Income at stabilized occupancy. We expect to continue to operate in the four most populous provinces of Canada (Ontario, Quebec, British Columbia and Alberta) where we strive to be market leaders.

This strategy statement is centered on our retirement segment, which represents 85% of our total suites and 90% of our Adjusted NOI.

Our LTC operations, which generate stable cash flows, meaningful economies of scale and significant operating expertise, particularly in the area of nursing care, remain an important part of our business. Our LTC team has been consistently implementing programs to drive employee engagement and resident satisfaction in their highly regulated environment. These "Rising above the Regs" programs, including the innovative "Imagine" training program for management and front line employees are producing exceptional results. In 2019 our LTC team achieved a 59% Resident Satisfaction score, an 8 percentage point increase from our 2018 score of 51%, exceeding their initial 2023 target of 57%. Our LTC team's

Employee Engagement score increased to 43% in 2019 from 42% in 2018 and all quality and compliance metrics in our Ontario LTC residences have been trending better than provincial benchmarks. As a result, we established a new 2023 Resident Satisfaction target for our LTC team of 67%. Their 2023 Employee Engagement target remains at 50%.

The following highlights the progress made in 2019 on the key components of our business strategy and our 2020 initiatives:



(1) Same property Retirement Operations as defined in each year.

## Employee Engagement

- In 2019, in our retirement residences we achieved an Employee Engagement score of 48% (highly engaged) compared to 47% in 2018.
- In 2019, we implemented a profit sharing plan for our residence managers which improves engagement and better aligns managers' compensation with operational and financial success of their residence.
- In 2020, we expect to complete the transition of all our hourly employees to our new Human Capital Management platform. All salaried employees, and as of the date of this MD&A, approximately 2,100 hourly employees are now on this platform. We expect to commence the implementation of the recruitment module of this system in the latter part of 2020. This system, in addition to standardising our payroll, will ultimately improve our ability to analyse employee related data and enhance our ability to recruit, train and develop our employees, which we expect will further drive employee engagement.
- In January 2020, we substantially completed the development of and moved our corporate staff to our new head office ("Chartwell Hub"). Chartwell Hub is a 131,000 square foot purpose-built office building, which includes training facilities for our office and residence staff. Numerous environmentally friendly features have been incorporated in its design. We expect our new corporate office will further improve employee engagement and will help us work even more collaboratively and efficiently.



## Resident Satisfaction

- In 2019, in our retirement residences, we achieved a Resident Satisfaction score of 63% (very satisfied), a 5 percentage point increase from 58% in 2018.
- In 2019, we completed the development of our multi-year Customer Experience (“CX”) Strategy, which is designed to make Chartwell a truly customer-centric organization.
- Our Customer Service Vision Statement is “Delivering an exceptional resident experience that is personalized, memorable, and feels like home – where family and friends feel welcome and respected.”
- As part of our CX strategy to date, we delivered the first phase of our CX training to 4,800 of our corporate, management and front line employees. All of our employees in corporate offices and retirement operations will have received this training by Q3 2020.

## Occupancy

- In 2019, our same property occupancy was 88.6% in our Retirement Operations segment, compared to 2018 occupancy of 90.1%. The decrease is primarily attributable to the impact of new competition in certain of our markets.
- In 2019, we repositioned more of our marketing budget to centralized branding initiatives, while increasing the focus of our residences on local community outreach. We continued to enhance our digital marketing efforts and have increased coverage of our call centre. We further invested in our sales cluster and business development strategies in markets where we operate several properties.
- As a result, in the fourth quarter of 2019, we have achieved meaningful increases in our leading indicators - web traffic, initial contacts and personal visits - which have continued in early 2020.

## IFFOPU

- In 2019, Adjusted NOI <sup>(1)</sup> in our Retirement Operations segment increased \$10.7 million or 3.9%.
- Same property Adjusted NOI <sup>(1)</sup> in our Retirement Operations segment increased \$3.0 million or 1.2% in 2019.
- FFO per unit (“FFOPU”) <sup>(2)</sup> was \$0.92 in 2019, compared to \$0.90 in 2018.
- IFFOPU <sup>(2)</sup> was \$0.97 in 2019, compared to \$0.94 in 2018.

(1) Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 18 of this MD&A for details.

(2) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 47 of this MD&A for a discussion of the calculation of the per unit amounts.

## 2020 Outlook

Our 2020 outlook is based on our expectations of a stable Canadian economy and housing markets, a continuing strong labour market and slowly rising interest rates.

Development of new retirement residences continues to be active in certain markets in Ontario, Alberta, Quebec and, to a lesser degree, in British Columbia. We expect that the impact of these new developments will be mitigated to some degree by the projected growth in the senior population and the resulting growing demand in 2020 and beyond. We also believe that the quality of services and care that we offer at our properties, our strong national brand, as well as the overall quality of our real estate portfolio, will allow us to successfully compete with these new entrants in most of our markets. Please refer to the “Supplemental Information” section on page 61 of this MD&A for details of demand and supply in our markets.

With the current low unemployment rates and significant increases to minimum wages in Ontario and Alberta, it has been a challenge to attract and retain front line employees in certain of our markets. We have developed and implemented various recruitment and retention strategies, which has helped us to mitigate the impact of this tight labour market. We expect these challenges will persist in 2020 and we will continue to focus on differentiating Chartwell as the employer of choice in our industry.

## Retirement Operations

We believe that our experienced and dedicated retirement operations team, with its strong focus on enhancing customer experience, and innovative branding, marketing and sales programs, will deliver solid operating results in 2020. With this focus and the ongoing investments in upgrading our property portfolio, we expect to achieve improving occupancy and moderate revenue growth in 2020. We will continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs while improving the quality of services provided to our residents.

- In 2019, our same property portfolio occupancy in Ontario was impacted by significant supply of new competitive suites in certain markets. While these competitive challenges are expected to persist in 2020, we expect slight improvements in occupancies as well as rental rate growth of approximately 3.0%, in line with competitive market conditions.
- Our Western Canada platform continued to perform at high occupancy levels in 2019. While our properties in British Columbia operated near full capacity, occupancies in our Alberta properties declined due to competitive pressures that we believe are short term. We saw occupancy recovery in several of our Calgary properties in 2019 and expect this trend to continue in 2020. We expect blended rental rate growth for our Western Canada platform to be approximately 2.0%, with higher growth in our private pay suites and lower rental rate increases for our government-funded suites.
- In Quebec, a number of large operators continue to execute on their multi-year development programs. We also continue our development activities in the province in partnership with Batimo Inc. (“Batimo”). We believe that this growth in inventory is a reflection of the strong demographic trends and the resulting increases in demand, as well as the need to replace older existing inventory. In select markets, this growth has created occupancy pressures which we expect to be temporary in nature. In 2020, we expect stable occupancies in our Quebec same property portfolio with rental rate growth of approximately 2.5%, in line with competitive market conditions.

## **Long Term Care Operations**

Our experienced LTC team is dedicated to providing the best possible care and services to our residents within the constraints of increasing regulations and limited government funding.

We expect continuing stable performance and high occupancies in our LTC portfolio in 2020 as there are approximately 35,000 people on the waiting list for LTC accommodation in Ontario.

## **General, Administrative and Trust (“G&A”) Expenses**

In 2020, we expect G&A growth to be in line with inflation as we continue to fund new corporate initiatives, particularly in the areas of customer experience, recruitment and technology within our current G&A footprint.

## **Development**

Development continues to be one of our core growth strategies. In 2019, we added 748 new suites to our portfolio. At this time, we have three projects with a total of 350 suites in construction and three projects with a total of 477 suites in pre-construction. A number of other projects are undergoing design, municipal approval and feasibility activities. We continue to source and evaluate other opportunities, including development opportunities on our owned lands with an estimated development and redevelopment potential of close to 2,500 additional suites. We continue to add to our land bank with the 2019 acquisition of development lands in Edmonton, Alberta (2.1 acres) for \$3.5 million.

Due to the rapid increases in construction costs over the past three years, we have delayed some projects in the pre-construction stage while we ensure that reasonable investment returns are achievable with an acceptable level of risk.

## **Acquisitions**

In 2019, we acquired the remaining interests in two retirement residences (249 suites) in Ontario and completed the acquisition under the forward purchase agreement that was entered into in 2018 for one retirement residence (256 suites) in Alberta upon the completion of its development.

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities with Batimo. Through this relationship, over time we expect to acquire ownership interests in close to 2,800 suites currently in various stages of lease up, construction and pre-development in the province of Quebec. Two of these projects (508 suites) achieved stabilized occupancy and we expect to acquire interests in these projects in the first half of 2020.

## **Dispositions**

In 2019, we completed the sale of two non-core residences for \$11.3 million and one medical office building, in which we had an 85% ownership interest for \$9.1 million. We also entered into an agreement to sell four Ontario Class C LTC residences with 299 beds.

As part of ongoing reviews of our properties, we may identify assets that no longer fit with our strategic direction due to their location, earnings potential, age or other attributes.

## **Taxation**

In 2019, 100% of our distributions were classified as return of capital.

Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any cash specified investment flow through (“SIFT”) taxes in 2020.

## Distributions

On February 27, 2020, we announced our sixth consecutive annual increase in monthly distributions. Monthly cash distributions will increase by 2.0% from \$0.050 per unit (\$0.60 on an annualized basis) to \$0.051 per unit (\$0.612 on an annualized basis) effective for the March 31, 2020 distribution payable on April 15, 2020.

## Significant Events

The following events have had a significant effect on our financial results in 2019 and may be expected to affect our results in the future:

## Development

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

### ***Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt***

In addition to monitoring development costs measured on a GAAP basis which includes land, hard and soft development costs, furniture, fixtures and equipment, we assess our return on investment in development activities using the non-GAAP financial measure 'Unlevered Yield'. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated NOI of a development property in the first year it achieves an expected stabilized occupancy level ("Estimated Stabilized NOI") which varies from project to project,
- divided by the estimated adjusted development costs (the "Adjusted Development Costs") which is the sum of:
  - development costs on a GAAP basis, plus
  - operating results generated by the development property, including pre-opening costs (the "Lease-up-Losses"), plus
  - an imputed cost of debt calculated by applying our estimated weighted average cost of debt to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property (the "Imputed Cost of Debt").

We believe this is a useful measure as we believe it reflects our financial returns on the total economic cost of developing a new property.



## Completed Projects

The following table summarizes development projects that were completed since January 1, 2018:

Project	Location	Suites / Beds	Suite Type	Chartwell Ownership Interest	Operations Start Date	Gross Book Value <sup>(1)(2)</sup> (\$millions)	Occupancy <sup>(1)</sup> (%)	Adjusted Development Costs <sup>(1)(2)(3)</sup> (\$millions)	NOI <sup>(2)(4)</sup> (\$millions)	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI <sup>(2)(3)</sup> (\$millions)	Expected Unlevered Yield <sup>(3)</sup>
<b>Project completed in 2018:</b>													
Chartwell Bankside Senior Apartments	Kitchener, ON	58	IL	100%	Q2 2018	17.2	90%	18.6	0.8	Q3 2020	97%	1.4	7.3%
<b>Projects completed in 2019:</b>													
Chartwell Carlton Retirement Residence	Burnaby, BC	105	ISL	100%	Q1 2019	42.1	58%	44.7	(0.3)	Q1 2021	96%	2.9	6.5%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/MC	100%	Q1 2019	41.9	38%	48.1	(1.5)	Q4 2021	94%	3.4	7.0%
The Sumach by Chartwell	Toronto, ON	332	ISL	45%	Q2 2019	46.9	51%	48.9	(0.1)	Q4 2022	95%	3.5	7.2%
Kingsbridge Retirement Community <sup>(5)</sup>	Kingston, ON	165	ISL/AL	60%	Q3 2019	29.7	37%	31.8	(0.5)	Q4 2022	95%	2.7	7.0%
Chartwell Thunder Bay Townhomes	Thunder Bay, ON	9	IL	100%	Q4 2019	3.8	78%	3.9	-	Q1 2020	100%	0.3	7.7%
		<b>806</b>				<b>181.6</b>		<b>196.0</b>	<b>(1.6)</b>			<b>14.2</b>	<b>7.2%</b>

(1) As of the date of this MD&A.

(2) Calculated at Chartwell's ownership interest in the project.

(3) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 10 of this MD&A.

(4) For the 12 months ended December 31, 2019 for the project completed in 2018, and from the operations start date to December 31, 2019 for the projects completed in 2019.

(5) Chartwell owns a 60% interest in this property and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Signature Living is entitled to a promote payment if the return on equity exceeds certain targets. The estimated stabilized NOI and expected unlevered yield calculations include estimates of such promote payment.

## Projects in Construction

The following table summarizes projects that are in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost <sup>(1)</sup> (\$ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt <sup>(1)(2)</sup> (\$millions)	Estimated Adjusted Development Costs <sup>(1)(3)</sup> (\$millions)	Adjusted Development Costs incurred as at December 31, 2019 <sup>(1)(2)</sup> (\$millions)	Expected Completion Date	Expected Stabilized Occupancy Date	Reservations <sup>(4)</sup>	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI <sup>(1)(2)</sup> (\$millions)	Expected Unlevered Yield <sup>(2)</sup>
Chartwell Guildwood Retirement Residence <sup>(5)</sup>	Scarborough, ON	172	IL/ISL/MC	38.6	5.3	43.9	12.7	Q1 2021	Q3 2023	77%	95%	3.0	6.8%
Chartwell Meadowbrook Retirement Residence	Lively, ON	56	IL/ISL	25.7	1.8	27.5	10.1	Q2 2020	Q3 2021	51%	93%	1.9	6.9%
Chartwell Montgomery Village	Orangeville, ON	122	ISL	44.0	3.6	47.6	6.8	Q2 2021	Q4 2022	-	93%	3.4	7.1%
		<b>350</b>			<b>108.3</b>	<b>10.7</b>	<b>119.0</b>					<b>8.3</b>	<b>7.0%</b>

(1) Calculated at Chartwell's ownership interest in the project.

(2) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 10 of this MD&A.

(3) Non-GAAP; represents the total of estimated Development Costs and estimated Lease-up-Losses and Imputed Cost of Debt.

(4) As of the date of this MD&A.

(5) Redevelopment of the 83-suite residence to a 172-suite residence. Chartwell owns a 50% interest in this project.

