

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

March 16, 2012

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EXPLANATORY NOTES

The information in this AIF is stated as at March 16, 2012, unless otherwise indicated.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary” at the end of this AIF.

All references in this AIF to “Chartwell”, unless the context otherwise requires, mean Chartwell Seniors Housing Real Estate Investment Trust and its subsidiaries. For ease of reference, the term “Chartwell” has then been used extensively throughout this AIF in reference to the ownership, operation and development of seniors housing facilities and the seniors housing operations management business of Chartwell. Chartwell owns all of the debt and equity of CSH Trust, which in turn controls the Operator. Actual direct ownership interests are held by, and the operation of the seniors housing facilities management business is conducted by, the Operator. The Operator holds both freehold interests and long-term leasehold interests. For ease of reference, the term “own”, “owned” or “ownership” in reference to Chartwell’s Properties includes such long-term leasehold interests and joint venture interests.

All references in this AIF to “suite” when used in relation to a seniors housing facility that is an ISL Facility or an AL Facility mean a separate living unit comprising living room/bedroom areas in a congregate living setting; and when used in relation to a LTC Facility mean a long-term care bed in such a facility. Based on the nature of the Operator’s business, suites may be reconfigured from time to time to meet residents’ needs, such that the actual number of suites within a facility may vary from time to time. Additionally, all references to “income-producing” suites mean suites which are available for lease, whether in Lease-Up or Stabilized. For the purposes of segmented financial reporting and management’s discussion and analysis, Chartwell categorizes facilities as LTC Facilities based on the predominant level of care provided, the type of licensing and funding provided, and Chartwell’s internal management responsibility. For the purposes of this AIF, facilities are classified as LTC Facilities solely on the basis of the level of care provided, and accordingly, the number of LTC Facilities reported is higher than referred to in Chartwell’s management’s discussion and analysis.

All references to “dollars” or “\$” are to Canadian dollars, unless otherwise indicated. All references to “U.S.\$” are to United States dollars.

This AIF 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 AIF. Forward-looking statements refer to, without limitation, possible events, statements with respect to possible events, expected capital expenditures, currency fluctuations, capital requirements, government regulation of the seniors housing industry, Chartwell’s internal growth, industry profile and its relationship with its unionized employees. The words “plans”, “expects”, “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by Chartwell as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Chartwell’s estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein and incorporated by reference in this AIF as well as the following:

- (a) 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, that construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for Chartwell’s communities;
- (b) Chartwell’s ability to renew maturing debt, including its Amended and Restated Credit Agreement, in due course;
- (c) the impact surrounding the implementation of the new regulations affecting retirement homes in Ontario;

- (d) the expected completion of the Maestro Acquisition;
- (e) the expected return and rate of accretion to be realized by Chartwell as a result of the Maestro Acquisition;
- (f) the effect of the Maestro Acquisition on the financial performance of Chartwell including the degree to which the acquisition of the Co-Owned Properties will be accretive; and
- (g) the timing with respect to the closing of acquisitions and divestitures which are subject to legal, regulatory and lenders' approvals which may not be received as currently expected.

While Chartwell anticipates that subsequent events and developments may cause Chartwell's views to change, Chartwell does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents Chartwell's views as of the date of this AIF and such information should not be relied upon as representing Chartwell's views as of any date subsequent to the date of this document. Chartwell has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See "Risk Factors" in this AIF, "Risks and Uncertainties" in our management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2011, and risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time.

On January 1, 2011, Chartwell commenced reporting using IFRS for its annual and interim financial statements. AFFO is not a measure recognized under IFRS, does not have a standardized meaning prescribed by IFRS and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented in this AIF may not be comparable to similar measures presented by other issuers. Chartwell's management and the Operator believe that AFFO is useful in the assessment of Chartwell's operating performance for valuation purposes, and is also a relevant measure of the ability of the Operator and Chartwell to earn and distribute cash to Unitholders, in each case, for the year ended December 31, 2011. For a complete description of AFFO, see the section entitled "Distribution Policy – Computation of AFFO".

CORPORATE STRUCTURE

Name and Incorporation

Chartwell is an unincorporated open-ended trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 100 Milverton Drive, Suite 700, Mississauga, Ontario, L5R 4H1. Chartwell was created to indirectly acquire and hold 100% of the outstanding Class A Master LP Units and 100% of the common shares of CMCC. Chartwell completed its IPO on November 14, 2003.

CSH Trust is an unincorporated open-ended unit trust governed by the laws of the Province of Ontario and created as of September 8, 2003 and subsisting under the CSH Trust Declaration. Chartwell owns all of the CSH Trust Units and the Series 1 Trust Notes. CSH Trust was created to acquire 100% of the issued and outstanding Class A Master LP Units and 100% of the issued and outstanding common shares of Benco.

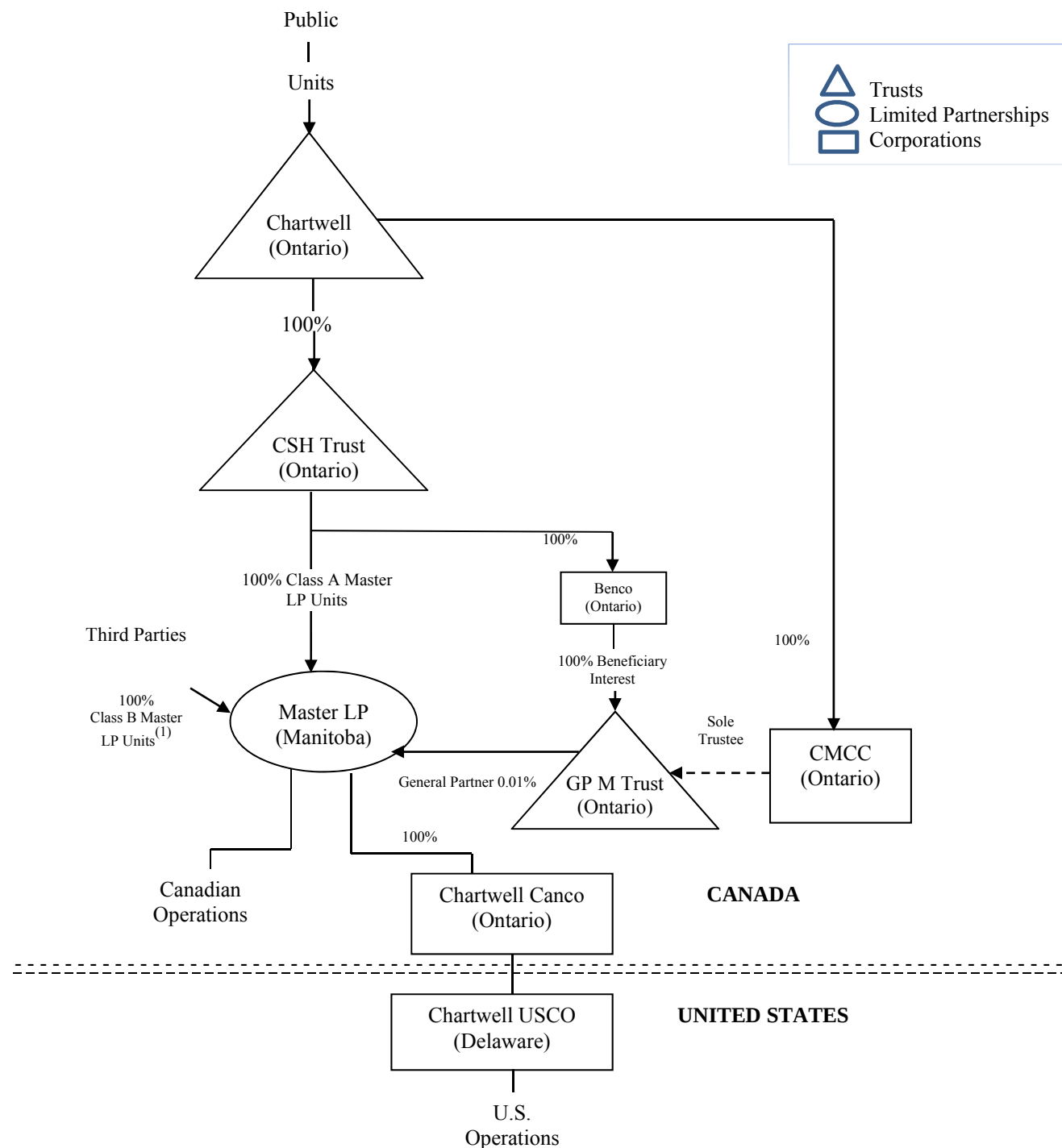
Master LP is a limited partnership created under the laws of the Province of Manitoba as of September 30, 2003 and subsisting under the Master LP Partnership Agreement. Master LP, together with its subsidiaries and General Partner (collectively, together with entities in which Master LP directly or indirectly has a joint venture interest, the "Operator") carries on the business of the operation of seniors housing facilities.

The general partner of Master LP is GP M Trust, a trust established under the laws of the Province of Ontario as of 2003. GP M Trust's sole trustee is CMCC, a corporation formed under the laws of Ontario and wholly-owned by Chartwell. GP M Trust's sole beneficiary is Benco, which is wholly owned by CSH Trust.

Master LP wholly owns Chartwell Canco, a corporation formed under the laws of Ontario as of 2003, which in turn wholly owns Chartwell USCO, a corporation formed under the laws of Delaware.

Intercompany Relationships

The following chart illustrates, on a simplified basis, the intercompany relationships of Chartwell as at March 16, 2012.



(1) Indirectly exchangeable into Units on a one-for-one basis and are accompanied by Special Voting Units.

GENERAL DEVELOPMENT OF THE BUSINESS

History of the Business

Chartwell was created as of July 7, 2003 and is now subsisting under the Declaration of Trust. Chartwell completed the IPO on November 14, 2003.

The following is a summary of the significant events that have influenced Chartwell's business in each of the past three years.

2009

On February 1, 2009, Chartwell acquired from Spectrum a 50% interest in the 97-suite Chartwell Select Churchill House situated in North Vancouver, British Columbia, and in the 103-suite Chatsworth Retirement Suites and Bungalows situated in Kelowna, British Columbia. The aggregate purchase price for the two properties was approximately \$21.5 million, payment for which consisted of the assumption of \$15.4 million in mortgages, the repayment of \$2.4 million in related mezzanine loans, and \$0.6 million of working capital adjustments, with the balance of \$3.1 million applied to reduce outstanding accounts receivable from Spectrum.

On March 1, 2009, Chartwell purchased Spectrum's 50% interest in the 138-suite Chartwell Select Riverside Retirement Residence situated in London, Ontario, and in the 117-suite Chartwell Select Pickering City Centre situated in Pickering, Ontario. The aggregate purchase price for the two properties was \$28.6 million, which was settled by the assumption of \$20.3 million in existing mortgages, the repayment of \$3.3 million of related mezzanine loans, and settlement of outstanding accounts receivable owed by Spectrum of \$4.4 million and \$0.1 million in working capital adjustments, with the balance of \$0.5 million paid in cash.

In connection with the above acquisitions, Chartwell's independent Directors oversaw Chartwell's negotiations with Spectrum, which were led by third party consultants and professionals reporting to the independent Directors.

In the second quarter of 2009, the Operator extended the maturity date of the Amended and Restated Credit Agreement to June 27, 2010 and amended certain terms and conditions of the Amended and Restated Credit Agreement. Such amendments included a reduction in the amount of the operating facility to a maximum of \$75 million and a change to the interest rate on amounts outstanding under the Amended and Restated Credit Agreement to be equal to the lender's prime rate plus 2.75% or the applicable bankers' acceptance rate plus 4.00%. See "Material Contracts – Amended and Restated Credit Agreement".

In the second quarter of 2009, Spectrum sold its interest in eight development properties to limited partnerships controlled by an institutional investor ("Seasons"). As part of this transaction, Seasons assumed mezzanine loans on six of the acquired properties. In addition, upon receipt of regulatory approvals, Spectrum agreed to sell one additional property to Seasons. This sale closed in June 2010 and the mezzanine loan of \$2.6 million on that property was extended to March 31, 2011, and further extended to October 31, 2012.

In August 2009, Chartwell and certain subsidiaries, affiliates and joint venture partners of Melior (the "Melior Debtors") entered into a settlement agreement (the "Melior Settlement Agreement") in order to address certain issues relating to the performance by the Melior Debtors of their obligations under certain mezzanine loans.