## Projects in Pre-Construction

The following table summarizes projects that are in pre-construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost <sup>(1)</sup> (\$ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt <sup>(1)(2)</sup> (\$millions)	Estimated Adjusted Development Costs <sup>(1)(3)</sup> (\$millions)	Adjusted Development Costs incurred as at December 31, 2019 <sup>(1)(2)</sup> (\$millions)	Expected Construction Commencement Date	Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI <sup>(1)(2)</sup> (\$millions)	Expected Unlevered Yield <sup>(2)</sup>
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	90	ISL	28.9	2.1	31.0	2.3	Q1 2020	Q4 2021	Q4 2023	95%	2.1	6.8%
Chartwell Royalcliffe Retirement Community	London, ON	163	IL/MC	35.9	6.0	41.8	1.9	Q3 2020	Q2 2022	Q1 2025	95%	2.8	6.7%
Chartwell Ballycliffe LTC <sup>(4)</sup>	Ajax, ON	224	LTC	57.7	3.6	61.3	4.1	Q1 2020	Q1 2023	Q2 2023	100%	4.2	6.9%
		<b>477</b>		<b>122.5</b>	<b>11.7</b>	<b>131.4</b>	<b>8.3</b>					<b>9.1</b>	<b>6.8%</b>

(1) Calculated at Chartwell's ownership interest in the project.

(2) Non-GAAP; The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 10 of this MD&A.

(3) Non-GAAP; represents the total of estimated Development Costs and estimated Lease-up-Losses and Imputed Cost of Debt.

(4) We filed an application with the Ontario Ministry of Long Term Care (the "MLTC") to redevelop the existing 100-bed Class C LTC and 40-suite retirement residence into a 192-bed LTC residence. The MLTC agreed to provide the additional 92 licensed LTC beds and awarded us with another 32 beds for a total of 224 beds. The retirement operations have been discontinued at this location, and demolition of this section of the building has been completed. The existing LTC operations are expected to continue during the redevelopment. Estimated stabilized NOI for this project includes expected capital funding subsidy receipts.

In September 2018, we acquired a 90% interest in 1.33 acres of vacant land in Pickering, Ontario for the development of a 415-suite retirement residence (the "Pickering Project") and a 100% interest in 1.39 acres of vacant land in Calgary, Alberta for the development of a 384-suite retirement residence. In November 2019, we acquired 2.1 acres of vacant land in Edmonton, Alberta for the development of a 202-suite retirement residence. Detailed design and municipal approval activities for these and other projects are currently in progress.

## Projects by Batimo

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities by participating in certain development projects conducted by Batimo in the province of Quebec. Batimo carries out development activities and we provide leasing, marketing and management services to these projects and in some cases, provide mezzanine financing. Pursuant to our agreements with Batimo, we have certain call rights to acquire, and Batimo has certain put rights which may require us to acquire, an 85% ownership interest in these properties upon achievement of expected stabilized occupancy levels, subject to certain conditions, at purchase prices determined based on the appraisal mechanism described in such agreements.

The following table summarizes the status of projects by Batimo as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status <sup>(1)</sup>	Actual / Expected Completion Date	Actual / Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q4 2019
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q2 2022
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q3 2021
Chartwell Le St-Gabriel	Longueuil, QC	345	ISL / AL	O	May 2018	Q4 2019
Chartwell Le Teasdale II	Terrebonne, QC	221	ISL	O	October 2018	Q2 2020
Chartwell Greenfield Park	Greenfield Park, QC	368	ISL / AL	O	June 2019	Q3 2021
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	O	September 2019	Q4 2021
Chartwell Atwater	Montreal, QC	316	ISL / AL / MC	C	Q4 2021	Q2 2024
Chartwell Trait-Carré	Quebec City, QC	361	ISL / AL	C	Q4 2020	Q2 2022
		<b>2,741</b>				

(1) Current project status is defined where 'O' means 'Operating' and 'C' means 'Construction'.

Chartwell L'Unique III and Chartwell Le St-Gabriel have achieved stabilized occupancy as defined in our agreements with Batimo. We expect to acquire a 42.5% interest in Chartwell Le St-Gabriel for \$37.9 million in Q1 2020. Welltower Inc. ("Welltower") will also acquire a 42.5% interest and Batimo will retain a 15% interest in this project. We expect to acquire an 85% interest in Chartwell L'Unique III for approximately \$33.1 million in Q2 2020.

## Potential Developments on Owned and Leased Lands

The following table summarizes additional development opportunities on our owned and leased lands. While a number of these development projects are in advanced stages of feasibility assessments, others have a longer term development time horizon and, in some cases, may be subject to extensive municipal approval requirements.

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites <sup>(1)</sup>	Book Value of Land (\$millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Wedgewood Retirement Residence	Brockville, ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence <sup>(2)</sup>	Markham, ON	100	1.4	108	2.5
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités <sup>(3)</sup>	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Total <sup>(4)</sup>			27.7	2,457	21.9

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.

(2) Leased lands. The value recognized on adoption of IFRS 16.

(3) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.

(4) Excludes \$0.3 million of land acquired to facilitate redevelopment of one LTC property in Ontario.

## Acquisitions

On January 31, 2019, we acquired the remaining interest in Clair Hills Retirement Residence for \$9.2 million. On February 1, 2019, we acquired the remaining interest in Oak Ridges Retirement Residence for \$0.3 million. These two residences are now wholly-owned and operated by Chartwell.

On December 11, 2019, we closed on the forward purchase agreement that was entered into in 2018 to acquire the Chartwell Emerald Hills Retirement Residence in Edmonton, Alberta, a 256-suite residence inclusive of 72 suites funded by Alberta Health Services ("AHS"). The contractual purchase price was \$120.0 million. Including the AHS-funded suites, the residence is 46% occupied. The acquisition is subject to an aggregate \$7.5 million NOI guarantee for two years from the vendor to support initial lease-up of the property.

## Dispositions

On May 31, 2019, we completed the previously-announced sale of one non-core retirement residence (61 suites) located in Ontario for \$0.75 million.

On July 12, 2019, we completed the sale of one non-core retirement residence (117 suites) located in Quebec for \$10.5 million.

On December 9, 2019, we completed the sale of our 85% interest in a medical office building located in Quebec for \$9.1 million.



On May 21, 2019, we entered into a definitive agreement to sell four Ontario long term care residences (299 beds) for \$13.6 million. The agreement is subject to the approval of the MLTC for the transfer of the home licenses. The sale is expected to be completed in 2020. These homes have been classified as assets held for sale at December 31, 2019.

## **Financings**

On May 10, 2019, we entered into amending agreements with our syndicate lenders to extend the maturity of our secured credit facility and unsecured credit facility (collectively, the “Credit Facilities”) by three years to May 29, 2024.

On December 10, 2019, we entered into an agreement with a financial institution for a \$125 million unsecured term loan. The loan matures on May 31, 2024, and through an interest rate swap, bears interest at a fixed rate of 3.52%.

## Joint Arrangements

'IFRS 11 – Joint Arrangements' classifies joint arrangements either as a joint operation or as a joint venture. Joint operations are joint arrangements in which the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for using proportionate consolidation. Joint ventures are joint arrangements in which the parties have rights to the net assets relating to the arrangement. Generally, where the party holds its interest in the joint arrangement through a separate legal entity, the joint arrangement will be classified as a joint venture. Joint ventures are accounted for using the equity method of consolidation. Chartwell does not independently control its joint arrangements which are accounted for using the equity method, and Chartwell's proportionate share of the financial position and results of operations of its investment in such joint arrangements, where presented and discussed in this MD&A using the proportionate consolidation method, does not necessarily represent Chartwell's legal claim to such items.

The following table summarizes the classification of properties which are owned through our joint arrangements or which are partially owned:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11
<b>Held directly:</b>				
Chartwell-Welltower Landlord ("CWL") <sup>(1)</sup>	37	7,245	50%	Joint operation
The Sumach by Chartwell	1	332	45%	Joint operation
Batimo <sup>(2)</sup>	3	602	85%	Joint operation
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Pickering Project <sup>(3)</sup>	1	415	90%	Joint operation
<b>Held through separate legal entities:</b>				
Chartwell-Welltower Operator	Same as CWL	Same as CWL	50%	Joint venture
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture
Kingsbridge Retirement Community	1	165	60%	Joint venture

(1) Includes one property under construction; refer to the "Projects in Construction" section on page 11 of this MD&A.

(2) Interest in medical office building was sold in December, 2019.

(3) In pre-construction; refer to the "Projects in Pre-Construction" section on page 12 of this MD&A.

On May 1, 2012, Chartwell and Welltower acquired undivided interests in a portfolio of 39 properties (of which two were subsequently sold) where each of Chartwell's and Welltower's interests in the real estate are held directly and where each of our interests in the operations are held through separate legal entities. Chartwell is the property manager for this portfolio. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operations of the related properties, for which Chartwell is the manager, are held through a separate legal entity and as a result are classified as a joint venture and are accounted for using the equity method of consolidation.

# Consolidated Results of Operations

## Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Resident revenue	221,061	212,536	8,525	860,595	814,262	46,333
Direct property operating expense	152,837	147,714	5,123	590,016	557,839	32,177
Net income/(loss)	(11,485)	(13,098)	1,613	1,067	18,519	(17,452)

Resident revenue increased \$46.3 million or 5.7% in 2019 and increased \$8.5 million or 4.0% in Q4 2019, due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased \$32.2 million or 5.8% in 2019 and increased \$5.1 million or 3.5% in Q4 2019, due to acquisitions and developments, including pre-leasing and initial operating costs, and increased expenses in our existing property portfolio.

In 2019, net income was \$1.1 million compared to \$18.5 million in 2018. The decrease in net income was primarily due to higher direct property operating expenses, finance costs, depreciation and amortization expenses, impairment losses, lower gains on asset sales, partially offset by higher revenues, remeasurement gains and lower deferred tax expenses.

In Q4 2019, net loss was \$11.5 million compared to \$13.1 million in Q4 2018. The decrease in net loss was primarily due to lower deferred tax expenses and higher contributions from property operations, partially offset by impairment losses.

## FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in the “Additional Information on Non-GAAP Financial Measures” section on page 47 of this MD&A.

We believe that the use of FFO, combined with the required primary GAAP presentations, is 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 of intangible assets (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 property, plant and equipment (“PP&E”), distributions on Class B Units of Chartwell Master Care LP (“Class B Units”) recorded as interest expense, change in fair value of financial instruments and foreign exchange gain/(loss), deferred income tax expense/(benefit), remeasurement gain, gain/(loss) on disposal of assets and adjustments for Equity-Accounted JVs. FFO can assist the user of the financial information in comparing the financial and operating performance of our real estate portfolio between financial reporting periods.

Refer to the “Additional Information on Non-GAAP Financial Measures – Funds from Operations” section on page 47 of this MD&A for the reconciliation of net income/(loss), the most closely comparable GAAP measure, to FFO and FFO per unit (“FFOPU”) amounts.

The following table presents FFO and FFOPU:

(\$000s, except per unit amounts)	Q4 2019	Q4 2018	Change	2019	2018	Change
FFO <sup>(1)</sup>	51,883	48,513	3,370	199,729	193,581	6,148
FFOPU <sup>(1)</sup>	0.24	0.23	0.01	0.92	0.90	0.02

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 47 of this MD&A for a discussion of the calculation of the per unit amounts.

For 2019, FFO was \$199.7 million or \$0.92 per unit, compared to \$193.6 million or \$0.90 per unit in 2018. The following items impacted the change in FFO:

- higher adjusted NOI of \$11.7 million consisting of a \$3.9 million increase in same property adjusted NOI and a \$7.8 million increase in contributions from acquisitions and developments;
- higher interest income of \$0.7 million;
- lower G&A expenses of \$0.7 million;
- lower lease termination and lease expense of \$2.2 million; and
- other items combined of \$0.5 million;

offset by:

- higher finance costs of \$8.4 million; and
- higher corporate depreciation of PP&E and intangible assets of \$1.3 million.

For 2019, FFO was impacted by \$8.2 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2018 - \$4.1 million).

Included in 2019 FFO is a \$1.1 million recovery of prior years' property tax expenses and \$0.5 million of related interest income.

**Fourth Quarter:** For Q4 2019, FFO was \$51.9 million or \$0.24 per unit, compared to \$48.5 million or \$0.23 per unit in Q4 2018. The following items impacted the change in FFO:

- higher adjusted NOI of \$2.1 million consisting of a \$0.2 million increase in same property adjusted NOI and a \$1.9 million increase in contributions from acquisitions and developments;
- higher management fee revenue of \$0.5 million;
- lower G&A expenses of \$0.6 million;
- lower lease termination and lease expense of \$1.9 million; and
- other items combined of \$0.1 million

partially offset by:

- higher finance costs of \$1.8 million.

For Q4 2019, FFO was impacted by \$1.8 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q4 2018 – \$1.3 million).

## Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense and adjusted NOI and also include supplemental disclosure of our



same property portfolio and our acquisitions, development and other portfolio. The supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio is non-GAAP and should not be construed as an alternative to GAAP measures. We use these groupings of properties to evaluate and monitor our financial and operating performance and we believe that this additional disclosure enhances the ability to understand and assess our results of operations and particularly to compare such results from period to period. The following provides definitions for each of these portfolio groupings as well as the composition of the portfolio included in the respective grouping for the current reporting period.

### **Same Property Portfolio**

Our same property portfolio excludes properties that have not been owned continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, properties that are undergoing a significant redevelopment or where we have added or expect to add significant capacity in the current year are excluded from the same property portfolio.

The following table summarizes the composition of our same property portfolio as at December 31, 2019:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	146	20,748	16,960
Long Term Care Operations <sup>(1)</sup>	19	2,676	2,676
Total same property portfolio	165	23,424	19,636

(1) Four of our long term care properties (299 beds) in Ontario, which are expected to be sold in 2020, are classified as held for sale and are not included here.

### **Acquisitions, Development and Other Portfolio**

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2018, newly developed properties, properties that are undergoing a significant redevelopment, properties where we have added or expect to add significant capacity in the current year and assets held for sale. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at December 31, 2019:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	18	2,980	2,641
Long Term Care Operations <sup>(1)</sup>	5	399	399
Total acquisitions, development and other portfolio	23	3,379	3,040

(1) Includes four long term care properties (299 beds) which are classified as held for sale.

Acquisitions, development and other portfolio includes five newly-developed and one recently-acquired retirement residences (813 suites at our share of ownership) with an aggregate gross book value of \$296.0 million. These residences had a weighted average occupancy of 32.0% and 25.0% in Q4 2019 and 2019, respectively, and generated adjusted NOI of \$0.3 million and negative adjusted NOI of \$1.7 million in Q4 2019 and 2019, respectively. Upon achieving the expected stabilized occupancy of 96%, these residences are estimated to generate annualized adjusted NOI of \$22.0 million at our share of ownership.

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and identifies contributions from our same property and acquisition, development and other portfolios:

(\$000s, except occupancy rates)	Q4 2019	Q4 2018	Change	2019	2018	Change
<b>Resident revenue</b>	221,061	212,536	8,525	860,595	814,262	46,333
Add: Share of resident revenue from joint ventures <sup>(1)</sup>	29,381	31,965	(2,584)	116,090	125,101	(9,011)
<b>Adjusted resident revenue <sup>(2)</sup></b>	<b>250,442</b>	<b>244,501</b>	<b>5,941</b>	<b>976,685</b>	<b>939,363</b>	<b>37,322</b>
Comprised of:						
Same property <sup>(2)</sup>	219,954	216,331	3,623	861,243	842,428	18,815
Acquisitions, development and other <sup>(2)</sup>	30,488	28,170	2,318	115,442	96,935	18,507
<b>Adjusted resident revenue <sup>(2)</sup></b>	<b>250,442</b>	<b>244,501</b>	<b>5,941</b>	<b>976,685</b>	<b>939,363</b>	<b>37,322</b>
<b>Direct property operating expense</b>	152,837	147,714	5,123	590,016	557,839	32,177
Add: Share of direct property operating expenses from joint ventures <sup>(3)</sup>	18,410	19,694	(1,284)	70,322	76,831	(6,509)
<b>Adjusted direct property operating expense <sup>(2)</sup></b>	<b>171,247</b>	<b>167,408</b>	<b>3,839</b>	<b>660,338</b>	<b>634,670</b>	<b>25,668</b>
Comprised of:						
Same property <sup>(2)</sup>	148,869	145,448	3,421	575,557	560,583	14,974
Acquisitions, development and other <sup>(2)</sup>	22,378	21,960	418	84,781	74,087	10,694
<b>Adjusted direct property operating expense <sup>(2)</sup></b>	<b>171,247</b>	<b>167,408</b>	<b>3,839</b>	<b>660,338</b>	<b>634,670</b>	<b>25,668</b>
<b>Adjusted NOI <sup>(2)</sup></b>	<b>79,195</b>	<b>77,093</b>	<b>2,102</b>	<b>316,347</b>	<b>304,693</b>	<b>11,654</b>
Comprised of:						
Same property <sup>(2)</sup>	71,085	70,883	202	285,686	281,845	3,841
Acquisitions, development and other <sup>(2)</sup>	8,110	6,210	1,900	30,661	22,848	7,813
<b>Adjusted NOI <sup>(2)</sup></b>	<b>79,195</b>	<b>77,093</b>	<b>2,102</b>	<b>316,347</b>	<b>304,693</b>	<b>11,654</b>
Weighted average occupancy rate - same property portfolio	89.9%	91.4%	(1.5pp)	90.0%	91.2%	(1.2pp)
Weighted average occupancy rate - total portfolio	87.9%	90.9%	(3.0pp)	87.6%	90.6%	(3.0pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 16 of this MD&A.

(2) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 21 of this MD&A for explanations and discussion of the significance of these metrics.

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 16 of this MD&A.

Adjusted resident revenue increased 4.0% in 2019, due to a 2.2% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 4.0% in 2019, due to a 2.7% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to higher staffing, food, supplies, office and management expenses, partially offset by lower property tax and marketing expenses.

Adjusted NOI increased \$11.7 million or 3.8% in 2019, due to a 1.4% increase in same property adjusted NOI, and growing contributions from our acquisition, development and other property portfolio.

**Fourth Quarter:** For Q4 2019, adjusted resident revenue increased 2.4% due to a 1.7% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

For Q4 2019, adjusted direct property operating expense increased 2.3% due to a 2.4% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to higher staffing costs and utilities expenses, partially offset by lower marketing and repairs and maintenance expenses.

For Q4 2019, adjusted NOI increased \$2.1 million or 2.7% due to a \$0.2 million or 0.3% growth in same property adjusted NOI and growing contributions from acquisitions and developments.

## Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 164 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment includes 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. 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.

The accounting policies of each of the segments are the same as those for Chartwell except that these segments include Chartwell's proportionate share of its joint ventures. Certain G&A expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is Adjusted NOI (which is resident revenue less direct property operating expense, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expense).

### Retirement Operations

The following table summarizes the composition of our Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
<b>Same Property</b>							
100% owned	106	675	10,980	931	134	451	13,171
50% owned	40	593	6,563	358	63	-	7,577
Total same property owned	146	1,268	17,543	1,289	197	451	20,748
<b>Acquisitions, Development &amp; Other</b>							
100% owned – operating	13	58	1,649	111	63	-	1,881
Partially owned – operating <sup>(1)</sup>	5	-	1,037	62	-	-	1,099
Total acquisitions, development & other	18	58	2,686	173	63	-	2,980
<b>Total</b>	<b>164</b>	<b>1,326</b>	<b>20,229</b>	<b>1,462</b>	<b>260</b>	<b>451</b>	<b>23,728</b>

(1) We own an 85% interest in three of these properties, a 60% interest in one property and, a 45% interest in one property.

The following table presents the results of our Retirement Operations:

(\$000s, except occupancy rates)	Q4 2019	Q4 2018	Change	2019	2018	Change
<b>Adjusted resident revenue</b>	<b>187,667</b>	<b>182,256</b>	<b>5,411</b>	<b>737,076</b>	<b>705,021</b>	<b>32,055</b>
<i>Comprised of:</i>						
Same property <sup>(1)</sup>	165,429	162,445	2,984	652,511	638,321	14,190
Acquisitions, development and other <sup>(1)</sup>	22,238	19,811	2,427	84,565	66,700	17,865
<b>Adjusted direct property operating expense</b>	<b>116,340</b>	<b>113,319</b>	<b>3,021</b>	<b>452,385</b>	<b>431,070</b>	<b>21,315</b>
<i>Comprised of:</i>						
Same property <sup>(1)</sup>	101,540	99,020	2,520	395,786	384,610	11,176
Acquisitions, development and other <sup>(1)</sup>	14,800	14,299	501	56,599	46,460	10,139
<b>Adjusted NOI</b>	<b>71,327</b>	<b>68,937</b>	<b>2,390</b>	<b>284,691</b>	<b>273,951</b>	<b>10,740</b>
<i>Comprised of:</i>						
Same property <sup>(1)</sup>	63,889	63,425	464	256,725	253,711	3,014
Acquisitions, development and other <sup>(1)</sup>	7,438	5,512	1,926	27,966	20,240	7,726
Weighted average occupancy rate - same property portfolio	88.5%	90.2%	(1.7pp)	88.6%	90.1%	(1.5pp)
Weighted average occupancy rate - total portfolio	86.2%	89.7%	(3.5pp)	85.9%	89.4%	(3.5pp)

(1) Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 18 of this MD&A for explanations of ‘Same property’ and ‘Acquisitions, development and other’ and the significance of these metrics.

Adjusted resident revenue increased 4.5% in 2019, due to a 2.2% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 4.9% in 2019, due to a 2.9% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, management, food and repairs and maintenance expenses, partially offset by higher supplier rebates and incentives received and a \$1.0 million recovery of prior years’ property tax expenses due to a successful appeal.

Adjusted NOI increased \$10.7 million or 3.9% in 2019. Same property adjusted NOI increased \$3.0 million or 1.2% in 2019 as follows:

- Our Ontario platform same property adjusted NOI increased \$3.4 million or 2.4%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies, higher property tax expenses and staffing costs.
- Our Western Canada platform same property adjusted NOI decreased \$0.1 million or 0.1%, primarily due to lower occupancies and higher staffing costs, partially offset by rental rate increases in line with competitive market conditions.
- Our Quebec platform same property adjusted NOI decreased \$0.3 million or 0.6%, primarily due to lower occupancies, higher staffing costs, food and repairs and maintenance expenses, partially offset by rental rate increases in line with competitive market conditions and lower property tax expenses as a result of a successful appeal of certain prior years’ assessments.

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

	2019	2018	Change
Ontario	84.8%	86.5%	(1.7pp)
Western Canada	95.1%	96.2%	(1.1pp)
Quebec	90.9%	92.2%	(1.3pp)
Combined	88.6%	90.1%	(1.5pp)

In 2019, occupancy in our retirement same property portfolio was 88.6%, a 1.5 percentage point decrease from 2018, primarily due to competitive market conditions in certain markets within Ontario, Western Canada and Quebec.

**Fourth Quarter:** Adjusted resident revenue increased 3.0% in Q4 2019, due to a 1.8% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 2.7% in Q4 2019, due to a 2.6% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, partially offset lower marketing expenses.

Adjusted NOI increased \$2.4 million or 3.5% in Q4 2019. Same property adjusted NOI increased \$0.5 million or 0.7% in Q4 2019 as follows:

- Our Ontario platform same property adjusted NOI increased \$0.6 million or 1.7%, primarily due to rental rate increases in line with competitive market condition and lower marketing expenses, partially offset by lower occupancies, higher staffing costs and utilities expenses.
- Our Western Canada platform same property adjusted NOI increased \$0.1 million or 0.9%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and higher staffing costs.
- Our Quebec platform same property adjusted NOI decreased \$0.2 million or 1.8%, primarily due to lower occupancies and higher staffing costs, partially offset by rental rate increases in line with competitive market conditions and lower utilities expenses.

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

	Q4 2019	Q4 2018	Change	Q3 2019	Change
Ontario	84.8%	86.7%	(1.9pp)	83.9%	0.9pp
Western Canada	95.0%	96.3%	(1.3pp)	95.2%	(0.2pp)
Quebec	90.6%	92.3%	(1.7pp)	90.7%	(0.1pp)
Combined	88.5%	90.2%	(1.7pp)	88.1%	0.4pp

In Q4 2019, occupancy in our retirement same property portfolio was 88.5%, a decrease of 1.7 percentage points compared to Q4 2018 and an increase of 0.4 percentage points compared to Q3 2019. The decreases in occupancy are primarily due to the impact of the significant number of new competing residence openings in certain of our markets.

## Long Term Care Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property	19	-	75	-	-	2,601	2,676
Acquisitions, development and other <sup>(1)</sup>	5	-	-	-	-	399	399
Total	24	-	75	-	-	3,000	3,075

(1) Includes one Class C residence subject to redevelopment where certain pre-development activities have begun.

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

(\$000s, except occupancy rates)	Q4 2019	Q4 2018	Change	2019	2018	Change
<b>Adjusted resident revenue</b>	<b>62,775</b>	<b>62,245</b>	<b>530</b>	<b>239,609</b>	<b>234,342</b>	<b>5,267</b>
Comprised of:						
Same property <sup>(1)</sup>	54,525	53,885	640	208,732	204,107	4,625
Acquisitions, development and other <sup>(1)</sup>	8,250	8,360	(110)	30,877	30,235	642
<b>Adjusted direct property operating expenses</b>	<b>54,907</b>	<b>54,089</b>	<b>818</b>	<b>207,953</b>	<b>203,600</b>	<b>4,353</b>
Comprised of:						
Same property <sup>(1)</sup>	47,329	46,428	901	179,771	175,973	3,798
Acquisitions, development and other <sup>(1)</sup>	7,578	7,661	(83)	28,182	27,627	555
<b>Adjusted NOI</b>	<b>7,868</b>	<b>8,156</b>	<b>(288)</b>	<b>31,656</b>	<b>30,742</b>	<b>914</b>
Comprised of:						
Same property <sup>(1)</sup>	7,196	7,457	(261)	28,961	28,134	827
Acquisitions, development and other <sup>(1)</sup>	672	699	(27)	2,695	2,608	87
Weighted average occupancy rate - same property portfolio	98.5%	98.5%	-	98.6%	98.3%	0.3pp
Weighted average occupancy rate - total portfolio	98.5%	98.5%	-	98.4%	98.2%	0.2pp

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 18 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased \$0.9 million or 3.0% in 2019. Same property adjusted NOI increased 2.9% primarily due to higher preferred accommodation revenue.

**Fourth Quarter:** Adjusted NOI decreased \$0.3 million or 3.5% in Q4 2019. Same property adjusted NOI decreased 3.5% primarily due to timing of expenses.

## Management and Other Fees

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Welltower	1,639	1,633	6	6,777	7,556	(779)
Other	1,361	826	535	3,989	3,152	837
Total management and other fees	3,000	2,459	541	10,766	10,708	58

In Q4 2019, management and other fees increased \$0.5 million primarily due to higher number of operating properties managed for Batimo.



## Interest Income

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Interest income on loans receivable	466	313	153	1,831	987	844
Interest income on capital funding	527	612	(85)	2,238	2,573	(335)
Other interest income	-	47	(47)	438	291	147
Total interest income	993	972	21	4,507	3,851	656

Interest income on loans receivable increased \$0.8 million and \$0.2 million in 2019 and Q4 2019, respectively, due to the higher balance of loans outstanding.

Other interest income increased by \$0.1 million primarily due to interest earned on recovery of prior years' property tax expenses due to a successful appeal, partially offset by a reduction in interest earned from outstanding cash balances.

## General, Administrative and Trust Expenses

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
G&A expenses	8,746	9,348	(602)	43,148	43,890	(742)

G&A expenses decreased \$0.7 million and \$0.6 million in 2019 and Q4 2019, respectively, primarily due to lower legal expenses and administrative cost reimbursements on certain supplier transition.

## Finance Costs

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Contractual interest expense on mortgages	18,019	17,157	862	71,158	65,438	5,720
Comprised of:						
Same property <sup>(1)</sup>	14,524	14,633	(109)	57,944	58,341	(397)
Acquisitions, development and other <sup>(1)</sup>	3,495	2,524	971	13,214	7,097	6,117
Interest expense on Debentures <sup>(2)</sup>	3,501	3,501	-	13,888	11,881	2,007
Credit facility and other interest expense	896	420	476	2,888	2,827	61
	22,416	21,078	1,338	87,934	80,146	7,788
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	458	228	230	1,617	886	731
	22,874	21,306	1,568	89,551	81,032	8,519
Interest capitalized to properties under development	(1,343)	(1,798)	455	(4,986)	(5,218)	232
Distributions on Class B Units recorded as interest expense	239	241	(2)	961	964	(3)
Total finance costs	21,770	19,749	2,021	85,526	76,778	8,748

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 18 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

(2) "Debentures" refers collectively to the "Series A Debentures" and the "Series B Debentures". See the "Liquidity and Capital Resources – Debt – Debentures" section on page 31 of this MD&A for details.

Contractual interest expense on mortgages increased \$5.7 million and \$0.9 million in 2019 and Q4 2019, respectively, primarily due to higher outstanding mortgage balances.

Interest expense on Debentures increased \$2.0 million in 2019, due to the issuance of the 4.211% "Series B Debentures" in the amount of \$150 million on April 27, 2018.

Interest capitalized to properties under development decreased \$0.2 million and \$0.5 million in 2019 and Q4 2019, respectively, primarily due to construction completion and transfer of several properties to operations.