On October 1, 2009, Chartwell purchased from Spectrum the 109-suite Chartwell Select Thunder Bay situated in Thunder Bay, Ontario. The purchase price was \$23.2 million, payment for which consisted of assumption of debt of \$17.2 million, repayment of \$3.0 million in related mezzanine loans and \$0.2 million in working capital adjustments, with the remaining \$2.8 million settled against outstanding accounts receivable from Spectrum.

On October 8, 2009, Chartwell completed a public offering of 14,375,000 Units at a price of \$6.00 per Unit, for net proceeds, after underwriters' fees and offering expenses, of approximately \$82,050,000.

Also in October 2009, Chartwell reorganized its interests in its joint venture between CSH Master Care and HB Partners LLC, reducing its interest in HBC from 74.5% to 50%, increasing its interests in HBCII from 74.5% to 80% and disposing of its interest in 25 leases of seniors housing properties.

In mid-November 2009, further to certain conditions of the Melior Settlement Agreement being satisfied or waived, a prior notice of exercise by Chartwell of the equivalent to a foreclosure right was registered in respect of three operating properties in Gatineau, Sillery and Sherbrooke, Québec and one parcel of vacant land in Magog, Québec against the Melior Debtors. In mid-November 2009, Chartwell took possession of the aforesaid three operating properties and assumed the administration thereof. On February 2, 2010, Chartwell received court judgments approving foreclosures of the three operating properties and the parcel of vacant land. The closing of this acquisition occurred on March 9, 2010. The acquisition of these properties and the parcel of vacant land resulted in Chartwell assuming approximately \$67.7 million of outstanding mortgages payable and approximately \$5.7 million of other liabilities and estimated closing costs. Outstanding mezzanine loans in the amount of \$21.6 million (net of fees recorded as a reduction of the mezzanine loans balance of \$1.0 million), against which an impairment provision of \$8.8 million had previously been recorded, were discharged on closing.

In December 2009, pursuant to the Melior Settlement Agreement, Chartwell acquired one parcel of land adjacent to Chartwell's property in Coaticook, Québec. As part of this acquisition, one mezzanine loan in the amount of \$0.5 million (net of fees recorded as a reduction of the mezzanine loan balance of \$0.5 million), against which an impairment provision of \$0.4 million had previously been recorded, was discharged.

On December 1, 2009, Chartwell purchased from Spectrum and its joint venture partner the 55-suite Carrington House Suites situated in Mission, British Columbia. The purchase price was \$8.9 million, payment for which consisted of the assumption of debt of approximately \$7.2 million, the repayment of \$0.6 million in related mezzanine loans, settlement of outstanding accounts receivable from Spectrum of approximately \$0.2 million and \$0.1 million of working capital adjustments, with the balance of \$0.8 million paid in cash.

On December 8, 2009, Chartwell and Spectrum amended the terms of the Development Agreement to provide for only a limited set of rights in favour of Chartwell relating to Spectrum and certain Development Properties. In connection with these amendments, Chartwell entered into the Spectrum Settlement Agreement with Spectrum to provide for certain payments to Chartwell no later than August 16, 2010. The Spectrum Settlement Agreement was further amended in 2010 and 2011. See "Description of the Business – Spectrum".

On December 24, 2009, Chartwell completed a public offering of 12,995,000 Units at a price of \$6.20 per Unit, for net proceeds, after underwriters' fees and offering expenses, of approximately \$76,696,240.

During 2009, Chartwell issued 122,500 Units pursuant to its LTIP and 86,306 Deferred Units pursuant to its Deferred Unit Plan.

2010

In January 2010, pursuant to the Melior Settlement Agreement, Chartwell acquired one parcel of vacant land adjacent to Chartwell's property in Trois-Rivières, Québec for \$1.75 million, the proceeds of which were used to discharge the mortgage debt on this property.

On March 9, 2010, Chartwell completed the foreclosures from Melior described above under "General Development of the Business – History of the Business – 2009".

On May 13, 2010 and again on November 17, 2010, Chartwell announced that it agreed to extend the Spectrum Settlement Agreement it had previously entered into with Spectrum until June 30, 2011, in order to allow more time for Spectrum to wind down its operations in an orderly fashion. See "Description of the Business – Spectrum".

On May 14, 2010, Chartwell completed the purchase of ING's 50% interest in the Meridian Portfolio, consisting of 1,045 retirement suites in Colorado and Texas, and on June 1, 2010, Chartwell completed the purchase of ING's 50% interest in the Regency Care Portfolio, consisting of 1,384 class A LTC beds in Ontario, resulting in Chartwell owning 100% of the Meridian Portfolio and 100% of the Regency Care Portfolio. The purchase price before closing costs for purchase of ING's interest in the Meridian Portfolio was U.S.\$110.5 million and was settled through the assumption of debt of approximately U.S.\$74.6 million, excluding mark to market adjustments, settlement of outstanding receivable of U.S.\$6 million, with the balance due, net of working capital adjustments, being paid in cash. The purchase price before closing costs for the purchase of ING's interest in the Regency Care Portfolio was \$79.5 million and was settled through the assumption of debt of approximately \$68 million, excluding mark to market adjustments, with the remaining balance, net of working capital adjustments, settled in cash. See "Description of the Business – Chartwell - Relationship with ING".

On June 1, 2010, Chartwell acquired a 50% interest in the 139-suite Valley Vista Retirement Residence located in Vaughan, Ontario from Spectrum. The purchase price before closing costs was \$17.4 million and was settled through the assumption of the existing mortgage payable of approximately \$15.1 million with the remaining balance due, net of working capital adjustments, being paid in cash. The existing mortgage matures on December 31, 2012 which bears interest at prime plus 1.50% subject to a minimum rate of 4.00%.

In the second quarter of 2010, the Operator extended the maturity date of the Amended and Restated Credit Agreement to June 24, 2011 and amended certain terms and conditions of the Amended and Restated Credit Agreement. Such amendments included a change to the interest rate on amounts outstanding under the Amended and Restated Credit Agreement to be equal to the lender's prime rate plus 1.75% or the applicable bankers' acceptance rate plus 2.75%. See "Material Contracts – Amended and Restated Credit Agreement".

On June 30, 2010, Chartwell invoked the buy-sell provision under the joint venture agreement relating to The Peninsula, a 127-suite retirement community in Surrey, British Columbia. Chartwell's joint venture partner matched Chartwell's purchase offer and as a result, Chartwell disposed of its 50% interest in this community for \$15.3 million. Chartwell's joint venture partner assumed the existing mortgage in the amount of \$12.3 million with the net proceeds of approximately \$3.0 million paid to Chartwell in cash. Chartwell acquired its 50% interest in this property from Spectrum in 2006 for \$14.6 million.

On August 13, 2010, Chartwell announced that Ms Sharon Sallows was appointed to the Board of Directors of CMCC.

In the third quarter of 2010, Chartwell opened a 71-suite addition to its existing retirement community in Vernon, British Columbia. Chartwell also commenced the development of two retirement residences adjacent to its existing LTC Facilities in Kitchener, Ontario and Oshawa, Ontario. These developments will add 215 retirement suites at an estimated total development cost of approximately \$50.0 million and are expected to be completed in the first quarter of 2012. In addition, Chartwell commenced redevelopment of 128 LTC beds in one community in British Columbia at an estimated total development cost of approximately \$26.6 million with the expected completion in the fourth quarter of 2012.

On September 1, 2010, Chartwell acquired from Spectrum its 50% interest in Chartwell Classic Oakville, a 147 suite retirement property located in Oakville, Ontario. The purchase price, before closing costs, was \$18.5 million, payment for which consisted of assumption of debt of \$12.8 million, the repayment of \$1.9 million of mezzanine loans owing to Chartwell, the settlement of outstanding accounts receivable from Spectrum of approximately \$0.9 million and approximately \$0.4 million in working capital adjustments, with the balance paid in cash.

On October 29, 2010, Chartwell completed a public offering of 13,775,000 Units at a price of \$9.45 per Unit, for net proceeds, after underwriters' fees and offering expenses, of approximately \$124,996,800.

Effective December 1, 2010, Chartwell acquired the 106-suite Chartwell Select Muskoka Traditions Retirement Residence located in Huntsville, Ontario from Spectrum. The purchase price for the acquisition was \$26.0 million, and was satisfied by the assumption of a construction loan of approximately \$16.8 million bearing interest at bank prime rate plus 2.5%, the discharge of a mezzanine loan owing to Chartwell of approximately \$2.7 million and the balance, subject to working capital adjustments and a partial settlement of amounts due to Chartwell by Spectrum, payable to Spectrum in cash.

On December 3, 2010, Chartwell redeemed all of the issued and outstanding Initial Debentures.

Effective December 30, 2010, Chartwell disposed of Elizabeth Towers, a retirement community located in St. John's, Newfoundland. The sale price was approximately \$18.5 million with the purchaser assuming the existing debt of approximately \$14.4 million. Net proceeds after working capital adjustments of approximately \$3.7 million were paid to Chartwell in cash. As a condition on the sale of the property, Chartwell agreed to pay the defeasance costs related to the discharge of the assumed mortgage. In the first quarter of 2011, the mortgage was discharged by the purchaser and Chartwell paid \$0.9 million in defeasance costs.

During 2010, Chartwell issued 146,882 Units pursuant to its LTIP, 88,242 Deferred Units pursuant to its Deferred Unit Plan and 95,619 Restricted Units pursuant to its Restricted Unit Plan.

2011

In January 2011, Chartwell acquired a parcel of land in Hamilton, Ontario for development of a 119-suite retirement residence. Planning and design work commenced in the second quarter of 2011 and construction is expected to start in the spring of 2012.

On April 1, 2011, Chartwell acquired a 33.3% percent interest in Chartwell Classic Robert Speck from Spectrum. The purchase price before closing costs was \$11.1 million and was settled through the assumption of debt of \$7.6 million, the settlement of an outstanding mezzanine loan of \$1.0 million, the settlement of outstanding accounts receivable of \$0.8 million, with the remaining balance, net of working capital adjustments, paid in cash.

Effective May 10, 2011, Chartwell acquired a 50% interest in Chatsworth Retirement Suites and Bungalows from its joint venture partner Maclean Homes Limited to bring Chartwell's total ownership in this property to 100%. The purchase price before closing costs was \$10.4 million and was settled through the assumption of debt of \$5.8 million, the settlement of an outstanding mezzanine loan of \$1.1 million, the settlement of \$0.3 million in other amounts due to Chartwell from the vendor, with the remaining balance, net of working capital adjustments, paid in cash.

In the second quarter of 2011, the Operator extended the maturity date of the Amended and Restated Credit Agreement to June 24, 2012 and amended certain terms and conditions of the Amended and Restated Credit Agreement. Such amendments included an increase in the borrowing capacity to \$85 million, a change to the interest rate on amounts outstanding under the Amended and Restated Credit Agreement to be equal to the lender's prime rate plus 1.65% or the applicable bankers' acceptance rate plus 2.65%. See "Material Contracts – Amended and Restated Credit Agreement".

On July 21, 2011, Chartwell announced that it entered into an agreement to sell its 810-suite non-core Domaine Bellerive property located in Laval, Québec. The transaction was completed on July 31, 2011. The sale price was \$70 million, of which \$1.5 million is currently being held in escrow to provide the purchaser with monthly income protection until such time as the vacancy rate declines to 3% or lower for three consecutive months and existing tenant incentives are realized, at which time any remaining funds will be released to Chartwell. In connection with the closing of the transaction, the purchaser assumed the existing CMHC-insured mortgages of approximately \$47 million bearing a weighted average interest rate of 4.80% and a weighted average term to maturity of 12.5 years. Chartwell used the net cash proceeds of approximately \$21.5 million to repay amounts outstanding on its operating credit facility.

On August 8, 2011, Chartwell announced that Mr. Terry Whalen, the then Chief Investment Officer of Chartwell, would be leaving Chartwell effective September 2, 2011. His responsibilities for acquisitions, divestitures, development and asset management were assumed by Mr. Vlad Volodarski, the Chief Financial Officer of Chartwell.