The following table provides supplemental information related to finance costs for our Equity-Accounted JVs:

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Contractual interest expense on mortgages	495	882	(387)	2,074	2,403	(329)
Comprised of:						
Same property <sup>(1)</sup>	292	272	20	1,179	887	292
Acquisitions, development and other <sup>(1)</sup>	203	610	(407)	895	1,516	(621)
Amortization of finance costs	11	12	(1)	45	116	(71)
Interest capitalized to properties under development	-	(208)	208	(494)	(502)	8
Total finance costs	506	686	(180)	1,625	2,017	(392)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 18 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

## Other Income/(Expense)

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Remeasurement gain	(1,313)	-	(1,313)	37,859	-	37,859
Impairment losses	(27,474)	-	(27,474)	(46,974)	-	(46,974)
Gain on sale of assets	1,024	656	368	6,081	17,519	(11,438)
Transaction costs arising on business acquisitions and dispositions	(543)	(351)	(192)	(1,816)	(3,873)	2,057
Other income	341	373	(32)	887	793	94
Lease termination costs	-	(1,806)	1,806	-	(1,806)	1,806
Property lease expense	-	(102)	102	-	(399)	399
Total other income/(expense)	(27,965)	(1,230)	(26,735)	(3,963)	12,234	(16,197)

In Q1 2019, we acquired the remaining interests in Clair Hills and Oak Ridges Retirement Residences. Chartwell previously owned all the outstanding Class C units and affiliates of the vendors owned all outstanding Class R units in limited partnerships that held these retirement residences. Chartwell's interests in these two properties were previously accounted for as investments in joint ventures using the equity method of accounting. Under IFRS, the acquisition of the remaining interests in these properties required revaluation of the existing interest. This remeasurement resulted in a gain of \$37.9 million in 2019.

Impairment losses recorded in 2019 relate to the write-down in the carrying value of seven retirement residences. The impairment losses resulted from a decline in the operating performance of these properties due to competitive pressures in certain markets.

The gain on sale of assets in 2019 includes a \$1.8 million gain from the disposal of two 100% owned non-core retirement residences and one medical office building in which we had an 85% ownership and the estimated proceeds from insurance relating to water and other damages of approximately \$4.3 million.

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.

As a result of the implementation of IFRS 16 on January 1, 2019, certain lease payments previously expensed to other income are now included in finance costs and depreciation.

## Other Items

(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Depreciation of PP&E and amortization of intangible assets	(46,962)	(45,124)	(1,838)	(180,522)	(172,355)	(8,167)
Change in fair value of financial instruments and foreign exchange gain/(loss)	3,036	3,537	(501)	(3,314)	8,219	(11,533)
Current income tax expense	-	(19)	19	-	(63)	63
Deferred income tax benefit/(expense)	8,889	(19,226)	28,115	(10,209)	(19,145)	8,936

Depreciation of PP&E increased \$8.2 million in 2019 and \$1.8 million in Q4 2019, primarily due to increases in the property portfolio from new developments and acquisitions, partially offset by depreciation adjustments.

Change in fair value of financial instruments and foreign exchange gain/(loss) is primarily resulting from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties subject to income guarantees.

The deferred tax expense in 2019 primarily relates to step accounting adjustments on the acquisition of the remaining interests in Clair Hills and Oak Ridges Retirement Residences accounted for as business combinations. This was partially offset by the deferred tax benefit recorded in Q3 2019 as a result of the impairment losses.

## Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2019 and 2018 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(18.9)	Change in cash flows from operating activities is primarily due to changes in working capital, higher interest paid and higher net operating income.
Financing activities	(42.9)	Change in cash flows from financing activities is due to higher proceeds from 4.211% debenture issuance in 2018 when compared to proceeds from unsecured term loan in 2019, and lower proceeds from mortgage financing activities.
Investing activities	69.9	Change in cash flows from investing activities is primarily due to lower net cash outflow for acquisitions and lower contributions from joint ventures, partially offset by lower proceeds from asset sales, higher PP&E and intangible asset additions and lower distributions from joint ventures.

## Liquidity and Capital Resources

### Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders. Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, unsecured term loans, senior unsecured debentures, and equity financing.

At December 31, 2019 our liquidity was \$414.7 million as presented in the following table:

(\$000s)	December 31, 2019	December 31, 2018
Cash and cash equivalents	22,890	29,779
Available under Credit Facilities	391,781	385,767
Total	414,671	415,546

In addition, at December 31, 2019, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$5.0 million.

As at December 31, 2019, our current liabilities totalled \$391.3 million, exceeding current assets of \$88.0 million, resulting in a working capital deficiency of \$303.3 million. Current liabilities include an amount of \$206.6 million of current mortgages payable, comprised of \$133.0 million related to maturing balances, and \$73.6 million related to principal amortization and unamortized mark-to-market adjustments net of unamortized finance costs. We expect to refinance these mortgages in the normal course at, or in some cases prior to, their maturities. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, (iii) secured and unsecured credit facilities, and (iv) unsecured term loans. In addition, subject to market conditions, we may dispose of certain non-core assets and seek to raise funds through new senior unsecured debentures or equity financing.

### Debt

Our debt portfolio currently consists of property-specific mortgages, Debentures, Credit Facilities, and an unsecured term loan. Our debt management objective is to maximize financial flexibility and to maintain a strong balance sheet by:

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate financing;
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of the principal of our total debt maturing in any year;
- proactively managing our short-term maturities and where appropriate, refinancing maturing mortgages with long-term debt; and
- growing our unencumbered asset pool.

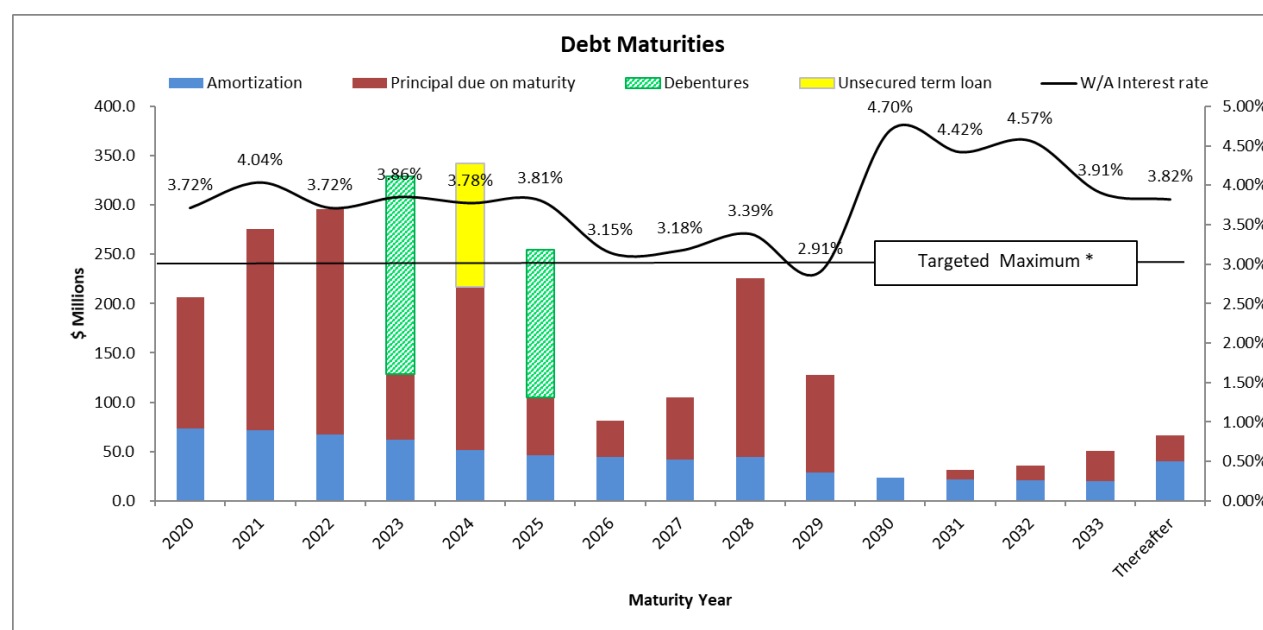
The following table summarizes the components of the principal balance of our debt at December 31, 2019 and December 31, 2018:

(\$000s)	December 31, 2019	December 31, 2018
Mortgages payable	1,975,089	1,836,904
Series A Debentures	200,000	200,000
Series B Debentures	150,000	150,000
Unsecured term loan	125,000	-
Total	2,450,089	2,186,904

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at December 31, 2019:

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Debentures	Weighted Average Interest Rate	Unsecured Term Loan	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
2020	73,284	132,998	206,282	3.72%	-	-	-	-	206,282	3.72%
2021	71,586	203,916	275,502	4.04%	-	-	-	-	275,502	4.04%
2022	67,589	227,920	295,509	3.72%	-	-	-	-	295,509	3.72%
2023	61,548	67,129	128,677	3.96%	200,000	3.79%	-	-	328,677	3.86%
2024	51,841	165,242	217,083	3.92%	-	-	125,000	3.52%	342,083	3.78%
2025	45,822	59,178	105,000	3.24%	150,000	4.21%	-	-	255,000	3.81%
2026	44,362	37,235	81,597	3.15%	-	-	-	-	81,597	3.15%
2027	41,765	63,176	104,941	3.18%	-	-	-	-	104,941	3.18%
2028	44,547	180,955	225,502	3.39%	-	-	-	-	225,502	3.39%
2029	28,301	99,064	127,365	2.91%	-	-	-	-	127,365	2.91%
2030	23,154	-	23,154	4.70%	-	-	-	-	23,154	4.70%
2031	21,814	9,490	31,304	4.42%	-	-	-	-	31,304	4.42%
2032	20,657	14,978	35,635	4.57%	-	-	-	-	35,635	4.57%
2033	19,638	31,224	50,862	3.91%	-	-	-	-	50,862	3.91%
Thereafter	40,358	26,318	66,676	3.82%	-	-	-	-	66,676	3.82%
<b>Total</b>	<b>656,266</b>	<b>1,318,823</b>	<b>1,975,089</b>	<b>3.68%</b>	<b>350,000</b>	<b>3.97%</b>	<b>125,000</b>	<b>3.52%</b>	<b>2,450,089</b>	<b>3.71%</b>

The following chart provides a breakdown of our debt maturities at December 31, 2019:



\* 10% of total debt = \$245.0 million

## Mortgage Debt

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of December 31, 2019, approximately 71% of our total 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.

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2019:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate	% CMHC Insured
Principal balance at December 31, 2018	1,836,904	7.1	3.80%	68%
Matured in the period	(112,297)	-	3.65%	-
Assumed mortgages	57,398	4.9	2.72%	48%
New mortgage financings	269,212	10.1	2.92%	67%
Amortizing principal repayments	(70,963)	N/A	N/A	N/A
Repayment upon disposal of assets	(5,165)	-	-	-
Principal balance at December 31, 2019	1,975,089	6.8	3.68%	71%
Mark-to-market adjustments on assumed mortgages	9,389			
Finance costs	(43,800)			
Mortgages payable at December 31, 2019	1,940,678			

Assumed mortgages are the result of the acquisition of the remaining interests in Clair Hills and Oak Ridges Retirement Residences. Prior to this transaction, our interests in these entities were accounted for as investments in joint ventures using the equity method of consolidation.

New mortgage financings includes 11 CMHC-insured mortgages of \$181.5 million with a weighted average interest rate of 2.58% and a weighted average term to maturity of 10.8 years, conventional mortgages of \$68.2 million with a weighted average interest rate of 3.71% and a weighted average term to maturity of 10.3 years and construction financing for two properties under development of \$19.5 million with a weighted average interest rate of 3.33% and a weighted average term to maturity of 2.2 years.

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

	At December 31, 2019			At December 31, 2018	
	Fixed Rate	Variable Rate	Total	Total	Total
Principal amount (\$000s)	1,920,778	54,311	1,975,089		1,836,904
Weighted average interest rate	3.68%	3.52%	3.68%		3.80%
Average term to maturity (years)	7.0	1.2	6.8		7.1

The following tables are supplemental information and summarize the components of our debt at December 31, 2019 and December 31, 2018 for our Equity-Accounted JVs:

(\$000s)	December 31, 2019	December 31, 2018
Principal balance of mortgages payable	48,847	99,783
Finance costs	(93)	(1,416)
Mortgages payable at December 31, 2019	48,754	98,367

The decrease in mortgages payable of our Equity-Accounted JVs is a result of our acquisition of the remaining interests in Clair Hills and Oak Ridges Retirement Residences in Q1 2019. Prior to this transaction, our interests in these entities were accounted for as investments in joint ventures using the equity method of consolidation.

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
2020	386	-	386	4.32%
2021	368	36,943	37,311	4.07%
2022 and thereafter	-	11,150	11,150	4.29%
Total	754	48,093	48,847	4.13%



## Credit Facilities

At December 31, 2019, our Credit Facilities had a total maximum borrowing capacity of \$400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

(\$000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Borrowed	Available	Maturity Date
Secured credit facility	300,000	300,000	(8,219)	-	291,781	May 29, 2024
Unsecured credit facility <sup>(1)</sup>	100,000	100,000	-	-	100,000	May 29, 2024
<b>Total Credit Facilities</b>	<b>400,000</b>	<b>400,000</b>	<b>(8,219)</b>	<b>-</b>	<b>391,781</b>	

(1) An option to increase borrowing capacity by an additional \$50.0 million is available, subject to certain conditions.

The cost of Credit Facilities is based on Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the secured credit facility bear interest at the banks' prime rate ("Prime") plus 65 bps or BA plus 165 bps, and amounts borrowed under the unsecured credit facility bear interest at Prime plus 70 bps or BA plus 170 bps.

On May 10, 2019, we entered into amending agreements with our syndicate lenders to extend the maturity of our Credit Facilities by three years to May 29, 2024.

The Credit Facilities include covenants generally applicable to such facilities, such as limitations on certain investments and hedging arrangements, overall leverage ratio, debt service coverage ratio, distributions payout ratio and, in the case of the unsecured credit facility, secured indebtedness ratio and unencumbered asset value ratio. Please refer to the "Financial Covenants" section of this MD&A for calculations of these covenants.

## Unsecured Term Loan

On December 10, 2019, we entered into \$125.0 million unsecured term loan agreement with a Canadian chartered bank. The loan matures on May 31, 2024 and through an interest rate swap, bears a fixed interest rate of 3.523%. The unsecured term loan is subject to covenants that are generally consistent with the covenants on our Credit Facilities.

## Debentures

On June 9, 2017, we issued \$200.0 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt finance costs of \$1.6 million were incurred and recorded against the principal owing.

On April 27, 2018, we issued \$150.0 million of 4.211% Series B senior unsecured debentures (the "Series B Debentures") due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Debt finance costs of \$1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Debentures:

(\$000s)	As at December 31, 2019	As at December 31, 2018
Series A Debentures outstanding	200,000	200,000
Series B Debentures outstanding	150,000	150,000
Unamortized finance costs	(1,706)	(2,117)
<b>Carrying value</b>	<b>348,294</b>	<b>347,883</b>

## Credit Rating

On October 11, 2019, DBRS confirmed the BBB(low) rating of our Debentures with a stable trend.

## Financial Covenants

Our Credit Facilities and Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The following discussions provide the status of our various financial covenants related to our Credit Facilities and Debentures.