Effective September 1, 2011, Chartwell completed agreements with Brookdale for the management of 45 of Chartwell's properties located in the United States previously managed by HBC and HBCII. The average terms of the management contracts were reduced to approximately ten years from 16 to 26 years, with a new maturity date of December 31, 2021. The base management fee for the properties under contract was agreed at 5% of gross revenues, replacing the range of 4.5% to 5.5% of gross revenues under the prior contracts. The new contracts include an incentive fee mechanism whereby Brookdale can earn an additional fee of up to 2% of gross revenues upon the achievement of specified annual operating targets. Management fees may also be reduced by up to 1% if such annual operating targets are not achieved. As part of the restructuring of the management agreements, Chartwell granted Brookdale a limited time option to acquire a 20% interest in Chartwell's U.S. real estate assets managed by Brookdale. In addition, Chartwell granted Brookdale a right of first offer should Chartwell decide to sell its interest in the U.S. properties managed by Brookdale.

On September 13, 2011, Chartwell announced that Mr. Richard Noonan, the then Chief Operating Officer of Chartwell, would be leaving Chartwell effective September 30, 2011. Donna Marasco, Senior Vice-President, Operations assumed Mr. Noonan's responsibilities on an interim basis.

In October 2011, Chartwell entered into the Amended Spectrum Settlement Agreement to allow Spectrum to sell certain of its assets to Renaissance pursuant to the proposed Renaissance IPO. Under the terms of the Amended Spectrum Settlement Agreement, upon closing of the Renaissance IPO, Chartwell would receive approximately \$15.4 million in repayment of outstanding accounts receivable and mezzanine loans due from Spectrum. Chartwell agreed to defer collection of a \$5.0 million settlement fee previously agreed upon and the repayment of a \$1.0 million mezzanine loan on one of Spectrum's properties in Québec for up to 18 months after the closing of the Renaissance IPO ("Spectrum Deferred

Payment”). The \$6.0 million Spectrum Deferred Payment was to be secured by a pledge of approximately \$15.0 million of Renaissance shares received by Spectrum on the sale of its assets to Renaissance pursuant to the Renaissance IPO. Chartwell also extended the term of a \$0.9 million mezzanine loan on another Spectrum property for a period of 24 months following the closing of Renaissance IPO. This loan bears interest at 10% and is secured by a second charge on the related property and Spectrum’s corporate guarantee. Chartwell will continue managing this property and retains its right of first refusal to acquire this asset as long as the mezzanine loan remains outstanding. Chartwell was subsequently notified that the sale of certain Spectrum assets to Renaissance would not proceed at that time. As of the date of the AIF, the Renaissance IPO had not been completed, nor have the Spectrum assets been sold to Renaissance. See “Description of the Business – Spectrum”.

On November 1, 2011, Chartwell completed its previously announced acquisition of a 50% interest in a portfolio of primarily independent supportive living seniors’ communities in the United States from ING Real Estate Community Living Group (the “ING Transaction”). The portfolio consists of 15 communities (2,948 suites) located across nine U.S. states. With the completion of this transaction, Chartwell now owns 100% of these communities. The purchase price for the 50% interest was approximately U.S.\$169 million, net of a debt mark-to-market adjustment of U.S.\$2.5 million, satisfied by the assumption of debt with an outstanding balance of approximately U.S.\$135.2 million, bearing a weighted average interest rate of 6.27% and a weighted average term to maturity of 4.5 years, and the balance paid in cash utilizing Chartwell’s operating credit facility.

During 2011, Chartwell issued 166,983 Units pursuant to its LTIP, 145,716 Deferred Units pursuant to its Deferred Unit Plan and 73,006 Restricted Units pursuant to its Restricted Unit Plan.

Recent Developments

On January 1, 2012, Ms Karen Sullivan was appointed Chief Operating Officer of Chartwell. Prior to this appointment, Ms Sullivan was the Executive Vice-President, People and Long Term Care at Chartwell.

On January 23, 2012, Chartwell purchased the 70-suite Chartwell Select Georgian Traditions Retirement Residence in Collingwood, Ontario, from Spectrum. The purchase price was \$15.5 million and was settled through the assumption of debt equal to \$11.4 million, the settlement of an outstanding mezzanine loan of \$0.9 million, the settlement of outstanding accounts receivable of \$0.9 million, with the balance, net of working capital adjustments, being paid in cash.

On February 15, 2012, Chartwell announced that Master LP had entered into an agreement with HCN Canada to purchase a portfolio of 8,187 suites in 42 retirement communities (the “Maestro Properties”) for a net purchase price of approximately \$931 million (the “Maestro Acquisition”). The Maestro Properties are located in Québec (45%), Ontario (45%), British Columbia (7%) and Alberta (3%), with virtually all of the Maestro Properties being in the ISL or AL segments. The Maestro Acquisition is being made pursuant to the terms of an agreement of purchase and sale (the “Maestro APS”) entered into among Master LP, HCN, HCN Canada and Maestro. The closing of the Maestro Acquisition is anticipated to occur on or about May 1, 2012 (the “Maestro Acquisition Closing”), subject to receipt of regulatory lender and CMHC approvals.

In connection with the Maestro Acquisition, Chartwell and HCN have agreed to form a co-ownership for the purpose of acquiring the Maestro Properties (the “Co-Ownership”) and have agreed to enter into an agreement that will govern the Co-Ownership (the “Co-Ownership Agreement”). Subsidiaries of Chartwell and HCN will each acquire a 50% undivided interest in 39 of the Maestro Properties with 7,662 suites (the “Co-Owned Properties”), which have a purchase price of approximately \$850 million, and HCN will acquire a 100% interest in three of the Maestro Properties with 525 suites (the “HCN Properties”), which have a purchase price of approximately \$81 million. Master LP has agreed to manage all of the Maestro Properties, as well as any other retirement communities acquired in the future by the Co-Ownership pursuant to the terms of a management agreement or management agreements (the “Management Agreement”). For more information on the Maestro Acquisition, please see the final prospectus in connection with the Subscription Receipt Offering and the 2012 Debenture Offering filed by Chartwell on March 2, 2012, available on SEDAR at www.sedar.com.

Also on February 15, 2012, Chartwell announced that it had entered into a \$210.4 million unsecured, floating rate credit facility maturing on December 13, 2012, prepayable at any time, and which may be drawn by Chartwell at the time of the Maestro Acquisition Closing, subject to customary conditions, up to June 29, 2012 (the “Bridge Facility”), if needed. Chartwell intends to use the proceeds of the Bridge Facility to fund, in part, its 50% interest in the Co-Owned Properties.

On March 1, 2012, Chartwell announced that Mr. Huw Thomas was appointed to the Board of Directors of CMCC effective February 29, 2012.

On March 9, 2012, Chartwell completed a public offering of 24,913,125 of subscription receipts (the “Subscription Receipts”), with each Subscription Receipt representing the right to receive one Unit upon the closing of the Maestro Acquisition (see “Chartwell, CSH Trust and Master LP – Subscription Receipts”), at no additional cost and without further action, at a price of \$8.20 per Subscription Receipt (the “Subscription Receipt Offering”), and \$135 million aggregate principal amount of 5.7% convertible unsecured subordinated debentures (the “2012 Debentures”) due March 31, 2018 (the “2012 Debenture Offering”, and together with the Subscription Receipt Offering, the “Offering”), for net proceeds, after underwriters’ fees and offering expenses, of approximately \$325.3 million.

On March 16, 2012, Chartwell redeemed all of the issued and outstanding 2007 Debentures.

Interests of Management and Others in Material Transactions

To Chartwell’s knowledge there are no existing or potentially material conflicts of interest between Chartwell or a subsidiary of Chartwell and any director or officer of Chartwell or of a subsidiary of Chartwell.

DESCRIPTION OF THE BUSINESS

Some of the industry data provided in this section was prepared by third parties, including Statistics Canada and the U.S. Census Bureau. Although Chartwell has no reason to believe such information is inaccurate or incomplete, Chartwell cannot guarantee the accuracy or completeness of such information.

Seniors Housing Industry in Canada and the United States

Types of Facilities

Seniors in Canada and the United States continue to enjoy and demand an expanding range of housing alternatives and service choices. The range of options is evolving in both countries, with new models being developed to meet the needs of increasing numbers of healthier, wealthier seniors, while continuing to provide care for the infirm and less affluent. Broadly speaking, the seniors housing industry serves the needs of North Americans aged 75 and over seeking housing outside the family home, though there are variations in markets and jurisdictions. In very general terms, the types of seniors housing facilities can be grouped in three categories described below.

- **Independent Supportive Living Facilities or ISL Facilities:** These facilities are designed for seniors who pay for services such as 24 hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private pay fee or rental rate. Suites range from private bed-sitting rooms to one or two-bedroom units with kitchenettes. Residents in ISL Facilities require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences offer a relatively minimum amount of daily care, but ISL accommodation is primarily for the senior who can live more autonomously with the option of additional care and services available as needed.
- **Assisted Living Facilities or AL Facilities:** AL Facilities are tailored for more frail seniors who need assistance with daily living activities but do not require or choose skilled nursing care. These units can be offered in a separate wing, separate floor or separate building of a retirement home. While government home care services may be delivered to residents of some AL communities, most residents of AL Facilities pay for their services themselves.
- **Long Term Care Facilities or LTC Facilities:** These facilities, also known as nursing homes or skilled nursing facilities, are residences for people who cannot live independently and require skilled nursing care on a daily basis. Typically, LTC Facilities are licensed or authorized as government-regulated and/or funded LTC Facilities, have controlled admission policies and programs, and must meet government design standards. Suites may be shared, semi-private or private. Eligibility for placement is based on a person's care requirements and is usually determined and arranged through government agencies. In most cases, LTC residents pay for their accommodation at a rate set by the local government, and the government pays for their care, programs and supplies.

Industry Participants in Canada

The seniors housing market continues to be fragmented with the three largest participants (at December 31, 2011) accounting for approximately 11.5% of the suites in Canada. The leading industry participants in Canada are:

Operators	Total Facilities 2011	Total Suites 2011	% of Total Suites in Canada*
Chartwell	144	17,211	4.1
Revera Inc.	178	20,400	4.9
Extendicare (Canada) Inc.	80	10,486	2.5
Total from Top Three Operators	400	48,096	11.5

*Note: Total suites in Canada in 2011 is estimated to be approximately 415,000.

Source: Management estimate, based on publicly available information as of December 31, 2011. All figures are approximate. Certain of these participants may own, manage, or have facilities in development. Figures include, in the case of Chartwell and where otherwise known, facilities or projects which are being managed for third parties, under construction or in various stages of development.

In Canada, in the ISL and AL segments, Chartwell faces competition from various national operators such as Revera Inc., Amica Mature Lifestyles Inc. and Sunrise Senior Living Inc., as well as from regional operators.

The largest national participants in LTC Facilities are Revera Inc. and Extendicare (Canada) Inc.

Industry Participants in the United States

The United States seniors housing sector is equally fragmented and often professional managers operate properties for third party owners with the top three managers accounting for approximately 4.9% of the total suites and the top three owners accounting for only 8.7% of total suites.

Managers	Total Facilities 2011	Total Suites 2011	% of Total Suites in the United States*
Brookdale	647	67,107	2.3
Emeritus Corporation	485	43,322	1.5
Holiday Retirement Corp.	278	32,700	1.1
Total from Top Three Managers	1,410	143,129	4.9

*Note: Total suites in the United States in 2011 is estimated to be approximately 2,955,000.

Source: Management estimate, based on publicly available information as of December 31, 2011. All figures are approximate. Certain of these participants may own, manage, or have facilities in development. Figures include, where known, facilities or projects which are being managed for third parties, under construction or in various stages of development.

Owners	Total Facilities 2011	Total Suites 2011	% of Total Suites in the United States*
Ventas, Inc.	1,062	102,831	3.5
Health Care Property Investors Inc.	627	77,942	2.6
HCN	701	77,378	2.6
Total from Top Three Owners	2,390	258,151	8.7

*Note: Total suites in the United States in 2011 is estimated to be approximately 2,955,000.

Source: Management estimate, based on publicly available information as of December 31, 2011. All figures are approximate. Certain of these participants may own, manage, or have facilities in development. Figures include, where known, facilities or projects which are being managed for third parties, under construction or in various stages of development.

Characteristics of Industry

Fragmentation and Consolidation

Historically, in Canada and the United States, most seniors housing has been provided by small independent operators. This is reflected by the fact that, among the top Canadian industry participants, no participant has more than a 4.9% market share of suites in Canada. While the industry remains fragmented, recent years have seen the entrance or expansion of larger owner-operators that have begun to consolidate ownership and that, through professional management, cost efficiencies and access to capital, have significantly increased the quality of services and choices available in the industry. While similar consolidation trends appear in the United States, the United States market also remains fragmented with no one entity managing or owning more than 3.5% of total suites.

Evolving Needs

The seniors housing industry is evolving to meet the sector's new needs and demands. This evolution is characterized by:

- **Emphasis on Service:** Since residents in seniors housing facilities of all types spend so much time in the facility and rely on the programs and staff for so much of their daily enjoyment, facility managers must be committed to excellence in service delivery. In addition to experience and expertise in providing health services to seniors, facility managers may also include professionals from the hospitality sector.
- **Improved Buildings:** With their growing affluence and the encouragement and support of their adult children, many more seniors are able to select more attractive ISL arrangements. These facilities offer larger suites, more common areas and amenities and social programs. ISL Facilities may look and feel like an apartment, condominium or a hotel, and offer services that residents enjoy and care that some residents may need. The buildings offer increasingly sophisticated fire and safety systems, heating and cooling, and communications and emergency response technologies. In LTC Facilities, new design standards and models are helping to create less institutional, friendlier facilities where the residents can better cope with their frailties and limitations with dignity.
- **Emphasis on Sales and Marketing:** Marketing of ISL Facilities and AL Facilities is becoming increasingly important for a number of reasons, principally to replace turnover of residents and to achieve annual increases in occupancies. First, with the expanding range of facilities and programs being offered, it is necessary to educate consumers about the choices available and to dispel the image of old-style seniors homes. Second, marketing helps to reduce the time to achieve initial Lease-Up, resulting in earlier Stabilization. Third, effective marketing in the local community, through market positioning, understanding local needs and good relations with local health professionals, helps to ensure future referrals of new residents. With respect to LTC Facilities, while occupancy is less of a concern (given large waiting lists and government control of supply and often funding), a facility's ability to attract residents willing to pay more for preferred accommodation (such as private rooms) represents a profit opportunity which can be realized through effective marketing.
- **New Programs and Technologies:** In addition to the new types and designs of seniors housing facilities noted above, there are continuing improvements in technologies, treatments and options for seniors. These include sophisticated resident tracking and emergency response systems, the introduction of new medications targeting the deteriorating effects of dementia, enhanced ventilation systems, anti-microbial/anti-bacterial carpets, new food preparation systems, computer based monitoring and communications systems, and portable telephones that permit staff to monitor all aspects of a building's safety and security and respond to resident requests promptly. The use of the Internet as a communications tool has led to the introduction of Internet stations as a standard component in the design of new facilities. At the same time, the search for, and selection of, accommodation for seniors increasingly involves obtaining information from the Internet, including seniors housing and health care websites. Newer communities are typically larger than earlier market supply, usually exceeding 100 suites.

Barriers to Entry

The successful operation of any type of seniors housing facility demands a broad range of expertise. The operational skill sets required include property management, hotel services (food and lodging), social activation, management of health care programs, sales, marketing and community relations, labour relations, liaising with government, regulators and other professionals and supply chain management. Established industry leaders can attract and retain key managers, professionals and front-line staff to provide all of these needed skills by offering better career paths, working conditions and management support than smaller operators. Larger operators also enjoy economies of scale in purchasing and can afford better marketing and branding strategies. For new entrants to the seniors housing sector, obtaining financing can be difficult since lenders consider the prospective operator's level of experience when assessing any loan application. Management believes that Chartwell has the requisite experience and expects to have a continued competitive advantage in accessing capital and financing compared with many small operators.

Stability and Nature of Income

Given the favourable demand demographics described above, the seniors housing industry in Canada and the United States should benefit from sustained demand in all sectors. While revenues in the seniors housing industry are not immune from economic factors (notably interest rates on retirees' savings and concerns about the funding of pension plans), the decision to select specialty seniors housing is often driven by an individual's immediate needs, and is not strictly discretionary. Typically, an individual's housing arrangements are no longer suitable and the most viable option is relocating to a seniors housing facility.

Since the move to a seniors housing facility may be stressful for the individuals involved and their families, it has been management's experience that, as long as living arrangements are satisfactory, seniors and their families generally prefer to remain in a particular setting unless changing health status demands otherwise. Affordability is not generally an issue once a particular facility is selected as seniors usually have their own resources or receive assistance from their families. In Canada, social programs, including government pensions and medical coverage, cover a portion of the cost. For these reasons, facilities that succeed in meeting seniors' and families' needs can expect relatively stable occupancy rates and revenues, and few collection problems.

Risks and Rewards

The risks and rewards associated with seniors housing depends in part on the types of facilities which are owned or operated. ISL Facilities and AL Facilities are similar to apartments in that space for living accommodation is rented, but they also offer various levels of services. The principal factors affecting a facility's occupancy levels and revenues are the size of the seniors population in the surrounding area, the facility types that the population requires and the existing comparable supply of seniors housing in that market. Effective marketing can positively influence revenues and occupancy rates.

Profit margins for ISL and AL Facilities are generally higher than for LTC Facilities. The ownership and operation of LTC Facilities tend to involve lower revenue risk but generate smaller profit margins than other types of seniors housing facilities because of government regulation and higher levels of care and costs. Furthermore, where government funding is involved, much of it is considered "pass through" monies. The greatest risks for all types of seniors housing facilities are in the development phase, which includes land assembly, zoning approvals, construction and Lease-Up.

For a detailed review of risk factors relating to Chartwell, see "Risk Factors".

Regulation in Canada

The long-term care sector is regulated by government in all provinces of Canada. To be a LTC Facility and to receive government funding when such funding is provided, such facility must be licensed or approved by applicable government bodies. LTC Facilities must generally be built to specified design criteria and funding is generally tied to the level of delivery of mandated care services. Licences for LTC Facilities are controlled based on, among other criteria, government-perceived local demand and budget constraints. All provinces in which Chartwell carries on business have LTC Facilities operated by charitable, municipal and government operators, as well as by private operators.

In Ontario, LTC Facilities receive funding from the provincial government based on the precise delivery of mandated care services, the level of care required by the residents in the LTC Facility, the LTC Facility's occupancy level, and the residents' financial status.

The effect of government licensing has resulted in more standardized facility design and program options in LTC Facilities. While licensing is not accompanied by government funding in some provinces, regulation has nonetheless served to control growth in supply. Thus, in most markets, LTC Facilities enjoy stable high occupancy rates and do not typically need to compete for residents. In Ontario, Québec and British Columbia, admission to a LTC Facility at subsidized rates is controlled by provincial agencies. LTC Facilities generally may rely on continued resident referrals, as long as they maintain quality operations and supply remains relatively constant.

Prior to July 1, 2010, LTC Facilities in Ontario operated pursuant to the *Nursing Homes Act* (Ontario), the *Charitable Institutions Act* (Ontario) or the *Homes for the Aged and Rest Homes Act* (Ontario). On October 3, 2006, the Government of Ontario introduced Bill 140, now known as the LTC Act 2007, which consolidated the three pieces of legislation governing LTC Facilities. The LTC Act 2007 was proclaimed into force on July 1, 2010 and replaced the three pieces of legislation that governed LTC Facilities.

Aspects of the LTC Act 2007 which affect Chartwell's LTC Facilities include: new licensing procedures based on more rigorous standards for licence review; the granting of licences for fixed terms of up to 25 years, depending on bed classifications; the granting of replacement licences to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in facilities, including the requirement that a registered nurse be on site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of facility staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of facilities. In addition, there will be a notice given three years before the end of a licence term as to whether a new licence will be issued. Such decisions will take into account the public interest and community needs.

In addition to the LTC Act 2007, general regulations made under the LTC Act 2007 were also proclaimed into force on July 1, 2010. The regulations address issues relating to the operation of LTC Facilities, including: (a) plans of care; (b) key high risk areas of resident care; (c) abuse and neglect; (d) minimizing the restraining of residents; (e) residents' rights, care and services; (f) admission of residents; (g) residents' and family councils; (h) funding; (i) licensing; (j) municipal homes and first nations homes; (k) compliance and enforcement; and (l) administration, miscellaneous and transition.

Québec has a system of regional health coordinating bodies known as "agences de développement de réseaux locaux de services de santé et de services sociaux". These bodies carry out the functions necessary for coordinating the establishment of health services and social services in their respective areas of jurisdiction, and in particular with respect to financing, human resources and specialized services. There are also regional local community service centres, which provide a range of health and social services from home care to walk-in clinics and professional specialties. These regional local community service centres determine local needs, and dispense the required services in their facilities.

ISL Facilities and AL Facilities across Canada have been typically subject only to generally applicable tenant protection regulation on the accommodation portion of their monthly fees, health care regulation in relation to the care provided and public health and safety regulations. The facilities themselves are subject to provincial building codes and fire safety provisions. As a result, ISL Facilities and AL Facilities can be more flexible in the types of programs and services offered and this has led to continuous improvement in product types and lifestyle choices.

In Alberta, the SLALA governs ISL facilities, which must be licensed according to the SLALA in order to operate. Additionally, ISL Facilities and AL Facilities in Alberta are subject to general regulations and standards with respect to housing, health and safety. In British Columbia, the *Community Care and Assisted Living Act* provides consumer protection and regulation of all ISL Facilities and AL Facilities. All types of seniors housing providing personal support must be registered with the Assisted Living Registry. Specified health and safety standards, currently being implemented, will apply to all registered facilities.

On June 8, 2010, the RH Act received Royal Assent, extending regulation to all forms of retirement homes and introducing certain measures designed to protect seniors living in retirement homes across Ontario. Under the RH Act,

persons operating retirement homes will be required to be licensed by the RHRA to operate a retirement home. Licences granted under the RH Act are not transferable and may be revoked should the persons operating the facilities fail to meet the requirements of the RH Act. Other measures outlined in the RH Act include: (a) granting the RHRA the power to conduct inspections, investigations and enforcement, including issuing financial penalties if necessary; (b) the establishment of mandatory care and safety standards, as well as requirements for emergency plans, infection control and prevention programs, assessment of care needs and care planning, police background checks and training for staff; (c) the establishment of a residents' bill of rights, including the right to know the true cost of care and accommodation and the residents' right to participate fully in making decisions regarding care; (d) the requirement to establish a policy that promotes zero tolerance of abuse or neglect; and (e) the inclusion of whistle-blowing protection provisions shielding persons disclosing information to the RHRA regarding the operation of a retirement home from any retaliation. Comprehensive regulations to accompany the RH Act have been drafted and posted for public consultation but they will not take effect until Section 33(1) of the RH Act comes into force, which likely will happen in 2012. These regulations will set out timeframes for licence applications. At present, very minimal regulations (dealing mostly with the definition of "retirement home") are in force to accompany the RH Act (they will be revoked when the comprehensive regulations come into force). Chartwell has updated policies, developed material and educated its homes' management teams in Ontario on the legislation and regulations.

In some Québec regions, operators of ISL Facilities and AL Facilities that provide health care support may receive subsidies. Also, most residents qualify for a provincial subsidy. Unlike Ontario, there is no guaranteed government commitment to funding LTC Facilities; accordingly, funding may last only as long as the regional referring agency views it to be necessary. However, Québec is facing the same growth in the seniors population and the same types of challenges as other provinces, including elderly patients taking up chronic care hospital beds. As a result, in practice, government funding arrangements with quality care providers are usually long-standing, and increasingly, funding agencies are entering into five-year contracts with service providers.

In Québec, all ISL Facilities and AL Facilities are required to undergo a certification process from the appropriate regional agency. Chartwell has complied with the certification process at all of its ISL and AL properties in Québec. LTC Facility accreditation is also underway in Québec and all Chartwell communities are complying with the accreditation process.

All of the Properties meet or exceed applicable minimum industry-wide voluntary standards and applicable legislative standards relating to such properties. In Ontario, each of the ISL Facilities and AL Facilities owned by Chartwell have been accredited by the Ontario Residential Communities Association, except those ISL Facilities and AL Facilities which have only recently been built and therefore have not yet been surveyed. Each of the LTC Facilities owned by Chartwell in Ontario and in British Columbia has been accredited by Accreditation Canada or the Commission on Accreditation of Rehabilitation Facilities.