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 10, 2019 (together, the "Credit Agreements"), and in the trust indentures for the Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

### Credit Facilities

#### 1. Debt Service Coverage Ratio for Credit Facilities

We are required to maintain a minimum debt service coverage ratio of 1.40 on a rolling 12-month basis.

(\$000s, except debt service coverage ratio)	12 months December 31, 2019	12 months December 31, 2018
Consolidated EBITDA for Credit Facilities <sup>(1)</sup>	296,370	280,312
Consolidated interest expense for Credit Facilities <sup>(2)</sup>	90,008	82,549
Consolidated regularly-scheduled debt principal payments for Credit Facilities <sup>(3)</sup>	71,455	64,331
Consolidated debt service payments for Credit Facilities	161,463	146,880
Debt service coverage ratio for Credit Facilities	1.84	1.91

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.

(3) Refer to the "Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities" section on page 37 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.

#### 2. Total Leverage Ratio for Credit Facilities

We are required to maintain a total leverage ratio below 65%.

(\$000s, except total leverage ratio)	As at December 31, 2019	As at December 31, 2018
Consolidated indebtedness for Credit Facilities <sup>(1)</sup>	2,522,196	2,296,833
Adjusted consolidated gross book value of assets for Credit Facilities <sup>(2)</sup>	4,836,884	4,601,517
Total leverage ratio for Credit Facilities	52.1%	49.9%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 38 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

### 3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

We are required to maintain an adjusted consolidated unitholders' equity of at least \$1,000 million, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At December 31, 2019, the minimum adjusted consolidated unitholders' equity requirement was \$1,194 million.

(\$000s)	As at December 31, 2019	As at December 31, 2018
Unitholders' equity per Financial Statements	837,567	933,520
Adjustment for accumulated depreciation and amortization for Credit Facilities <sup>(1)</sup>	1,074,265	919,881
Class B Units	22,210	22,456
Deferred Trust Units ("DTUs")	15,038	13,313
Adjusted consolidated unitholders' equity for Credit Facilities	1,949,080	1,889,170

(1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$20.2 million at December 31, 2019 (\$25.1 million at December 31, 2018) and fully amortized assets of \$236.3 million at December 31, 2019 (\$228.0 million at December 31, 2018).

### 4. Payment of Cash Distributions for Credit Facilities

Our Credit Facilities require that our cash distributions do not exceed 100% of our AFFO for Credit Facilities.

(\$000s, except percentage of AFFO)	2019	2018
Distributions declared on Trust Units	127,617	124,006
Distributions on Class B Units	961	964
Distributions on DTUs	608	534
Total distributions for Credit Facilities	129,186	125,504
Less:		
Non-cash distributions settled by DRIP	26,937	21,253
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	919	889
Non-cash distributions applied to DTUs	608	534
Cash distributions for Credit Facilities	100,722	102,828
AFFO for Credit Facilities <sup>(1)</sup>	186,304	182,631
Cash distributions as a percentage of AFFO for Credit Facilities	54.1%	56.3%

(1) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities" section on page 38 of this MD&A for the calculation of AFFO for Credit Facilities.

### 5. Investment Restrictions for Credit Facilities

Our Credit Agreements include certain restrictions on investments in certain joint ventures, loans receivable and properties held for development as follows:

(\$000s)	Threshold as of December 31, 2019	As at December 31, 2019	As at December 31, 2018
Non-qualifying joint ventures and investments <sup>(1)</sup>	241,844	-	-
Loans receivable <sup>(2)</sup>	725,533	18,731	14,905
Investments in property held for development/construction as defined in the Credit Facilities <sup>(2)</sup>	725,533	174,841	235,960
Combined <sup>(3)</sup>	1,209,221	193,572	250,865

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities.

(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities.

(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities.

The following financial covenants are only applicable to the unsecured credit facility:

## 6. Secured Indebtedness Ratio for the Unsecured Credit Facility

We are required to maintain a secured indebtedness to adjusted consolidated gross book value of assets ratio of below 55%.

(\$000s, except secured indebtedness ratio)	As at December 31, 2019	As at December 31, 2018
Secured indebtedness for the unsecured credit facility <sup>(1)</sup>	2,023,936	1,936,687
Adjusted consolidated gross book value of assets for Credit Facilities <sup>(2)</sup>	4,836,884	4,601,517
Secured indebtedness ratio for the unsecured credit facility	41.8%	42.1%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of secured indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 38 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

## 7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

We are required to maintain the unencumbered property asset value at more than 1.3 times our consolidated unsecured indebtedness.

(\$000s, except unencumbered property asset ratio)	As at December 31, 2019	As at December 31, 2018
Unencumbered property asset value for the unsecured credit facility <sup>(1)</sup>	915,550	676,900
Unsecured indebtedness for the unsecured credit facility <sup>(2)</sup>	498,260	360,146
Unencumbered property asset ratio for the unsecured credit facility	1.8	1.9

(1) Includes 39 properties valued at \$915.6 million as of December 31, 2019 (33 properties valued at \$676.9 million as of December 31, 2018) with valuations completed through third-party appraisals.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of unsecured indebtedness for the Credit Facilities.

## Debentures

### 1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Debentures ("Interest Coverage Ratio for Debentures")

We are required at all times to maintain an Interest Coverage Ratio for Debentures of not less than 1.65 on a proforma basis and calculated based on the definitions for the Debentures.

(\$000s, except Interest Coverage Ratio)	12 months December 31, 2019	12 months December 31, 2018
Consolidated EBITDA for Debentures <sup>(1)</sup>	297,677	286,658
Consolidated interest expense for Debentures <sup>(2)</sup>	95,530	89,922
Interest Coverage Ratio for Debentures	3.1	3.2

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of consolidated EBITDA for Debentures.

(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of consolidated interest expense for Debentures.

## 2. Indebtedness Percentage for Debentures

We are required to maintain a ratio of consolidated indebtedness to aggregate adjusted assets of less than or equal to 65%.

(\$000s, except indebtedness percentage)	December 31, 2019	December 31, 2018
Consolidated indebtedness for Debentures <sup>(1)</sup>	2,483,937	2,248,178
Aggregate adjusted assets for Debentures <sup>(2)</sup>	4,809,030	4,561,410
Indebtedness percentage for Debentures	51.7%	49.3%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of consolidated indebtedness for Debentures.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 38 of this MD&A for the calculation of aggregate adjusted assets for Debentures.

## 3. Coverage Ratio for Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

(\$000s, except ratio)	December 31, 2019	December 31, 2018
Unencumbered aggregate adjusted assets for Debentures <sup>(1)</sup>	915,550	676,900
Unsecured indebtedness for Debentures <sup>(2)</sup>	487,854	351,598
Coverage ratio for Debentures	1.9	1.9

(1) Includes 39 properties valued at \$915.6 million as of December 31, 2019 (33 properties valued at \$676.9 million as of December 31, 2018) with valuations completed through third-party appraisals.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

## Supporting Covenant Calculations

### 1. Consolidated EBITDA for Credit Facilities and Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities and Debentures.

(\$000s)	12 months December 31, 2019	12 months December 31, 2018
Net income/(loss)	1,067	18,519
Remeasurement gain	(37,859)	-
Gain on disposal of assets <sup>(1)</sup>	(6,083)	(17,492)
Transaction costs	1,816	3,873
Impairment losses	46,974	-
Non-cash change in fair value of financial instruments and foreign exchange loss/(gain) <sup>(1)</sup>	3,391	(7,548)
Consolidated net income/(loss) for Credit Facilities	9,306	(2,648)
Consolidated finance costs <sup>(1)</sup>	87,151	78,795
Consolidated depreciation of PP&E and amortization of intangible assets <sup>(1)</sup>	183,387	178,977
Consolidated income tax expense/(benefit)	10,209	19,208
Principal portion of capital funding	6,317	5,980
Consolidated EBITDA for Credit Facilities	296,370	280,312
Proforma adjustments <sup>(2)</sup>	1,307	6,346
Consolidated EBITDA for Debentures	297,677	286,658

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period and up to the date of this MD&A, on a proforma basis.

### 2. Consolidated Interest Expense for Credit Facilities and Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities and Debentures.

(\$000s)	12 months December 31, 2019	12 months December 31, 2018
Interest on mortgages <sup>(1)</sup>	73,232	67,841
Interest on Debentures	13,888	11,881
Interest on Credit Facilities	2,888	2,827
Consolidated interest expense for Credit Facilities	90,008	82,549
Proforma adjustments <sup>(2)</sup>	5,522	7,373
Consolidated interest expense for Debentures	95,530	89,922

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis.



### 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

The following table summarizes regularly-scheduled principal debt payments for the Credit Facilities.

(\$000s)	12 months December 31, 2019	12 months December 31, 2018
Regularly-scheduled debt principal payments per Financial Statements	70,963	63,833
Regularly-scheduled debt principal payments for equity-accounted entities	492	498
Regularly-scheduled debt principal payments for Credit Facilities	71,455	64,331

### 4. Consolidated Indebtedness for Credit Facilities and Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities and Debentures.

(\$000s)	December 31, 2019	December 31, 2018
Principal balance of mortgages payable	1,975,089	1,836,904
Principal balance of mortgages payable related to Equity-Accounted JVs	48,847	99,783
Outstanding amount on the secured credit facility	-	-
Secured indebtedness for the unsecured credit facility	2,023,936	1,936,687
Principal balance of Debentures	350,000	350,000
Unsecured term loan	125,000	-
Capital lease obligations	12,855	1,598
Unsecured indebtedness for Debentures	487,855	351,598
Outstanding letters of credit	8,219	5,998
Third-party guarantees	2,186	2,550
Unsecured indebtedness for Credit Facilities	498,260	360,146
Consolidated indebtedness for Credit Facilities	2,522,196	2,296,833
<i>Add (Subtract):</i>		
Outstanding letters of credit	(8,219)	(5,998)
Third-party guarantees	(2,186)	(2,550)
Cash and cash equivalents	(22,890)	(29,779)
Cash and cash equivalents of Equity-Accounted JVs	(4,964)	(10,328)
Consolidated indebtedness for Debentures	2,483,937	2,248,178

## 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures

The following table provides the calculations of both the adjusted consolidated gross book value of assets for Credit Facilities and the aggregate adjusted assets for Debentures.

(\$000s)	December 31, 2019	December 31, 2018
Book value of assets <sup>(1)</sup>	3,541,225	3,410,672
Gross book value adjustment on IFRS transition	221,394	270,964
Adjustment for accumulated depreciation and amortization for Credit Facilities <sup>(2)</sup>	1,074,265	919,881
Adjusted consolidated gross book value of assets for Credit Facilities	4,836,884	4,601,517
<i>Add (Subtract):</i>		
Cash and cash equivalents	(22,890)	(29,779)
Cash and cash equivalents of Equity-Accounted JVs	(4,964)	(10,328)
Proforma adjustments <sup>(3)</sup>	-	-
Aggregate adjusted assets for Debentures	4,809,030	4,561,410

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$20.2 million at December 31, 2019 (\$25.1 million at December 31, 2018) and fully amortized assets of \$236.3 million at December 31, 2019 (\$228.0 million at December 31, 2018).

(3) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis.

## 6. Adjusted Funds from Operations for Credit Facilities

AFFO for Credit Facilities is calculated based on the definition used in our Credit Agreements and is likely not comparable to similar measures used by other entities. In accordance with the Credit Agreements, AFFO is calculated by adding or subtracting certain items measured to or from FFO as follows where, as required by the agreement, all such items are adjusted to account for our Equity-Accounted JVs using the proportionate consolidation method:

**Principal portion of capital funding receivable:** This item represents the principal portion of the long-term cash flow stream provided in the respective period by the MLTC to communities which meet certain design criteria.

**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 finance costs and fair value adjustments on assumed mortgages:** Adjustments for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

**Finance cost reserve:** This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and 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.

The following table provides the calculation of AFFO for Credit Facilities for the purposes of the covenant calculations in the Credit Agreements:

(\$000s)	2019	2018
FFO <sup>(1)</sup>	199,729	193,581
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	6,317	5,980
Income guarantees <sup>(2)</sup>	1,007	3,572
Amortization of finance costs and fair value adjustments on assumed mortgages <sup>(3)</sup>	536	(230)
Finance cost reserve	(1,751)	(1,485)
AFFO for Credit Facilities before capital maintenance reserve	205,838	201,418
Capital maintenance reserve - 2% of property revenue	(19,534)	(18,787)
AFFO for Credit Facilities	186,304	182,631

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 47 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(3) Non-GAAP; 2019 excludes \$1.1 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2018 - \$1.2 million).

## Total Equity

The following table summarizes changes in the number of outstanding units during 2019:

	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total Equity <sup>(1)</sup>
Balance December 31, 2018	210,991,550	1,523,482	1,642,738	974,063	215,131,833
Trust Units issued pursuant to DRIP	1,880,295	-	-	-	1,880,295
Trust Units issued under EUPP	-	115,768	-	-	115,768
Trust Units released on settlement of EUPP receivable	138,305	(138,305)	-	-	-
Exchange of Class B Units into Trust Units	44,878	-	(44,878)	-	-
DTUs issued	-	-	-	66,632	66,632
Distributions on DTUs	-	-	-	41,172	41,172
Balance December 31, 2019	213,055,028	1,500,945	1,597,860	1,081,867	217,235,700

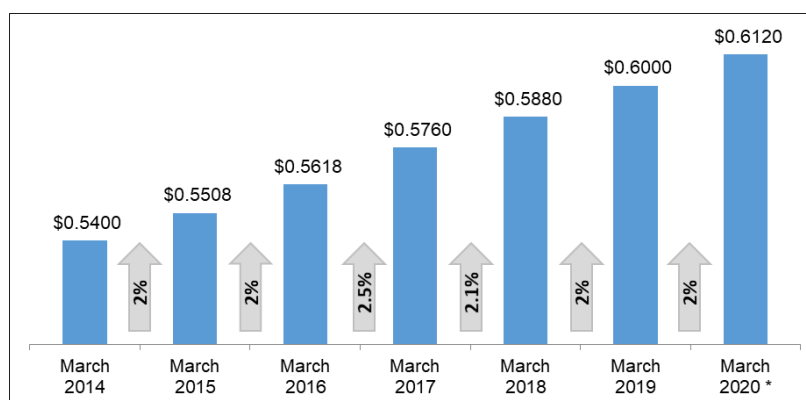
(1) Non-GAAP; includes Class B Units and DTUs which are classified as liabilities in our Financial Statements.

## Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate.

On February 27, 2020, the Trustees approved a 2.0% increase in our monthly distributions from \$0.600 annualized per unit to \$0.612 annualized per unit effective for the March 31, 2020 distribution payable on April 15, 2020.

The following chart summarizes increases in our annualized per unit distributions since 2014:



\* Effective for the March 31, 2020 distribution payable on April 15, 2020.