Various municipalities within the provinces where Chartwell operates also impose licensing requirements pursuant to local by-laws and require inspection by local public health and fire safety authorities. The principal requirement of such licensing by-laws is generally the payment of nominal licensing fees and the undertaking of various inspections, all of which Chartwell is in compliance with.

Members of Chartwell's senior management team have been and expect to continue to be active in industry associations and initiatives and discussions concerning regulation of the seniors housing industry.

Regulation in the United States

Seniors housing facilities in the United States are subject to varying degrees of regulation and licensing by federal, state and local health and social service agencies and other regulatory authorities depending principally on the level of care and types of services offered.

LTC Facilities and AL Facilities generally require state licensing. To the extent that a seniors housing facility is licensed, it may be subject to periodic surveys or inspections by governmental authorities to assess and assure compliance with regulatory requirements. Surveys occur on a regular (often annual or bi-annual) schedule and special surveys may result from a specific complaint filed by a resident, a family member or a competitor. Although requirements vary from state to state and community to community depending on the level of care provided, in general, these requirements include

or address: personnel and education; training and records; facility services (including quality of care, administration and supervision of medication, the provision of nursing services, admission and discharge criteria, and documentation and reporting requirements); staffing requirements; monitoring of resident wellness; physical plant specifications; furnishing of resident suites; food and housekeeping services; emergency evacuation plans; and resident rights and responsibilities, infection control and waste disposal. Seniors housing facilities are also subject to state or local building codes, fire codes, food service licensing or certification requirements and various health and safety standards. In general, most states do not currently license ISL Facilities. However, in some states, insurance or consumer protection agencies regulate ISL Facilities in which residents pay entrance fees or prepay for services.

Government benefits, such as Medicare and Medicaid, are generally not available for services provided by ISL Facilities. The Medicare program does not generally pay for services provided by AL Facilities and Medicaid generally pays only for some services provided by AL Facilities. Resident charges in AL Facilities are usually paid from private resources. LTC Facilities can be certified to participate as Medicare and/or Medicaid providers. To the extent a seniors housing facility receives Medicare or Medicaid funds, it is subject to such program's certification standards. However, most facilities currently owned by Chartwell are not certified, and accept only private pay residents. Accordingly, these facilities are not subject to variations in Medicare/Medicaid funding levels.

On March 23, 2010, the ACA was enacted. Management has reviewed the ACA to determine the implications of the legislation, if any, for Chartwell's business. ACA has caused, and will continue to cause, an increase in federal regulation of Medicare and state Medicaid programs, particularly with respect to program integrity, enrolment and screening requirements. To the extent that the facilities owned by Chartwell participate in Medicare and/or Medicaid, ACA could result in increased risk as well as additional disclosure and other regulatory requirements. In addition, there have been many challenges to the constitutionality of the ACA. The broadest legal challenge, a joint filing by 26 states, will be heard by the U.S. Supreme Court in 2012. It is unclear what the scope of the Supreme Court's decision will be.

Growth Strategies of Chartwell

Chartwell has defined the following growth strategies to capitalize on the increasing demand for seniors housing facilities in Canada and the United States and to generate increasing AFFO and Unit value for its Unitholders.

Organic Growth

Chartwell's principal objective is to deliver best in class service to its residents and ensure highest resident and family satisfaction, which Chartwell believes is the best way to enhance occupancy and grow.

Management intends to deliver continued organic growth through increased occupancies, rental rate increases, continued operational improvements and efficiencies, and the addition of new revenue producing services to residents. Management believes that economies of scale can yield positive organic growth through enhanced efficiencies in administration, purchasing, cost control, the sharing of key managers and professionals as well as coordinated marketing campaigns. Management also believes that internal growth can be achieved by identifying and implementing enhancement opportunities within facilities, and facilities are evaluated periodically for potential improvement through the identification and implementation of new program opportunities.

While Chartwell's management recognizes that some element of "aging in place" is desirable in ISL Facility and AL Facility settings, the costs and benefits of such programs need to be carefully assessed. By pursuing clusters of seniors housing facilities in local markets, where possible, Chartwell continues to encourage organic growth by synergistic cooperation among its facilities. This approach allows residents with increasing needs for care and assistance as they age to move to a Chartwell facility in the same community that provides the appropriate programs. Chartwell believes that such a program better meets its residents' requirements and is more efficient to operate. As such, Chartwell has repositioned some of its properties to provide AL services where Chartwell has determined there is a demand and has redeveloped units in some properties to provide AL services where possible.

Development

Management evaluates development opportunities of seniors housing properties on a manageable scale. All facilities are periodically reviewed for potential development through suite reconfigurations or expansions to maximize

market success and operating results. Chartwell intends to pursue expansion of existing facilities and redevelopment in each market and facility cluster where management believes Chartwell can achieve significant long-term value. Certain properties may be renovated or expanded to include additional suites or to provide different services to residents, if market conditions warrant. Chartwell is currently undertaking seven development projects which are in various stages of design and construction.

In Ontario, Chartwell is in the process of constructing 212 retirement home units in Kitchener and Oshawa. Another 119 retirement home units are planned for Hamilton and construction is expected to commence in the spring of 2012. Three LTC renewal projects with a total of 224 beds received approval from the Ministry of Health and Long Term Care and construction commenced in the third and fourth quarters of 2011.

In British Columbia, Chartwell is replacing an existing asset with the construction of a 128-unit LTC Facility expected to open in the fourth quarter of 2012.

Acquisition Strategy

Chartwell remains open to opportunities to acquire newer properties in geographic regions where Chartwell already operates. Chartwell will pursue investments at a measured pace in attractive markets, which management expects to be primarily in Canada. Chartwell will also consider opportunistic acquisitions and acquisitions of properties already under its management. One example is the Maestro Acquisition (see “General Development of the Business – History of the Business – Recent Developments”).

In the United States, Chartwell’s current strategy is to simplify the corporate structure and consolidate geographically.

As much as possible, Chartwell targets acquisition and development opportunities that will add to local market strength and potential for coordinating marketing efforts and offering a continuum of care in a market area.

Management of Facilities for Third Party Clients

Chartwell also manages facilities for third party clients. While Chartwell will continue providing services to its existing clients, Chartwell does not expect to grow this part of its business through one-off management contracts. However, Chartwell may consider strategic portfolio management and co-investment opportunities with institutional or other well capitalized partners in the future. One example of implementing this strategy is the Maestro Acquisition (see “General Development of the Business – History of the Business – Recent Developments”).

Spectrum

The Operator entered into the Development Agreement with Spectrum on November 14, 2003, to provide for, among other things, potential future acquisitions by Chartwell (while reducing Chartwell’s exposure to the inherent risks of development). Under the terms of the Development Agreement, Chartwell oversaw the development process for Spectrum, in return for a management fee paid by Spectrum to Chartwell.

The Development Agreement was amended in May 2004, December 2004, February 2009 and December 2009. A copy of the Development Agreement, as amended, may be obtained on SEDAR at www.sedar.com.

In October 2011, Chartwell entered into the Amended Spectrum Settlement Agreement with Spectrum to allow Spectrum to sell certain of its assets to Renaissance pursuant to the Renaissance IPO (see “General Development of the Business – History of the Business – 2011”). Chartwell was subsequently notified that the previously announced sale of certain Spectrum assets to Renaissance is not proceeding at this time. As of the date of the AIF, the Renaissance IPO had not been completed, nor have the Spectrum assets been sold to Renaissance. As such, Chartwell retained all of its rights under its agreements with Spectrum, including mezzanine loan agreements and the Development Agreement, as amended, and continues to work with Spectrum to collect Chartwell’s accounts receivable and mezzanine loans and to manage certain of Spectrum’s operating properties.

Other than the ongoing matters described in this section, Chartwell no longer has any relationship or arrangements with Spectrum going forward, and Spectrum no longer represents a meaningful component of Chartwell's overall growth strategy.

Chartwell – Relationship with ING

In 2005, Chartwell and ING Real Estate formed a joint venture, CSH-INGRE LLC, to purchase seniors housing facilities in the United States and Canada in which Chartwell and ING wished to invest. In 2010, Chartwell, through Chartwell USCO, purchased from affiliates of ING its 50% ownership interests in eight long term care properties situated in Ontario (the "Regency Care Portfolio") and six retirement home properties located in the United States (the "Meridian Portfolio") that Chartwell did not already own. On November 1, 2011, Chartwell purchased from affiliates of ING its 50% ownership interests in all retirement home properties located in the United States that Chartwell did not already own, except for five properties branded as the "Bristol Portfolio" located in Long Island, New York. Chartwell did so by purchasing ING's and its affiliates' 50% interest in CSH-INGRE LLC and spinning out the Bristol Portfolio into a new joint venture entity (the "Bristol JV").

Neither Chartwell USCO, on the one hand, nor ING, on the other hand, may transfer its interest in the Bristol JV without first offering it to the other member of the same class. The operating agreement governing the Bristol JV also provides for (a) "tag-along" rights in favour of the other member in the event one member transfers its interest to a third party, (b) "shot-gun" buy-sell rights at net asset value in the event of board stalemate, and (c) rights in favour of each member of a particular class to buy the other's interest in the event of a change of control of such other member.

Ultimate Care Group, based in New York, continues to manage the Bristol Portfolio.

Management and Employees

A typical 100-suite AL Facility or LTC Facility has the following management team: general manager/administrator, director of care, activities director, office manager, sales and marketing manager, food services manager and maintenance manager, while an ISL Facility may have fewer management employees. An ISL/AL Facility typically has approximately 40 additional frontline staff (including: full and part-time nurses, health care aides, cooks, dietary aides, activities staff and housekeepers). A typical 100 bed LTC Facility would have 100 frontline staff.

The management team at each of Chartwell's seniors housing facilities is responsible for day-to-day operations, sales and marketing, overseeing inspections, monitoring staffing, implementing policies and reporting on the facility's performance. The staff in each facility are employed by that particular facility, although they are subject to Chartwell's policies and procedures. Chartwell, through the Operator and its subsidiaries and also through Brookdale directly and indirectly employs approximately 11,200 people in Canada, with approximately 47% represented by labour unions, and approximately 3,000 people in the U.S. The U.S. employees are not unionized. Generally, the collective bargaining unit representing employees in any one facility does not currently represent employees in any other facility. There are many different unions representing different facilities that Chartwell owns or manages. Chartwell's seniors housing facilities, having unionized employees, have generally enjoyed good relationships with the applicable unions, and Chartwell expects to continue these positive relationships. The facilities that Chartwell operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services.

Properties, Management Business and Development Properties

The following table sets out the number of seniors housing facilities owned, leased, managed or financed by Chartwell, including projects on which Chartwell has purchase rights:

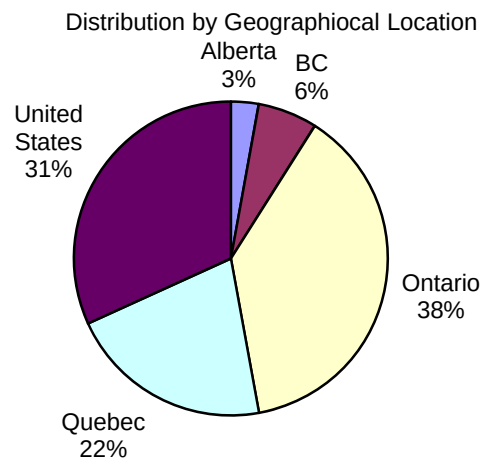
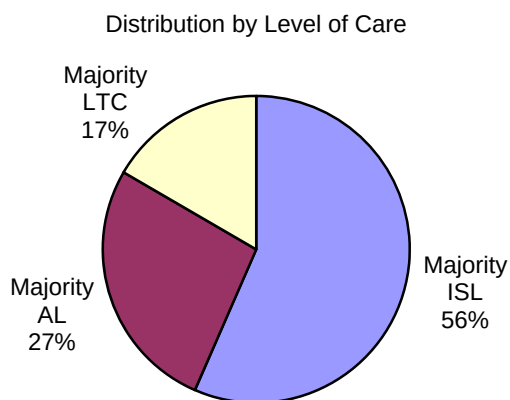
Summary of Seniors Housing Properties Owned, Leased, Managed or Financed

	Properties	<u>Majority ISL</u> ⁽²⁾		<u>Majority AL</u> ⁽²⁾		<u>Majority LTC</u> ⁽²⁾		<u>Total</u>	
		Properties	Suites	Properties	Suites	Properties	Suites	Properties	Suites ⁽¹⁾
100% Owned by Chartwell ⁽³⁾	170	91	12,197	51	5,192	28	3,840	170	21,229
Partially Owned by Chartwell	12	7	873	5	768	-	-	12	1,641
Total Owned	182	98	13,070	56	5,960	28	3,840	182	22,870
Properties under Operating Lease	2	-	-	2	244	-	-	2	244
Total Owned and Leased	184	98	13,070	58	6,204	28	3,840	184	23,114
Managed Properties	11	5	610	1	70	5	768	11	1,448
Total	195	103	13,680	59	6,274	33	4,608	195	24,562

- (1) As of December 31, 2011. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.
- (2) Many of these facilities provide more than one type of care. Where the facility provides more than one level of care, the facility has been designated according to the predominant level of care provided in that facility and the suites in such facility have been designated according to the actual level of care provided in such suites.
- (3) Including 452 development suites in Lease-Up.

Distribution of Seniors Housing Facilities Owned and Leased

The distribution of the seniors housing facilities owned and leased by Chartwell by level of care and by geographic location is as follows (as measured by number of suites):



Description of the Properties Owned, Leased and Managed by Chartwell

In respect of the seniors housing facilities owned by Chartwell, the table on the following page provides information regarding the name of each facility, and the number of suites housed in each facility allocated to the type of care provided in respect of such suites.

Although ISL Facilities and AL Facilities generally have Resident Occupancy Rates greater than 90%, it is typical from time to time to have such rates fall below 90%. This is mainly the result of long-time residents aging in place and moving into LTC Facilities, requiring chronic care, or passing away. It is management's expectation that the average

Resident Occupancy Rates of those facilities currently below 90% will return to Stabilized levels over time. In the event that any facility is not expected to reach Stabilized levels over time, management will evaluate the facility and take appropriate measures with respect to such facility. Such measures may include implementing specific marketing initiatives, addressing management deficiencies at the facility level, repositioning services offered at the facility or considering a disposition of the facility.

Since the date of Chartwell's last annual information form, excluding Chartwell's acquisition of the 70-suite Chartwell Select Georgian Traditions Retirement Residence and the pending Maestro Acquisition, Chartwell has acquired interests in 17 seniors housing facilities with a total of 3,164 suites and disposed of one seniors housing facility with a total of 810 suites.

Management of Facilities for Third Party Clients

Management of facilities for third party clients involves undertaking on behalf of owners all aspects of the management of a seniors housing facility. Such management includes hiring of administrators and staff on behalf of the facility's owner, marketing, purchasing, financial administration, record-keeping and regulatory compliance. Fees payable for such services generally are based on a percentage of facility revenue. While most management contracts provide for a term of five years, the term can vary. Notwithstanding the expressed term, however, most management contracts also provide that they may be terminated upon 90 days' notice.

The fees payable to Chartwell for operations management services are typically 3% of gross revenues for LTC Facilities and 4-5% of gross revenues for ISL Facilities and AL Facilities.

Properties Owned, Leased and Managed by Chartwell Seniors Housing REIT as at December 31, 2011

Property	Location	Year Built	Extension(s)		LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
					LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
ONTARIO									
EAST									
Bayview Retirement Residence	Belleville	1997			-	-	60	60	100%
Chateau Gardens Lancaster	Lancaster	1978			60	-	-	60	100%
Rosedale Retirement Centre	Brockville	1997			-	-	69	69	100%
Bon Air Residence	Cannington	1974			55	9	-	64	100%
Cobourg Retirement Residence	Cobourg	1988			-	47	-	47	100%
Chateau Cornwall	Cornwall	2005			-	98	-	98	100%
Residence Champlain	L’Orignal	1973			60	-	-	60	100%
Hartford Retirement Centre	Morrisburg	1988	2007		-	-	91	91	100%
New Edinburgh Square	Ottawa	1994			-	112	-	112	100%
Jackson Creek Retirement Residence	Peterborough	2002			-	-	70	70	100%
Peterborough Manor	Peterborough	1982	1986	1999	-	100	-	100	100%
Quail Creek Retirement Centre	Renfrew	1988	2009		-	-	92	92	100%
Chartwell Kanata (Brookside Manor)	Kanata	1998			-	81	-	81	100%
Empress Kanata	Kanata	2001			-	26	64	90	100%
Mayfield	Prescott	1998			-	-	60	60	100%
Willowdale Retirement Centre	Smiths Falls	1988			-	-	59	59	100%
Van Horne	Smiths Falls	1998			-	-	58	58	100%
Bridlewood Retirement Residence	Gloucester	2002			-	-	61	61	100%
Conservatory Pond	Kingston	2005			-	-	86	86	100%
Rideau Place	Ottawa	1988			-	104	-	104	100%
The Wynfield	Oshawa	2003			172	-	-	172	100%
GTA									
Ballycliffe Lodge	Ajax	1972	1980		100	42	-	142	100%
Aurora Resthaven	Aurora	1975	2003		240	-	-	240	100%
Chartwell Classic Constantia	Thornhill	2006			-	-	121	121	50%
Park Place Manor Retirement Residence	Aurora	1991			-	94	-	94	100%
Barton Retirement Residence	Newmarket	2000			-	-	82	82	100%
Gibson LTC Centre	North York	1972			202	-	-	202	100%
Gibson Retirement Community	North York	1982			-	69	-	69	100%
Parkway Retirement Residence	Pickering	1997			-	-	80	80	100%
White Eagle Residence	Toronto	1972			56	-	-	56	100%
4 Teddington	Toronto	1986			-	52	-	52	100%
921 Millwood	Toronto	1987			-	-	57	57	100%
Colonial Retirement Residence	Whitby	1996			-	95	-	95	100%
Pine Grove Lodge	Woodbridge	1996			100	-	-	100	100%
Heritage Glen	Mississauga	1980			-	-	323	323	100%
Chartwell Classic Robert Speck Parkway	Mississauga	2008			-	-	113	113	33%
Regency Retirement Residence	Mississauga	2003			-	-	82	82	100%
The Wenleigh	Mississauga	2001			161	-	-	161	100%
The Westbury	Etobicoke	2004			187	-	-	187	100%

Property	Location	Year Built	Extension(s)	LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
				LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
The Woodhaven	Markham	2003		192	-	-	192	100%
Rouge Valley	Markham	2004		-	-	88	88	100%
Trilogy Long-Term Care Residence	Scarborough	2003		197	-	-	197	100%
Centennial Retirement Residence	Oshawa	2002		-	-	73	73	100%
Chartwell Select Pickering	Pirckering	2007		-	-	117	117	50%
Chartwell Classic Oakville	Oakville	2009		-	-	147	147	50%
Chartwell Classic Valley Vista	Vaughan			-	-	140	140	50%
NORTH								
The Westmount	Sudbury	1988		-	-	84	84	100%
Collegiate Heights Retirement Residence	Sault Ste. Marie	2002		-	-	101	101	100%
Chateau Georgian	Timmins	1988		-	63	-	63	100%
Barclay House	North Bay	1987		-	-	64	64	100%
Pinewood	Pembroke	1984		-	45	-	45	100%
Glacier Ridge Retirement Residence	Thunder Bay	2002		-	-	80	80	100%
Barrington Retirement Residence	Barrie	1999		-	-	72	72	100%
James Street Place	Bracebridge	1990	2003	-	-	73	73	100%
Gravenhurst Manor	Gravenhurst	1987		-	-	45	45	100%
Rogers Cove Retirement Residence	Huntsville	1995		-	-	55	55	100%
Atrium Retirement Residence	Orillia	1997		-	-	51	51	100%
Southwind Retirement Residence	Sudbury	2004		-	-	80	80	100%
Meadowbrook Retirement Village -Ret.	Sudbury	2000		-	-	162	162	100%
Chartwell Select Thunder Bay	Thunder Bay	2009		-	-	109	109	100%
Chartwell Select Muskoka Traditions	Huntsville			-	-	106	106	100%
WEST								
Martha's Landing	Burlington	2000		-	-	57	57	100%
Georgian Retirement Residence	Dundas	1995		-	-	64	64	100%
Atrium Villa	Hamilton	1997		-	67	-	67	100%
Oxford Manor Retirement Residence	Ingersoll	1987	1996	-	-	46	46	100%
Willoughby Manor	Niagara Falls	1995		-	-	52	52	100%
Anne Hathaway Residence	Stratford	1998		-	-	67	67	100%
Tillsonburg Retirement Centre	Tillsonburg	1986	1994	-	-	51	51	100%
Maple Court Villa	Walkerton	1990		-	-	48	48	100%
Devonshire Seniors' Residence	Windsor	1970		-	195	-	195	100%
Park Place Retirement Centre	Woodstock	1996		-	-	58	58	100%
Chateau Gardens Parkhill	Parkhill	1975		59	-	-	59	100%
Chateau Gardens London	London	2003		95	-	-	95	100%
Chateau Gardens Niagara	Niagara	1973		124	-	-	124	100%
Chateau Gardens Aylmer	Aylmer	1983		60	-	-	60	100%
Chateau Gardens Elmira	Elmira	2002		48	-	-	48	100%
Chateau Gardens Elmira- Retirement	Elmira	2002		-	64	-	64	100%
Royal Oak	Kingsville	2004		160	-	-	160	100%
The Westmount	Kitchener	2002		161	-	-	161	100%
The Willowgrove	Ancaster	2004		169	-	-	169	100%
The Brant Centre	Burlington	2002		175	-	-	175	100%

Property	Location	Year Built	Extension(s)	LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
				LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
Bankside Terrace	Kitchener	1996		-	89	-	89	100%
Terrace on the Square	Waterloo	1999		-	89	-	89	100%
Queen's Square Terrace	Cambridge	2000		-	80	-	80	100%
Wellington Park Terrace	Guelph	2006		-	114	-	114	100%
Oak Park LaSalle	Lasalle, Windsor	2005		-	113	-	113	100%
Oak Park Terrace	Windsor	1998		-	112	-	112	100%
Riverside Retirement Village	London	2009		-	-	138	138	50%
The Waterford	Oakville	2002		168	-	-	168	100%
SUBTOTAL ONTARIO				3,001	1,960	3,856	8,817	
BRITISH COLUMBIA								
Birchwood Retirement Residence	Chilliwack	1987		-	-	80	80	100%
Lynnwood Retirement Home	Chilliwack	1998		-	-	121	121	100%
Hampton House	Chilliwack	2006		-	-	98	98	100%
Willow Manor	Maple Ridge	2002		35	-	98	133	100%
Carrington House	Mission	2003		-	-	125	125	100%
Carrington Place	Vernon	2003		-	5	138	143	100%
Carlton Gardens	Burnaby	1966		-	-	-	0	100%
Malaspina Gardens	Nanaimo	1942	1992	135	-	-	135	100%
Crescent Gardens	South Surrey	1997		75	-	60	135	100%
Langley Gardens	Langley	2000		92	-	119	211	100%
Langley Gardens at Village Square	Langley	2002		-	36	2	38	100%
The Chatsworth	Kelowna	2006		-	-	103	103	100%
Churchill House	North Vancouver	2006		-	37	60	97	50%
SUBTOTAL BRITISH COLUMBIA				337	78	1,004	1,419	
ALBERTA								
Colonel Belcher	Calgary	2001		-	30	145	175	100%
Eau Claire	Calgary	2002		-	90	57	147	100%
Country Cottage	Sherwood Park	1999		-	26	22	48	100%
Harbours of Newport	Calgary	2002		-	-	116	116	100%
Royal Park Retirement Residence	Calgary	1998		-	-	105	105	100%
Wild Rose Retirement Residence	Edmonton	2000		-	26	40	66	100%
SUBTOTAL ALBERTA				-	172	485	657	
QUÉBEC								
Maison Herron Residence	Dorval	1991	2008	80	74	-	154	100%
Manoir Pierrefonds	Montreal	1964	1987	108	83	-	191	100%
Villa Val des Arbres	Laval	1997	2001	92	29	52	173	100%
L'Oasis St. Jean	St.Jean Sur Richelieu	1988	2003	-	36	282	318	100%
Domaine Cascade	Shawinigan	1988		-	-	205	205	100%
Monastere d'Aylmer	Gatineau	1999	2005	-	57	207	264	100%
Cite-jardin Phase I & II	Gatineau	2001	2004	-	-	284	284	100%
Cite-jardin Phase III A	Gatineau	2006		-	-	173	173	100%
Cite Jardins Phase IV	Gatineau	2007		-	-	173	173	100%
Notre Dame de Hull	Gatineau	2000		-	69	156	225	100%