Unitholders who are Canadian residents are eligible to participate in our 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 our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2019, our average DRIP participation was 22.9% compared to 17.3% participation in 2018.

The following table summarizes distributions declared on Trust Units in Q4 2019, 2019, 2018 and 2017 in relation to net income/(loss) and cash flows from operating activities:

(\$000s)	Q4 2019	2019	2018	2017
Cash flows from operating activities	64,891	196,548	215,486	182,823
Net income/(loss)	(11,485)	1,067	18,519	13,082
Distributions declared on Trust Units	32,126	127,617	124,006	112,025
Excess cash flows from operating activities over distributions declared on Trust Units	32,765	68,931	91,480	70,798
Deficit of net income/(loss) over distributions declared on Trust Units	(43,611)	(126,550)	(105,487)	(98,943)

We do not use net income/(loss) as determined in accordance with GAAP as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, distributions on Class B Units recorded as interest expense, non-cash depreciation and amortization, changes in fair values of certain liabilities and impairment losses. We do not consider non-cash depreciation and amortization, fluctuations in fair values of certain liabilities and impairment losses in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our distributions are sustainable.

## Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for December 31, 2019 compared to December 31, 2018.

	<b>Increase (Decrease)</b> (\$millions)	<b>Explanation</b>
Total assets	175.5	Total assets increased primarily due to increases in PP&E, due to acquisitions, developments and capital investments in our property portfolio.
Total liabilities	271.5	Total liabilities increased primarily due to debt used to finance investing activities.
Equity	(96.0)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

## Capital Investments

We regularly reinvest capital in our owned property portfolio. These investments are made with the goal of growing our property NOI. The strategic allocation of our resources to such capital investments is driven by three key objectives:

1. Improve competitive positioning of our properties in their markets to support growth in occupancies and resident revenue.
2. Improve operating efficiencies through provision of enhanced services to our residents and cost containment strategies, including investments in energy conservation projects.
3. Maintain the quality of our portfolio in compliance with applicable laws and regulations to sustain and grow the value of our real estate.

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price. We normally prepare a five-year capital plan for such properties, which often includes investments in property repositioning, such as suite and common area upgrades.

The following table summarizes our capital investments in 2019 and 2018:

(\$000s)	2019			2018		
	Properties Owned prior to January 1, 2015 <sup>(1)</sup>	Properties Acquired since January 1, 2015 <sup>(2)</sup>	Total	Properties Owned prior to January 1, 2015 <sup>(3)</sup>	Properties Acquired since January 1, 2015 <sup>(4)</sup>	Total
Building improvements	34,439	8,001	42,440	22,043	3,309	25,352
Mechanical and electrical ("M&E")	10,991	2,696	13,687	10,246	2,162	12,408
Suite improvements and upgrades	15,457	4,339	19,796	16,470	4,245	20,715
Interior improvements and upgrades	4,360	1,224	5,584	4,646	1,197	5,843
Furniture, fixtures and equipment	6,575	2,663	9,238	9,063	2,328	11,391
Communications and information systems	408	213	621	2,221	223	2,444
	72,230	19,136	91,366	64,689	13,464	78,153
Properties under development			48,215			107,813
Land			3,500			6,125
Chartwell Hub <sup>(5)</sup>			44,255			24,641
Total capital investments			187,336			216,732

(1) Includes 156 properties (17,975 suites at Chartwell's share of ownership).

(2) Includes 32 properties (4,655 suites at Chartwell's share of ownership).

(3) Includes 160 properties (18,470 suites at Chartwell's share of ownership).

(4) Includes 26 properties (3,755 suites at Chartwell's share of ownership).

(5) Cost incurred for the development of Chartwell Hub. The cumulative cost as at December 31, 2019 is \$82.5 million; the total expected development costs are \$85.4 million. The construction was substantially completed in January 2020.

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2019 and 2018 not included in the table above:

(\$000s)	2019			2018		
	Properties Owned prior to January 1, 2015	Properties Acquired since January 1, 2015	Total	Properties Owned prior to January 1, 2015	Properties Acquired since January 1, 2015	Total
Capital investments in Equity-Accounted JVs	1,979	7,691	9,670	2,371	9,886	12,257

## Building Improvements

This category primarily includes investments in facades, balconies, garages, elevators and parking lots. In addition to preserving the existing revenue generating capacity and value of the properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (i.e. parking rates) and operating cost savings (i.e. energy efficient windows and doors, improved building insulation).

In 2019, we completed 137 major building improvement projects valued over \$50,000 each, totalling \$38.7 million (2018 – 122 projects totalling \$22.8 million). In addition, included in this category are acquisitions of eight condominium suites at two of our properties in British Columbia totalling \$3.0 million (2018 – four condominium suites for \$1.3 million).

### ***Mechanical and Electrical***

This category primarily includes investments in heating, air conditioning and ventilation systems, fire safety systems, including sprinklers and lighting systems. These investments are generally expected to result in energy cost savings and lower equipment maintenance costs over time.

In 2019, we completed 96 major M&E projects valued over \$50,000 each, totalling \$12.9 million (2018 – 82 projects totalling \$10.2 million).

### ***Suite Improvements and Upgrades***

This category includes capital investments in resident suites. Over the past four years we have developed a program of strategic capital allocation to resident suite upgrades. These discretionary investments are made to improve the competitive position of our properties in the market and to allow for higher rental rate increases on suite turnover. In most cases, in addition to regular painting, resident suite upgrades include flooring upgrades and often full renovations of bathroom and kitchen facilities.

In 2019, 82 properties were subject to strategic suite upgrade programs (2018 – 81 properties).

### ***Interior Improvements and Upgrades***

This category includes investments in common areas of our properties that are made primarily to improve their marketability. This investment includes upgrades to property resident amenity areas, such as hallways, dining rooms, lounges, theatres, etc.

In 2019, 57 properties were subject to strategic common area upgrade programs (2018 – 66 properties).

### ***Furniture, Fixtures and Equipment***

This category primarily includes investments in resident area and model suite furnishings and equipment, including upgrades to commercial kitchens and investments in resident transportation programs. These investments are primarily made to improve competitiveness of our properties and to provide enhanced services to our residents.

### ***Communication and Information Services***

This category includes investments in telecommunication systems, including emergency call systems and computer hardware.



## Commitments and Contingencies

### Contractual Obligations

The following table summarizes the maturities on major financial liabilities as at December 31, 2019:

(\$000s)	Total	2020	2021	2022	2023	2024	Thereafter
Mortgages payable	1,975,089	206,282	275,502	295,509	128,677	217,083	852,036
Debentures	350,000	-	-	-	200,000	-	150,000
Accounts payable and other liabilities	137,171	137,171	-	-	-	-	-
Distributions payable	10,808	10,808	-	-	-	-	-
Unsecured term loan	125,000	-	-	-	-	125,000	-
Office leases	1,360	287	187	203	203	195	285
Land leases	24,567	376	376	376	376	426	22,637
Total maturities	2,623,995	354,924	276,065	296,088	329,256	342,704	1,024,958

Office leases relate to the agreements for office spaces in Montreal and Vancouver.

Land leases relate to three properties and expire between 2044 and 2079.

### Guarantees

We remain a guarantor of mortgages on two properties sold in 2014 with the aggregate outstanding balance as of December 31, 2019 of \$2.2 million. The purchasers of these properties have indemnified us with respect to these guarantees.

As of December 31, 2019, together with our partners, we have jointly and severally guaranteed loans on certain joint arrangements to an aggregate maximum amount of \$239.4 million. As at December 31, 2019, outstanding balances on these loans were \$199.5 million.

### Other Contracts

Pursuant to our agreements with Batimo, upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, provided mezzanine loans, at 99% of fair market value ("FMV") as defined in the agreements (the "Batimo Option"). The Batimo Option is for a five-year period commencing on the opening of the related property. Upon expiry of the Batimo Option, we have a two-year option to acquire an 85% interest in the property at FMV. As of December 31, 2019, there were nine projects with 2,741 suites that were subject to this arrangement, of which two were stabilized, five are in lease-up and two are in construction. Under our agreements with Welltower, Welltower may participate as Chartwell's equal partner in acquisitions of interests in two of these projects.

Chartwell Le St-Gabriel and Chartwell L'Unique III have achieved stabilized occupancy as defined in our agreements with Batimo and we expect to acquire a 42.5% interest in Chartwell Le St-Gabriel for \$37.9 million in Q1 2020, and an 85% interest in Chartwell L'Unique III for approximately \$33.1 million in Q2 2020.

### Letters of Credit

As at December 31, 2019, we were contingently liable for letters of credit in the amount of \$8.2 million.

## Litigation and Claims

In the ordinary course of business activities, we may be contingently liable for litigation and claims from, among others, residents, partners and former employees. We believe that adequate provisions have been recorded in the accounts, where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, we believe, but cannot provide absolute assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on our financial position.

## Summary of Select Financial Information

### Annual Financial Information

The following table summarizes selected annual financial information for each of the past three years ended December 31:

(\$000s, except per unit amounts)	2019	2018	2017
Resident revenues	860,595	814,262	752,775
Total revenues	915,312	866,654	800,294
Direct property operating expenses	590,016	557,839	520,376
Net income/(loss)	1,067	18,519	13,082
Total assets	3,494,394	3,318,848	3,013,899
Total non-current liabilities	2,265,496	2,013,434	1,675,847
Total liabilities	2,656,827	2,385,328	2,003,732
Distributions declared per unit	0.59800	0.58600	0.57364

Our annual results for the past three years have been primarily affected by acquisitions, developments and dispositions.

## Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	234,915	229,610	227,438	223,349	225,828	219,698	214,578	206,550
Direct property operating expenses	(152,837)	(146,460)	(146,555)	(144,164)	(147,714)	(138,877)	(135,901)	(135,347)
Depreciation and amortization	(46,962)	(42,027)	(46,259)	(45,274)	(45,124)	(45,262)	(41,194)	(40,775)
Share of net income/(loss) from joint ventures	(45)	1,797	309	392	(53)	881	353	301
G&A expenses	(8,746)	(9,194)	(12,459)	(12,749)	(9,348)	(9,960)	(12,052)	(12,530)
Other income/(expense)	(27,965)	(17,046)	2,155	38,893	(1,230)	232	312	12,920
Finance costs	(21,770)	(21,633)	(21,597)	(20,526)	(19,749)	(19,924)	(19,572)	(17,533)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	3,036	2,774	(2,976)	(6,148)	3,537	2,338	436	1,908
Current income tax benefit/(expense)	-	-	-	-	(19)	(18)	(18)	(8)
Deferred income tax benefit/(expense)	8,889	1,363	(1,639)	(18,822)	(19,226)	27	26	28
Net income/(loss) for the period	(11,485)	(816)	(1,583)	14,951	(13,098)	9,135	6,968	15,514
FFO <sup>(1)</sup>	51,883	53,657	47,106	47,083	48,513	53,329	48,919	42,820
FFOPU <sup>(1)</sup>	0.24	0.25	0.22	0.22	0.23	0.25	0.23	0.20

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 47 of this MD&A.

Our results for the past eight quarters have primarily been affected by deferred income tax expense, developments, acquisitions and dispositions as described in the "Significant Events" section on page 10 of this MD&A and in our 2018 MD&A, and changes in fair value of financial instruments, foreign exchange gains and losses, impairment losses, remeasurement gains and deferred income taxes.

Seasonal factors have a limited effect on our quarterly results as there is not a predictable pattern as to the effect of such factors. Seasonal factors include outbreaks and weather patterns.

## Additional Information on Non-GAAP Financial Measures

As described in the relevant sections of this MD&A, where a Non-GAAP Financial Measure is discussed for the first time, we have described why we believe it is useful to investors and how management uses the Non-GAAP Financial Measure. Non-GAAP Financial Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Financial Measure that has not been provided elsewhere in this MD&A.

### Funds from Operations and Internal Funds from Operations

#### **FFO**

According to the REALPAC Guidance, FFO is defined as follows:

Profit or loss per GAAP 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.
- D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- E. Gains or 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. Negative goodwill or goodwill impairment.
- O. Effects of puttable instruments classified as financial liabilities.
- P. Results of discontinued operations.
- Q. Adjustments for equity-accounted entities.
- R. Incremental leasing costs.
- S. Property taxes accounted for under IFRIC 21.
- T. Operational revenue and expenses from Right of Use assets.
- U. Non-controlling interests.

## IFFO

IFFO is a Non-GAAP Financial Measure used to evaluate management performance and does not have a standardized meaning prescribed by IFRS; therefore, it is not comparable to similar measures presented by other income trusts or other companies. IFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. Chartwell calculates IFFO by adding or subtracting the following items to or from its FFO: (a) Lease-up-Losses and Imputed Cost of Debt on development properties; (b) income guarantees due from vendors of certain acquired properties; and (c) current income tax. These adjustments to FFO are made to ensure management is not incented to make short-term decisions for Chartwell by not developing new properties or acquiring properties with long-term value creation potential.

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

(\$000s, except per unit amounts)	Q4 2019	Q4 2018	Change	2019	2018	Change
Net income/loss	(11,485)	(13,098)	1,613	1,067	18,519	(17,452)
<i>Add (Subtract):</i>						
B Depreciation of PP&E	46,289	44,398	1,891	178,450	170,588	7,862
D Amortization of limited life intangible assets	673	726	(53)	2,072	1,767	305
B Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(972)	(1,045)	73	(4,134)	(2,857)	(1,277)
E Remeasurement gain	1,313	-	1,313	(37,859)	-	(37,859)
E Gain on disposal of assets	(1,024)	(656)	(368)	(6,081)	(17,519)	11,438
J Transaction costs arising on business acquisitions and dispositions	543	351	192	1,816	3,873	(2,057)
H Impairment losses	27,474	-	27,474	46,974	-	46,974
G Deferred income tax	(8,889)	19,226	(28,115)	10,209	19,145	(8,936)
O Distributions on Class B Units recorded as interest expense	239	241	(2)	961	964	(3)
M Changes in fair value of financial instruments and foreign exchange loss/(gain)	(3,036)	(3,537)	501	3,314	(8,219)	11,533
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	758	1,907	(1,149)	2,940	7,320	(4,380)
<b>FFO <sup>(2)</sup></b>	<b>51,883</b>	<b>48,513</b>	<b>3,370</b>	<b>199,729</b>	<b>193,581</b>	<b>6,148</b>
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt <sup>(3)</sup>	1,777	1,256	521	8,227	4,110	4,117
Income guarantees <sup>(4)</sup>	140	653	(513)	1,007	3,572	(2,565)
Current income tax	-	19	(19)	-	63	(63)
<b>IFFO <sup>(5)</sup></b>	<b>53,800</b>	<b>50,441</b>	<b>3,359</b>	<b>208,963</b>	<b>201,326</b>	<b>7,637</b>
<b>FFOPU <sup>(6)</sup></b>	<b>0.24</b>	<b>0.23</b>	<b>0.01</b>	<b>0.92</b>	<b>0.90</b>	<b>0.02</b>
<b>IFFOPU <sup>(6)</sup></b>	<b>0.25</b>	<b>0.23</b>	<b>0.02</b>	<b>0.97</b>	<b>0.94</b>	<b>0.03</b>

(1) Non-GAAP; see reconciliation table following for the calculation of these amounts.