Property	Location	Year Built	Extension(s)	LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
				LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
Marquis de Tracy I	Sorel-Tracy	1996	2004	-	25	101	126	100%
Marquis de Tracy II	Sorel-Tracy	2002		-	-	135	135	100%
Domaine du Chateau de Bordeaux	Québec City	2003		-	56	97	153	100%
Appartements du Chateau de Bordeaux	Québec City	2006		-	-	150	150	100%
Residence Principale	Cowansville	1997	2002	-	19	177	196	100%
La Residence St-Pierre	Rouyn-Noranda	2003	2005	-	-	120	120	100%
Residence Le Duplessis	Trois Rivières	1989	2003	-	-	223	223	100%
Residence Le Riverain	Granby	1986		-	78	53	131	100%
Castel Royal	Côte St-Luc	1975		-	-	250	250	100%
Manoir Kirkland	Kirkland	1977		-	-	189	189	100%
Residence Ste.Genevieve	Québec City	1987		-	-	201	201	100%
Les Jardins de la Gare	Ste. Hyacinthe	1942	1995	33	-	232	265	100%
Residence Ste.Marthe	Ste. Hyacinthe	2004	2008	-	20	178	198	100%
Chateau Vincent Indy	Montreal	1986		-	26	69	95	100%
Le Seigneuries du Carrefour	Sherbrooke	2007		-	-	278	278	100%
SUBTOTAL QUÉBEC				313	572	3,985	4,870	
TOTAL CANADIAN PROPERTIES				3,651	2,782	9,330	15,763	
UNITED STATES								
OWNED PROPERTIES								
Town Village Vestavia Hills	Birmingham	2001		-	-	226	226	100%
Arvada Meridian	Arvada	1988		-	-	128	128	100%
Boulder Meridian	Boulder	1986		-	-	98	98	100%
Englewood Meridian	Englewood	1985		72	-	197	269	100%
Lakewood Meridian	Lakewood	1985		58	-	116	174	100%
Village at Lowry	Denver	1995		-	119	36	155	100%
Westland Meridian	Lakewood	1988		-	-	155	155	100%
Bella Vita	Venice	1988		-	76	37	113	100%
Lake Worth Gardens	Lake Worth	1985		-	-	172	172	100%
Willow Wood	Fort Lauderdale	1987	1995	-	128	158	286	100%
Wyndham Lakes	Jacksonville	1986		-	149	92	241	100%
The Park at Trowbridge	South Field	2005		-	-	302	302	100%
Town Village Sterling Heights	Sterling Heights	2002		-	-	224	224	100%
East Meadows	Long Island	2000		-	132	-	132	50%
Massapequa	Long Island	2006		-	156	-	156	50%
North Hills	Long Island	2004		-	166	-	166	50%
North Woodmere	Long Island	2003		-	141	-	141	50%
Westbury	Long Island	2001		-	173	-	173	50%
Amber Park	Cincinnati	1983		-	98	35	133	100%
Waterford	Dayton	1987		-	-	112	112	100%
Woodside Village	Bedford	1988		-	221	10	231	100%
Town Village Tulsa	Tulsa	2001		-	-	198	198	100%
Pocasset Bay Manor	Providence	2005		-	58	112	170	100%
Town Village Audubon Park	Memphis	2001		-	-	179	179	100%
Temple Meridian	Temple	1984		59	-	174	233	100%

Property	Location	Year Built	Extension(s)	LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
				LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
Gayton Terrace	Richmond	1987		-	113	93	206	100%
Horizon Bay at Northport	Northport	1999		-	34	44	78	100%
Horizon Bay at Apache Junction	Apache Junction	1999		-	83	41	124	100%
Horizon Bay at Chandler	Chandler	1999		-	50	39	89	100%
Horizon Bay at Altamonte Springs	Altamonte Springs	1991		-	63	34	97	100%
Horizon Bay at Lutz	Lutz	2000		-	60	27	87	100%
Horizon Bay at Orange City	Orange City	1997		-	68	18	86	100%
Horizon Bay at Port St. Lucie	Port St. Lucie	1999		-	93	4	97	100%
Horizon Bay at Sarasota	Sarasota	1994		-	122	31	153	100%
Horizon Bay at Tamarac	Tamarac	2000		-	68	29	97	100%
Horizon Bay at Vero Beach	Vero Beach	2001		-	70	36	106	100%
Horizon Bay at Carrollton	Carrollton	1999		-	69	-	69	100%
Horizon Bay at Rome	Rome	1999		-	70	-	70	100%
Horizon Bay at Bossier City	Bossier City	1999		-	85	-	85	100%
Horizon Bay at Ten Oaks	Lawton	1989		-	107	-	107	100%
Horizon Bay at The Parkview	Memphis	1924	2002	-	-	130	130	100%
Horizon Bay at Graham	Graham	1997		-	72	-	72	100%
Horizon Bay at Grand Prairie	Grand Prairie	1998		-	86	-	86	100%
Horizon Bay at N. Richland Hills	N. Richland Hills	1999		-	85	21	106	100%
Horizon Bay at Round Rock	Austin	1999		-	67	2	69	100%
Horizon Bay at San Antonio	San Antonio	1997		-	124	3	127	100%
Horizon Bay at San Marcos	San Marcos	1998		-	68	1	69	100%
Horizon Bay at Wichita Falls	Wichita Falls	1998		-	69	1	70	100%
Treemont	Dallas	1978		-	-	260	260	100%
SUBTOTAL OWNED PROPERTIES				189	3,343	3,575	7,107	
PROPERTIES UNDER OPERATING LEASE								
Horizon Bay at Clearwater	Clearwater			-	87	13	100	100%
Horizon Bay at Lake Orienta	Altamonte Springs			-	96	48	144	100%
SUBTOTAL PROPERTIES UNDER OPERATING LEASE-					183	61	244	
TOTAL UNITED STATES PROPERTIES				189	3,526	3,636	7,351	
GRAND TOTAL OWNED AND LEASED INTEREST PROPERTIES				3,840	6,308	12,966	23,114	
CANADIAN MANAGED PROPERTIES								
Cawthra Gardens LTC	Mississauga			192	-	-	192	0%
Tower of Port Hope	Port Hope			-	-	44	44	0%
Park Avenue Manor	Burlington			-	70	-	70	0%
Regency Care- Villa Forum	Mississauga			160	-	-	160	0%
Regency Care- Queen's Garden	Hamilton			128	-	-	128	0%
Regency Care- Regina Gardens	Hamilton			128	-	-	128	0%
Chartwell Select Greenway Retirement Village	Brampton			-	113	129	242	0%
Madonna LTC	Orleans			160	-	-	160	0%
Chartwell Select Georgian Traditions	Collingwood			-	-	70	70	0%
Renaissance Retirement Residence	Kamloops			-	-	97	97	0%

Property	Location	Year Built	Extension(s)	LTC	Retirement Homes		Total	Chartwell Ownership or Leased Interest
				LTC Suites	Assisted Living Suites	Independent Supportive Living Suites		
Renaissance Retirement Residence	Regina			-	-	157	157	0%
SUBTOTAL CANADIAN MANAGED PROPERTIES				768	183	497	1,448	
TOTAL CANADIAN OWNED, LEASED INTEREST, MANAGED PROPERTIES				4,419	2,965	9,827	17,211	
TOTAL UNITED STATES OWNED, LEASED INTEREST, MANAGED PROPERTIES				189	3,526	3,636	7,351	
TOTAL OWNED, LEASED INTEREST, MANAGED PROPERTIES				4,608	6,491	13,463	24,562	

Mezzanine Financing

Chartwell's net book value of mezzanine loans receivable as of December 31, 2011 was \$9.6 million.

During the course of 2011, mezzanine loans with a carrying amount of \$2.1 million were settled on the acquisition by Chartwell of interests in two communities for which mezzanine loans were made (see "General Development of the Business – History of the Business – 2011"). In 2011, \$8.2 million of mezzanine loans on three properties (including a partial repayment on one property) were repaid in cash.

CHARTWELL, CSH TRUST AND MASTER LP

General

Chartwell is an unincorporated open-ended trust created pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Under the Declaration of Trust, Chartwell is restricted to investing in only the securities of CSH Trust, Master LP, CMCC and their respective associates. Chartwell qualifies as a mutual fund trust under the Tax Act and is expected to continue to so qualify at all material times in the future. Chartwell has been established for an indeterminate term. The following is a summary, which does not purport to be complete, of the material attributes of the Voting Units and certain provisions of the Declaration of Trust. Reference should be made to the Declaration of Trust, available on SEDAR (www.sedar.com), for the full text of its provisions and a complete description of the Voting Units.

Voting Units are not shares in Chartwell. Holders of Voting Units in Chartwell do not have statutory rights like a shareholder in an OBCA corporation or a CBCA corporation normally associated with the ownership of shares of a corporation, including, for example, the right to bring "oppression" or "derivative" actions. The Voting Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation. Furthermore, Chartwell is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Description of the Units

The Declaration of Trust provides for the issuance of an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided ownership interest in Chartwell. No Unitholder has or is deemed to have any right of ownership in any of Chartwell's assets. Each whole Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in any Distributions to Unitholders by Chartwell, whether of net income, net realized capital gains or other amounts and, in the event Chartwell is terminated, in any distribution to Unitholders out of Chartwell's net assets remaining after all liabilities have been satisfied. Units will be fully paid and non-assessable when issued (unless issued on an instalment receipt basis) and are transferable. Except as set out below under "Redemption Right", the Units have no conversion, retraction, redemption or pre-emptive rights. Issued and outstanding Units may be subdivided or consolidated.

Description of the Special Voting Units

The Declaration of Trust also provides for the issuance of an unlimited number of Special Voting Units that carry voting rights relating to Chartwell for persons holding Class B Master LP Units or other shares, units or other securities that are directly or indirectly exchangeable for Units. Each Special Voting Unit entitles the holder thereof to a number of votes at any meeting of Unitholders equal to the number of Units which may be obtained upon the exchange of the exchangeable shares, units or other securities, including the Class B Master LP Units, to which the Special Voting Units relate. (See "Description of the 2012 Debentures – Chartwell, CSH Trust and Master LP").

The Special Voting Units are subject to such other rights and limitations as may be determined by the Chartwell Trustees at the time of issuance of any such Special Voting Units. Holders of Special Voting Units shall be entitled to nominal distributions in proportion to the consideration payable on the redemption of such Special Voting Units. The Special Voting Units are not transferable separately from the Class B Master LP Units, or other securities to which they relate, and are automatically transferred upon the transfer of such securities. Upon the exchange or surrender of Class B Master LP Units for Units, the corresponding Special Voting Units are automatically redeemed by Chartwell for a nominal amount and are immediately cancelled.

Description of the Subscription Receipts

The Subscription Receipts issued at the closing of the Subscription Receipt Offering were issued pursuant to the subscription receipt agreement to be dated the date of closing of the Subscription Receipt Offering among Chartwell, RBC Dominion Securities Inc., on behalf of the Underwriters, and the Subscription Receipt Agent (the “Subscription Receipt Agreement”), governing the terms of the Subscription Receipts. The proceeds from the sale of the Subscription Receipts, less half of the fee payable to the Underwriters (the “Basic Underwriters’ Fee”) in respect of the issue and sale of Subscription Receipts pursuant to the underwriting agreement (the “Escrowed Funds”), were delivered to and are being held by the Subscription Receipt Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the earlier to occur of the completion of the Maestro Acquisition and Chartwell formally announcing to the public by way of a press release that it does not intend to proceed with the Maestro Acquisition (the “Termination Event”). Upon the completion of the Maestro Acquisition and satisfaction of the other conditions to the exchange of the Subscription Receipts: (a) one Unit will be automatically issued in exchange for each Subscription Receipt, without payment of additional consideration or any further action; (b) the Subscription Receipt Adjustment Payment, if any, less applicable withholding taxes, if any, will become payable in respect of each Subscription Receipt; and (c) the Escrowed Funds (less the remaining half of the Underwriters’ fee payable with respect to the Subscription Receipt Offering) will be released to Chartwell which will then be utilized to pay a portion of the purchase price for the Co-Owned Properties and Chartwell’s expenses of the Maestro Acquisition. The Subscription Receipt Agreement contains customary anti-dilution provisions with respect to the Subscription Receipts.