(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 17 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt" section on page 10 of this MD&A. Includes Chartwell's proportionate share of Equity-accounted JVs.

(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(5) Non-GAAP; refer to the preamble to this table.

(6) Non-GAAP; refer to the "Per Unit Amounts" section on page 49 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs which would have previously been included on each individual line of our FFO reconciliation and are now included in the 'Adjustment to FFO for Equity-Accounted JVs' line:

	(\$000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
B	Depreciation of PP&E and amortization of intangible assets	899	1,430	(531)	2,865	6,622	(3,757)
E	Loss/(gain) on disposal of assets	-	(2)	2	(2)	27	(29)
M	Change in fair value of financial instruments and foreign exchange loss/(gain)	(141)	479	(620)	77	671	(594)
Q	FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	758	1,907	(1,149)	2,940	7,320	(4,380)

(1) Non-GAAP; refer to the preamble to this section of this MD&A.

## Per Unit Amounts

In our calculations of FFOPU and IFFOPU, 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 Trust Units issued under EUPP and DTUs.

### Weighted Average Number of Units

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

(000s)	Q4 2019	Q4 2018	Change	2019	2018	Change
Weighted average number of units <sup>(1)</sup>	216,950	214,927	2,023	216,167	214,320	1,847

(1) Includes Trust Units, Class B Units, Trust Units issued under EUPP and DTUs.

## Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and Debentures, we internally monitor the Net Debt to Adjusted EBITDA ratio as calculated based on the definitions of Consolidated Indebtedness and Consolidated EBITDA contained in the trust indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at December 31, 2019 and December 31, 2018:

(\$000s, except Net Debt to Adjusted EBITDA ratio)	December 31, 2019	December 31, 2018
Consolidated Indebtedness for Debentures <sup>(1)</sup>	2,483,937	2,248,178
Consolidated EBITDA for Debentures <sup>(2)</sup>	297,677	286,658
Net Debt to Adjusted EBITDA ratio	8.3	7.8

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 37 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of this amount.

The increase in Net Debt to Adjusted EBITDA ratio is primarily due to financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution. As discussed in the "Acquisitions, Development and Other Portfolio" section of this MD&A, five newly-developed residences and one recently-acquired residence contributed negative adjusted NOI

of \$1.7 million in 2019. Upon achieving the expected stabilized occupancy of 96%, these projects are estimated to generate annualized adjusted NOI of \$22.0 million.

## Critical Accounting Policies and Estimates

Our significant accounting policies for the year ended December 31, 2019 are referred to in Note 3 of our Financial Statements. Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Our estimates are based on past experience and other factors that we believe are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

## Valuation of PP&E and Intangibles

Fair value is the price that would be received when selling an asset, or paid when transferring a liability in an orderly transaction (that is, other than in a forced or liquidation sale) between market participants. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar items and the results of other valuation techniques. Valuation techniques used would be consistent with the objective of measuring fair value.

Our Financial Statements are affected by fair value measures. The most significant areas affected are as follows:

- An impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.

PP&E makes up approximately 93% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

Our business, markets and business environment are continually monitored, and judgements and assessments are made to determine whether an event has occurred that indicates possible impairment. If such an indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a) fair value less costs of disposal, and b) the value in use calculated on a discounted cash flow basis. Both the identification of events that may trigger impairment and the estimates of future cash flows and the fair value of the asset require considerable judgement.

The assessment of asset impairment requires management to make significant assumptions about future revenues including assumptions about rates and occupancies, labour and other supply rates, and utility costs over the life of the PP&E. Actual results can, and often do, differ from these estimates, and can have either a positive or negative impact on the estimate and whether an impairment situation exists. In addition, when impairment tests are performed, the estimated useful lives of the properties are reassessed, with any change accounted for prospectively.



Intangible assets that have indefinite useful lives are tested for impairment annually, or more frequently, if events or circumstances indicate that the assets might be impaired. Goodwill is tested for impairment at least annually or whenever indicators of impairment of the CGU to which the goodwill relates have occurred. Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate the carrying amount may not be recoverable.

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. We recognize assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in net income.

## **Changes in Accounting Estimates and Changes in Accounting Policies**

Our significant accounting policies are described in Note 3 of our Financial Statements. Notes 3 (n) and (o) outline 2019 accounting policy changes and future accounting policy changes.

Effective January 1, 2019, we adopted IFRS 16, Leases ("IFRS 16") using the modified retrospective approach. The adoption of IFRS 16 resulted in the recognition of previously unrecognized right-of-use assets of \$18.4 million related to land leases, office leases, below market leases and capital leases, and \$12.7 million in lease liabilities. We have determined that the adoption of this standard did not result in changes to opening unitholders' equity as at January 1, 2019.

In addition, on January 1, 2019, we adopted IFRIC 23, Uncertainty of Income Tax Treatments, with no impact to 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 & Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2019, an evaluation was carried out, under the supervision of and with the participation of management, including the President & Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the President & Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that evaluation, the President & Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2019.

## **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 & 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 December 31, 2019, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as 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 year ended December 31, 2019 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”, “scheduled”, “estimates”, “intends”, “anticipates”, “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 and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

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

- our expectations regarding the movement in occupancies and rental rate growth for our regions and segments;
- our expectations regarding the growth in G&A;
- our expectations regarding tax deductions and losses carried forward;
- our expectations regarding achievement of certain occupancy levels;
- our expectations regarding the impact of new competition in certain markets;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding timing of closing of announced acquisitions and dispositions;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- the sustainability of our current distributions; and
- our expectations regarding future demand for retirement suites in the provinces in which we operate.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this 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. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

## Risks and Uncertainties ♦

- (a) **Business Risks:** We are subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economically viable residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs including the cost of utilities, possible future changes in labour relations,

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♦ For a complete description of the Risks and Uncertainties, please refer to our most recent AIF.

competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the expected demographic trends will continue or that occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect our financial position and cash availability.

There are inherent legal, reputational and other risks involved in providing housing and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include fires or other catastrophic events at a property which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with our residents, and unforeseen events at Chartwell or even non-Chartwell properties that result in damage to our brand or reputation or to the industry as a whole.

- (b) **Real Property Ownership and Lack of Diversity:** Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market and do not benefit from a diversification of our portfolio by property type.
- (c) **Geographic Concentration:** Our business and operations are conducted within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the “Business Overview” section of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.
- (d) **Maintenance of Assets:** We are committed to keeping our communities in a good state of repair. We fundamentally believe that investing back into our communities increases resident and staff satisfaction, which ultimately makes the business more profitable. In addition to recurring capital maintenance projects, these investments include large, often multi-phased, renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities, projects that improve the revenue-generating potential of our properties and projects identified during acquisition due diligence. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the capital maintenance requirements of our communities when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact our cash availability.
- (e) **Competition:** Numerous other owners, managers and developers of seniors housing communities compete with us in seeking residents. The existence of competing owners, managers and developers and competition for our residents could have an adverse effect on our ability to find residents for our communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we operate may have an impact on the demand for our residences.
- (f) **Government Regulation:** Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed and regulated health care systems. These changes favour larger operators having the resources to provide more cost effective management services and well developed staff training programs on a regional basis. However, there can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry, will not adversely affect our business.

In all provinces, LTC residences are subject to government oversight, regulation and licensing requirements, which may change or become more onerous in the future. For example, in Ontario, LTC residence licences are issued for a fixed term which shall not exceed 30 years, after which the operators of an LTC residence may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. While we endeavour to comply with all regulatory requirements in our LTC residences, it is not unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is our intention to correct deficiencies which have been legitimately identified within the time frames allowed.

Under the Ontario Long-Term Care Homes Act, 2007, the licence term for Class B and C long term care residences in Ontario has been set to expire in 2025 unless these homes are redeveloped to the new design standards. We have nine LTC Class B and C residences with 876 beds of which four residences with 299 beds are expected to be sold in 2020. In 2015, the Ministry of Health and Long-Term Care (the Ministry of Health and Long-Term Care has since separated into the Ministry of Health and the Ministry of Long-Term Care) published a 'Construction Funding Subsidy Policy for Long-Term Care Homes'. The redevelopment of our Class B and C residences may include significant expenses which will not be adequately address by the funding provided by the government of Ontario.

The provincial regulation of LTC residences includes the control of long term care fees and the subsidization of LTC residents. There can be no assurance that the current level of such fees and subsidies will be continued or that such fees will increase commensurate with expenses. A reduction of such fees or subsidies could have an impact upon the value of our properties and our net income.

Provincial governments have recently introduced legislation relating to long term care, retirement residences, rent control and employment standards, all of which impacts Chartwell's operations. See our most recent AIF, dated February 27, 2020, for details on the current regulatory landscape.

- (g) **Personnel Costs:** We compete with other healthcare providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require us to enhance our wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.
- (h) **Labour Relations:** We employ or supervise 15,300 persons, of whom approximately 80% are represented by labour unions. Labour relations are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services. Non-unionized seniors housing communities may become unionized in the event they are targeted for certification by a trade union. There can be no assurance that the seniors housing communities we own that are not currently unionized will not, in the future, be subject to unionization efforts or that any such efforts will not result in the unionization of such seniors housing communities' employees.

- (i) **Growth:** The ability to grow may require the issuance of additional units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.
- (j) **Acquisitions, Disposition and Development:** Acquisitions, sales and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on our operations and financial results. Representations and warranties given by such third parties to us may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

In addition, the letters of intent and purchase or sale agreements entered into with third parties with respect to such acquisitions or sales, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or sales may not be completed due to the failure to satisfy closing conditions or the failure to receive required regulatory approvals and certain funds paid by us may not be recoverable.

We are pursuing numerous development activities alone and with partners. These activities create development-specific risks, including: liens, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with developing partners.

- (k) **Debt Financing:** We have and will continue to have substantial outstanding consolidated indebtedness comprised of mortgages on our retirement and LTC communities, Debentures, unsecured term loan and Credit Facilities.

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. We currently have access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. We entered into a Large Borrower Agreement with CMHC which contains certain financial covenants related to minimum adjusted equity requirements, maximum indebtedness, debt service coverage and minimum capital and maintenance investments in the properties securing CMHC-insured loans. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future. To the extent that any financing requiring CMHC consent or approval is not obtained, or such consent or approval is only available on unfavourable terms, we may be required to source a conventional mortgage which may be less favourable to us than a CMHC-insured mortgage. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the Trust. Therefore, upon an event of default under such indebtedness, our ability to make distributions will be adversely affected.

A portion of our cash flow is devoted to servicing our debt, and there can be no assurance that we will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we were unable to meet interest or principal payments, we could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. We are also subject to the risk that any of our existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of our existing indebtedness.

(m) **Taxation:**

***The SIFT Rules***

The SIFT Rules, which relate to the federal income taxation of certain publicly-traded trusts and certain other publicly-traded flow-through entities, were enacted on June 22, 2007. Generally, under the SIFT Rules, certain distributions from a “SIFT trust” (as defined in the Tax Act) will not be deductible in computing the trust’s taxable income, and the trust will be subject to tax on such distributions at a rate that is comparable to the general tax rate applicable to a Canadian corporation. To the extent that a distribution attracts this tax, it will be taxed in the hands of the receiving Unitholder as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit.

The SIFT Rules are not applicable to certain real estate investment trusts that meet certain conditions (as provided in the Tax Act) relating to the nature of their revenues and investments (the “REIT Conditions”). As currently structured, we do not meet the REIT Conditions. Chartwell has been a SIFT trust since 2007 and, unless we change our structure and the nature of our operations, we expect to be a SIFT trust for 2020 and future years.

In 2019, 100% of our distributions were classified as return of capital.

***Tax Status***

If we cease to qualify as a “mutual fund trust” for the purposes of the Tax Act or the Trust Units ceased to be “qualified investments” under the Tax Act, the Canadian federal income tax considerations applicable to us and our Unitholders would be materially and adversely different in certain respects.

We will endeavour to ensure that we continue to qualify as a mutual fund trust and the Trust Units continue to be qualified investments under the Tax Act for Plans but there is no assurance that we will be able to do so. Generally, Trust Units will be qualified investments for Plans if, at the relevant time (a) the Trust Units are listed on the TSX (or other designated stock exchanges for the purposes of the Tax Act), (b) the Trust Units are registered investments under the Tax Act or (c) if Chartwell qualifies as a mutual fund trust (as defined in the Tax Act). The Tax Act may impose penalties for the acquisition or holding of non-qualified investments by a Plan. Any property distributed to a Unitholder on an in specie redemption of Trust Units may not be a qualified investment under the Tax Act for a Plan. There can be no assurance that Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the CRA and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Net income and net realized capital gains in excess of the cash distributions may be distributed to Unitholders in the form of additional Trust Units. Unitholders will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income, notwithstanding that they do not directly receive a cash Distribution.

Although we are of the view that all expenses to be claimed by us and our subsidiaries will be reasonable and deductible, that the tax filing positions taken by us are reasonable, and that the cost amount and capital cost allowance claims of such entities will have been correctly determined and that the allocation of Master LP’s income for tax purposes among its partners is reasonable, there can be no assurance that CRA will agree. If CRA successfully challenges us and/or our subsidiaries in any of these respects, the taxable income of Chartwell and the Unitholders, will increase or change.

Master LP has acquired many properties on a rollover basis with the result that the cost base for tax purposes in such properties was less than their fair market value at the time of acquisition. Master LP may acquire properties on a rollover basis in the future, with a similar result in their cost base. On a future sale of such properties for a sale price in excess of such cost base, income and capital gain will be realized which may result in SIFT tax being payable.

- (n) **Liability and Insurance:** The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. We expect that from time to time we may be subject to lawsuits as a result of the nature of such businesses. We maintain business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.
- (o) **Environmental Liabilities:** Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations sometimes regardless of whether or not we knew of or were responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.
- Environmental laws and regulation may change and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation and distributions.
- (p) **Economic and Financial Conditions:** Adverse changes to the economic and financial conditions in Canada, the U.S. and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position.
- (q) **Joint-Venture Interests:** We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing properties including those risks described above. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint-venture partner may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venture partner's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.
- (r) **Loans Receivable:** Our loans receivable are normally secured by subordinated charges of the borrowers' interests in related projects and ranks behind other financing. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all facilities that we are entitled or required to acquire



from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.

- (s) **Distributions:** Our distributions are made at the discretion of the Trustees based on forward-looking cash flow information, including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. Items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of our Credit Facilities, cash distributions to unitholders are limited to 100% of our AFFO.
- (t) **Management Contracts:** We earn management fees from non-owned residences that we manage for others. We will not earn this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of management agreements on the Welltower properties and management agreements on properties with mezzanine loans advanced by us.
- (u) **Cyber Security:** Cyber security has become an increasingly problematic issue for businesses in Canada and around the world, including for us and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. In particular, in connection with our business we maintain a large amount of personal health information about our residents. If we were to experience a security breach resulting in unauthorized access to our use or disclosure of such information, we could be exposed to complaints, investigations or litigation and our reputation may be negatively affected. As a result, we continually monitor for malicious threats and adapt accordingly in an effort to ensure we maintain high privacy and security standards. We invest in cyber defense technologies to support our business model and to protect our systems, residents and employees by employing industry best practices. Our investments continue to manage the risks we face today and position us for the evolving threat landscape.
- (v) **Personal Information:** As a custodian of a large amount of personal information and personal health information relating to our employees and residents, we are exposed to the legal and reputational risk of the loss, misuse or theft of any such information. We mitigate this risk by deploying appropriate technology and training for our employees relating to the safeguarding of such information.
- (w) **Conflicts of Interest:** Our Trustees, CSH Trustees and Directors will, from time to time, in their individual capacities deal with parties with whom we may be dealing, or may be seeking investments similar to those desired by us. The relevant constating documents of Chartwell, CSH Trust and Master LP contain conflict of interest provisions requiring our Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.
- (x) **Climate Change:** We are exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to our investment properties. These adverse weather and natural events could cause substantial damage and/or revenue losses as well as cost increases. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed our's or our residents' property insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable.

Over time, climate change may also affect our operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require us to spend more on our new development properties without a corresponding increase in revenue. Management reports regularly to our Board on climate change risks, including mitigation strategies with respect to this risk.

## Supplemental Information

### Significant Future Demand

Based on the current ratios of existing retirement suites to the population of people over the age of 75 (the “penetration rate”), by 2039 the demand for retirement suites is expected to grow by approximately 262,000 suites in the four provinces in which we operate.

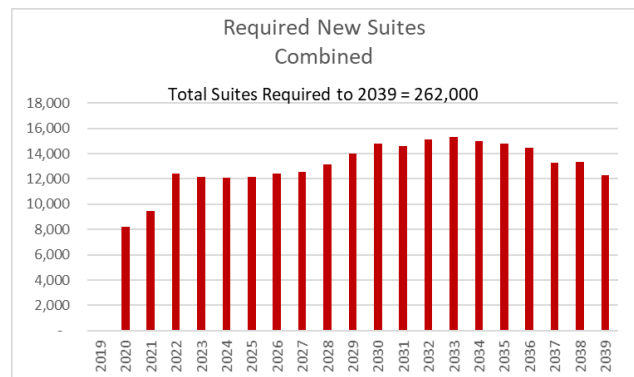
It is possible that the actual demand may exceed this estimate for the following reasons:

- The above estimate does not account for the demand growth for government-funded long term care spaces. If governments are unable to fully address such demand growth, there may be additional demand for retirement suites. Today there are approximately 35,000 people on the wait list for LTC accommodation in Ontario alone.
- The existing inventory of 232,079 retirement suites includes a number of older properties which may become obsolete over time, further increasing demand for newer suites.
- The acceptance of retirement living is significantly higher in Quebec, with a penetration rate of 18.4% compared to penetration rates of 5.5% in Ontario, 5.7% in Alberta and 8.0% in British Columbia. We believe the introduction of more flexible service offering and pricing options, including a la carte services, across the country, may increase the acceptance of retirement living and further drive demand.

The following tables outline estimated future demand for retirement suites in Ontario, Quebec, Alberta and British Columbia:

#### Combined

Year	Population of 75+	Demand Growth	Total Suites	Required New Suites
2019	2,408,500		232,079	-
2020	2,491,500	3.4%	240,315	8,236
2021	2,587,600	3.9%	249,760	9,445
2022	2,722,300	5.2%	262,168	12,408
2023	2,853,200	4.8%	274,334	12,166
2024	2,980,800	4.5%	286,433	12,098
2025	3,109,800	4.3%	298,562	12,130
2026	3,241,000	4.2%	311,007	12,445
2027	3,374,700	4.1%	323,553	12,546
2028	3,515,500	4.2%	336,674	13,122
2029	3,665,800	4.3%	350,706	14,032
2030	3,824,700	4.3%	365,484	14,777
2031	3,983,100	4.1%	380,065	14,581
2032	4,146,000	4.1%	395,184	15,118
2033	4,311,500	4.0%	410,494	15,310
2034	4,474,700	3.8%	425,501	15,007
2035	4,639,100	3.7%	440,322	14,821
2036	4,801,100	3.5%	454,809	14,487
2037	4,952,800	3.2%	468,115	13,306
2038	5,106,600	3.1%	481,463	13,348
2039	5,250,000	2.8%	493,771	12,308



## Ontario

Year	Population of 75+ <sup>(1)</sup>	Demand Growth	Total Suites <sup>(2)</sup>	Required New Suites
2019	1,087,400		59,807	-
2020	1,121,600	3.1%	61,688	1,881
2021	1,161,700	3.6%	63,894	2,206
2022	1,222,700	5.3%	67,249	3,355
2023	1,280,400	4.7%	70,422	3,173
2024	1,334,600	4.2%	73,403	2,981
2025	1,388,700	4.1%	76,379	2,976
2026	1,443,700	4.0%	79,404	3,025
2027	1,500,000	3.9%	82,500	3,097
2028	1,559,500	4.0%	85,773	3,272
2029	1,622,700	4.1%	89,249	3,476
2030	1,689,800	4.1%	92,939	3,691
2031	1,757,000	4.0%	96,635	3,696
2032	1,826,600	4.0%	100,463	3,828
2033	1,897,300	3.9%	104,352	3,889
2034	1,968,100	3.7%	108,246	3,894
2035	2,041,700	3.7%	112,294	4,048
2036	2,115,400	3.6%	116,347	4,054
2037	2,186,100	3.3%	120,236	3,889
2038	2,258,700	3.3%	124,229	3,993
2039	2,327,500	3.0%	128,013	3,784

68,206

## Quebec

Year	Population of 75+ <sup>(1)</sup>	Demand Growth	Total Suites <sup>(2)</sup>	Required New Suites
2019	692,000		127,328	-
2020	717,600	3.7%	132,038	4,710
2021	746,500	4.0%	137,356	5,318
2022	780,200	4.5%	143,557	6,201
2023	813,700	4.3%	149,721	6,164
2024	848,200	4.2%	156,069	6,348
2025	882,100	4.0%	162,306	6,238
2026	917,600	4.0%	168,838	6,532
2027	952,700	3.8%	175,297	6,458
2028	989,000	3.8%	181,976	6,679
2029	1,028,100	4.0%	189,170	7,194
2030	1,069,000	4.0%	196,696	7,526
2031	1,108,600	3.7%	203,982	7,286
2032	1,150,500	3.8%	211,692	7,710
2033	1,192,600	3.7%	219,438	7,746
2034	1,233,600	3.4%	226,982	7,544
2035	1,272,600	3.2%	234,158	7,176
2036	1,310,200	3.0%	241,077	6,918
2037	1,343,400	2.5%	247,186	6,109
2038	1,375,800	2.4%	253,147	5,962
2039	1,405,000	2.1%	258,520	5,373

131,192

## Alberta

Year	Population of 75+ <sup>(1)</sup>	Demand Growth	Total Suites <sup>(2)</sup>	Required New Suites
2019	234,100		13,344	-
2020	243,300	3.9%	13,868	524
2021	254,000	4.4%	14,478	610
2022	269,100	5.9%	15,339	861
2023	284,200	5.6%	16,199	861
2024	299,100	5.2%	17,049	849
2025	314,900	5.3%	17,949	901
2026	330,900	5.1%	18,861	912
2027	348,000	5.2%	19,836	975
2028	366,700	5.4%	20,902	1,066
2029	387,500	5.7%	22,088	1,186
2030	409,700	5.7%	23,353	1,265
2031	432,700	5.6%	24,664	1,311
2032	455,800	5.3%	25,981	1,317
2033	479,300	5.2%	27,320	1,340
2034	502,900	4.9%	28,665	1,345
2035	526,700	4.7%	30,022	1,357
2036	550,200	4.5%	31,361	1,339
2037	572,600	4.1%	32,638	1,277
2038	594,800	3.9%	33,904	1,265
2039	615,700	3.5%	35,095	1,191

21,751

## British Columbia

Year	Population of 75+ <sup>(1)</sup>	Demand Growth	Total Suites <sup>(2)</sup>	Required New Suites
2019	395,000		31,600	-
2020	409,000	3.5%	32,720	1,120
2021	425,400	4.0%	34,032	1,312
2022	450,300	5.9%	36,024	1,992
2023	474,900	5.5%	37,992	1,968
2024	498,900	5.1%	39,912	1,920
2025	524,100	5.1%	41,928	2,016
2026	548,800	4.7%	43,904	1,976
2027	574,000	4.6%	45,920	2,016
2028	600,300	4.6%	48,024	2,104
2029	627,500	4.5%	50,200	2,176
2030	656,200	4.6%	52,496	2,296
2031	684,800	4.4%	54,784	2,288
2032	713,100	4.1%	57,048	2,264
2033	742,300	4.1%	59,384	2,336
2034	770,100	3.7%	61,608	2,224
2035	798,100	3.6%	63,848	2,240
2036	825,300	3.4%	66,024	2,176
2037	850,700	3.1%	68,056	2,032
2038	877,300	3.1%	70,184	2,128
2039	901,800	2.8%	72,144	1,960

40,544

(1) Sources: Statistics Canada and CMHC.

(2) Total Suites = Population of 75+ multiplied by penetration rate (5.5% for Ontario; 18.4% for Quebec; 5.7% for Alberta; 8.0% for British Columbia).

## Chartwell Top 15 Markets – Supply and Demand Data

### Supply

Chartwell Portfolio <sup>(1)</sup>				Existing Inventory <sup>(2)</sup>		Immediate Competition Impact <sup>(3)</sup>				
Total				Total		Chartwell Exposure			Competition 5km to Chartwell Property	
Location <sup>(4)</sup>	# of Properties	# of Suites	2019 Adjusted NOI at Share (\$Millions)	# of Properties	# of Suites	# of Properties	# of Suites	2019 Adjusted NOI at Share (\$Millions)	# of Properties	# of Suites
Greater Montreal Area	13	3,104	19.5	386	57,958	1	219	0.9	1	409
Gatineau	9	1,737	17.2	21	3,634	1	263	2.3	1	130
Greater Vancouver Area	14	1,701	25.5	148	15,447	1	104	0.5	1	117
Quebec City	5	1,542	11.1	145	17,570	0	0	0.0	0	0
Greater Ottawa Area	12	1,458	17.2	79	9,039	9	988	13.2	6	864
Edmonton	9	1,386	14.0	35	6,213	0	0	0.0	0	0
Toronto	7	1,168	14.1	61	7,118	1	208	3.7	1	280
Kitchener/Waterloo/Cambridge/Guelph	9	903	18.1	56	4,669	3	285	6.6	2	369
Ontario North	9	854	16.0	38	2,874	1	162	2.7	1	55
York	7	738	15.5	33	3,660	3	344	8.3	2	400
Calgary	5	641	13.3	41	5,572	4	525	10.5	4	730
Durham	6	603	11.3	29	3,148	6	603	11.3	8	1,470
Windsor/Essex County	6	603	9.3	30	2,595	1	112	2.4	1	120
Halton	5	566	10.2	30	3,146	1	131	3.4	1	182
Peel	3	517	8.6	30	3,627	1	81	2.2	1	309
<b>Subtotal (Top 15 Markets)</b>	<b>119</b>	<b>17,521</b>	<b>220.9</b>	<b>1,162</b>	<b>146,270</b>	<b>33</b>	<b>4,025</b>	<b>67.9</b>	<b>30</b>	<b>5,435</b>
Other	45	6,207	63.8							
<b>Grand Total</b>	<b>164</b>	<b>23,728</b>	<b>284.7</b>							

(1) Includes Retirement Operations segment only.

(2) Sources: CMHC Seniors Housing Report 2019 and CBRE.

(3) Summarizes Chartwell's existing properties impacted by competing properties in construction located within a five kilometer radius.

(4) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin").

### Demand

Demographic Information <sup>(1)</sup>					Demographic Data 75+ yrs <sup>(1)</sup>		
2019					2019		
Location <sup>(2)</sup>	Total Population	Median Household Income (\$)	Avg House Value (\$)	Unemployment Rate %	Total Population	10 yr Growth %	Penetration Rate <sup>(3)</sup>
Greater Montreal Area	4,350,817	66,910	417,722	6.0%	329,592	37.5%	17.6%
Gatineau	349,617	75,356	329,525	5.0%	20,731	65.6%	17.5%
Greater Vancouver Area	2,935,047	82,437	1,114,199	4.8%	205,877	50.7%	7.5%
Quebec City	827,533	70,947	330,740	3.5%	73,989	44.6%	23.7%
Greater Ottawa Area	1,079,717	93,447	552,306	4.2%	72,486	50.8%	12.5%
Edmonton	1,462,270	96,234	492,011	8.1%	75,470	56.3%	8.2%
Toronto	2,988,140	71,770	935,071	5.6%	219,599	33.1%	3.2%
Kitchener/Waterloo/Cambridge/Guelph	875,425	86,696	558,871	5.2%	57,684	49.5%	8.1%
Ontario North	764,047	72,686	295,605	5.4%	69,301	40.6%	4.1%
York	1,200,761	102,254	1,045,525	5.6%	78,269	63.8%	4.7%
Calgary	1,551,356	100,649	603,751	7.1%	70,716	67.4%	7.9%
Durham	700,733	97,829	613,862	6.1%	43,683	58.3%	7.2%
Windsor/Essex County	416,149	72,053	360,399	7.6%	33,600	43.8%	7.7%
Halton	605,475	112,332	917,118	5.6%	40,978	44.6%	7.7%
Peel	1,553,076	92,742	783,404	5.6%	84,992	69.7%	4.3%
<b>Subtotal/Average (Top 15 Markets)</b>	<b>21,660,163</b>	<b>86,289<sup>(4)</sup></b>	<b>623,341<sup>(4)</sup></b>	<b>5.7%<sup>(4)</sup></b>	<b>1,476,967</b>	<b>51.7%<sup>(4)</sup></b>	<b>9.5%<sup>(4)</sup></b>

(1) Sources: CMHC Seniors Housing Report 2019, CBRE utilizing Environics Analytics demographics, and Statistics Canada projections.

(2) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin").

(3) Penetration rate is calculated as ratio of existing inventory of retirement suites over total 75+ years population.

(4) Average.