If a Termination Event occurs, Chartwell will immediately notify the Subscription Receipt Agent and the Underwriters, and promptly issue a press release specifying the Termination Event. Upon the occurrence of a Termination Event, the subscription evidenced by each Subscription Receipt will be automatically terminated and cancelled and each Subscription Receipt will entitle the holder thereof to receive an amount equal to the full Subscription Price and his or her *pro rata* share of the interest or other income actually earned on the investment of the Escrowed Funds from, and including, the closing of the Subscription Receipt Offering to, but excluding, the Termination Event, as applicable (the “Earned Interest”), and of the interest that would have otherwise been earned on the Basic Underwriters’ Fee as if such Basic Underwriters’ Fee had been held in escrow as part of the Escrowed Funds and not paid to the Underwriters (the “Deemed Interest”), less applicable withholding taxes, if any. Despite the fact that the Basic Underwriters’ Fee will be paid by Chartwell to the Underwriters from the proceeds from the sale of the Subscription Receipts at the closing of the Subscription Receipt Offering, Chartwell will nonetheless, following a Termination Event, be responsible to compensate each holder of a subscription receipt for an amount equal to the full Subscription Price and his or her *pro rata* share of the Earned Interest and Deemed Interest, less applicable withholding taxes, if any. Upon such payment to holders of the Subscription Receipts, all rights evidenced by the Subscription Receipts relating thereto shall be satisfied and such Subscription Receipts shall be void and of no value or effect.

Holders of Subscription Receipts are not Unitholders and Subscription Receipts do not carry any voting rights in Chartwell. Holders of Subscription Receipts are entitled only to receive Units, and accordingly be entitled to the rights of Unitholders, on surrender of their Subscription Receipts to the Subscription Receipt Agent.

Chartwell Trustees

The Declaration of Trust provides that Chartwell’s board of trustees shall consist of a minimum of one and a maximum of 11 trustees. The number of Chartwell Trustees may be changed by the Voting Unitholders or by the Chartwell Trustees, provided that the Chartwell Trustees may not, between meetings of Voting Unitholders, unless otherwise approved by a majority of the Chartwell Trustees, appoint an additional Chartwell Trustee if, after such appointment, the total number of Chartwell Trustees would be greater than one and one-third times the number of Chartwell Trustees in office immediately following the last annual meeting of Voting Unitholders. Subject to certain conditions, a vacancy occurring among the Chartwell Trustees may be filled by resolution of the remaining Chartwell Trustees, so long as they constitute a quorum, or by Voting Unitholders at a meeting of the Voting Unitholders. Pursuant to policies adopted by the Chartwell Trustees, the Chartwell Trustees are to be elected individually by resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders. The Chartwell Trustees elected at an annual meeting will be elected for terms expiring at the next annual meeting and will be eligible for re-election. A Chartwell Trustee elected to fill a vacancy will be elected for the remaining term of the Chartwell Trustee he or she is succeeding. Chartwell Trustees may be removed with or

without cause by a majority of the votes cast at a meeting of Voting Unitholders or with cause by two-thirds of the remaining Chartwell Trustees.

The standard of care and duties of the Chartwell Trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the OBCA. Accordingly, each Chartwell Trustee is required to exercise the powers and discharge the duties of his office honestly, in good faith and in the best interests of Chartwell and the Voting Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Any written instrument which is, in the judgment of the Chartwell Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, by way of lawsuit or otherwise, the private property of any of the Chartwell Trustees, Voting Unitholders, annuitants or beneficiaries under a plan of which a Voting Unitholder acts as a trustee or carrier, or officers, employees or agents of Chartwell, but that only property of Chartwell or a specific portion thereof shall be bound. Chartwell, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by Chartwell upon the acquisition of real property. Chartwell Trustees are provided with an indemnity from Chartwell consistent with indemnities provided to corporate directors.

Meetings of Voting Unitholders

The Declaration of Trust provides that meetings of Voting Unitholders are required to be called and held annually, for the purpose of: (a) electing the Chartwell Trustees; (b) appointing auditors of Chartwell for the ensuing year; (c) directing the election of nominees of Chartwell to serve as CSH Trustees; (d) directing the election of nominees of Chartwell to serve as Directors; (e) generally, any other matter which requires a resolution of Voting Unitholders; and (f) transacting such other business as the Chartwell Trustees may determine or as may be properly brought before the meeting. All meetings of Voting Unitholders shall be held in Canada.

A meeting of Voting Unitholders may be convened at any time and for any purpose by the Chartwell Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the Voting Unitholders representing not less than 10% of the votes attached to all outstanding Voting Units. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Voting Unitholders have the right to obtain a list of Voting Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the OBCA.

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attached to all outstanding Voting Units shall constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

The Declaration of Trust provides that without the authorization of at least $66\frac{2}{3}\%$ of the votes cast at a meeting of Voting Unitholders called for such purpose, the Chartwell Trustees and the Directors shall not, among other things: (a) authorize any combination, merger, amalgamation or arrangement of Chartwell; (b) dispose of all or substantially all of the assets of Chartwell; or (c) liquidate or dissolve the Operator, except in conjunction with an internal reorganization.

Rights of the Unitholders

The rights of the Unitholders as investors in Chartwell and the attributes of the Units are governed by Chartwell's Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a common shareholder of a corporation governed by the CBCA, there do exist significant differences.

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of Chartwell, although no statutory provisions historically confirmed the limited liability status of Unitholders

in a manner comparable to shareholders of a CBCA corporation. However, the *Trust Beneficiaries' Liability Act, 2004* was enacted in Ontario, and this Act provides that Unitholders of Chartwell are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of Chartwell or the Chartwell Trustees, with reference to activities or obligations of Chartwell or the Chartwell Trustees occurring or arising after December 16, 2004. The Act has not yet been judicially considered and it is possible that reliance on the Act by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to the exercise of voting rights by shareholders of a CBCA corporation and to elect trustees and to appoint auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. Matters for which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by CSH Trust or Master LP. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are applicable to Chartwell (for example, approval requirements relating to related party or other transactions that are subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*). The Declaration of Trust includes provisions concerning trustee independence, the composition of board committees, including the audit committee, and conflicts of interest, which are based on provisions of the CBCA and are supplemented by applicable securities laws.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in Chartwell are entitled to redeem their Units in accordance with the Declaration of Trust. Unitholders do not have recourse to a statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or unfairly disregard the interests of the securityholders and other certain parties. Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in certain circumstances whereas Unitholders could rely only on the general provisions of the Declaration of Trust which permit the winding up of Chartwell with the approval of a special resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows for the calling of a meeting to consider the appointment of an inspector to investigate the Chartwell Trustees' performance of their responsibilities and duties, upon the written request of holders of 25% of the outstanding Units, but any such process would not be subject to court oversight or the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings in Chartwell's name.

Purchases of Units

Chartwell may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to Chartwell of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Chartwell Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to Chartwell and to CDS. Upon receipt of the redemption notice by Chartwell, all rights to and under the Units tendered for redemption shall be

surrendered and the holder thereof shall be entitled to receive a price per Unit (“Redemption Price”) equal to the lesser of: (a) 90% of the “market price” of the Units on the principal market on which the Units are quoted for trading during the 10-day trading period ending immediately prior to the date on which the Units were surrendered for redemption (the “Redemption Date”); and (b) 100% of the “closing market price” on the principal market on which the Units are listed for trading on the Redemption Date.

For the purposes of this calculation, “market price” means the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; provided that if there was trading on the applicable exchange or market for fewer than five of the trading days during the specified trading day period, the “market price” will be the average of the following prices established for each of the trading days during the specified trading period: the average of the last bid and last asking prices of the Units for each day on which there was no trading and the weighted average trading prices of the Units for each day that there was trading. The “closing market price” means an amount equal to: (a) the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable exchange or market provides a closing price; (b) an amount equal to the weighted average of the highest and lowest prices of the Units on the applicable market or exchange if there was trading on the specified date and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or (c) the weighted average of the last bid and last asking prices of the Units on the applicable market or exchange if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which shall be determined by the Chartwell Trustees in their sole discretion.

The aggregate Redemption Price payable by Chartwell in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (a) the total amount payable by Chartwell in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Chartwell Trustees); (b) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Chartwell Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (c) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of assets held by Chartwell. In such circumstances, Series 1 Trust Notes and CSH Trust Units of a value equal to the balance of the Redemption Price will be redeemed by CSH Trust in consideration of the issuance by CSH Trust to Chartwell of Series 2 Trust Notes and Series 3 Trust Notes, respectively, with an aggregate principal amount equal to the balance of the Redemption Price. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed in satisfaction of the balance of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than \$100 will be distributed and, where notes to be received by a Unitholder include a multiple less than \$100, that number shall be rounded to the next lowest integral multiple of \$100 and the excess will be paid in cash. Chartwell shall be entitled to all interest paid on the CSH Trust Notes, if any, and distributions paid on the CSH Trust Units on or before the date of the distribution *in specie*. Where Chartwell makes a distribution *in specie* on the redemption of a Unitholder’s Units, Chartwell currently intends to allocate to that Unitholder any capital gain or income realized by Chartwell on or in connection with such distribution.

Chartwell anticipates that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in securities of CSH Trust and such securities may be subject to resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for registered retirement savings plans, registered

retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts under the Tax Act.

Takeover Bids

The Declaration of Trust contains provisions to the effect that if a takeover bid or issuer bid is made for all of the issued and outstanding Units (including securities then currently convertible, exchangeable or exercisable for Units) within the meaning of the *Securities Act* (Ontario) and not less than 90% of all the issued and outstanding Units (other than Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the offer, on the same terms as those offered to the Unitholders who accepted the takeover bid.

Issuance of Units

Chartwell may issue new Units and other securities of Chartwell (including Special Voting Units issued in conjunction with the issuance of Class B Master LP Units or securities convertible into or exchangeable for Units or other securities of Chartwell or warrants, options or other rights to acquire Units or other securities of Chartwell) (the “Other Issuable Securities”) from time to time, in such manner, for such consideration and to such person, persons or class of persons as the Chartwell Trustees shall determine. Unitholders do not have any pre-emptive rights whereby additional Units or Other Issuable Securities proposed to be issued are first offered to existing Unitholders. If the Chartwell Trustees determine that Chartwell does not have enough cash to satisfy the full amount of any Distribution, the payment may include the issuance of additional Units or Other Issuable Securities having a value equal to the difference between the amount of such Distribution and the amount of cash which the Chartwell Trustees have determined is available for the payment of such Distribution. In addition, Units or Other Issuable Securities may be issued pursuant to the Distribution Reinvestment Plan (see “Chartwell, CSH Trust and Master LP – Distribution Reinvestment Plan”), the LTIP, the Deferred Unit Plan and any option plan or long-term incentive plan established by Chartwell from time to time. New Units or Other Issuable Securities may also be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new Units or Other Issuable Securities in proportion to their existing holdings of the Units or Other Issuable Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion rights exercised under convertible securities, including warrants and subscription receipts. Chartwell may also issue new Units or Other Issuable Securities as consideration for the acquisition of new properties or assets by it. The price or the value of the consideration for which Units or Other Issuable Securities may be issued will be determined by the Chartwell Trustees, and, where the Chartwell Trustees so determine, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units or Other Issuable Securities and subject to applicable regulatory approvals.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a Unitholder’s share of the distribution, the consolidation will result in such Unitholder holding that number of Units equal to: (a) the number of Units held by such Unitholder prior to the distribution plus the number of Units received by such Unitholder in connection with the distribution (net of the number of whole and part Units withheld on account of withholding taxes); multiplied by (b) the fraction obtained by dividing the aggregate number of Units outstanding prior to the distribution by the aggregate number of Units that would be outstanding following the distribution and before the consolidation if no withholding were required in respect of any part of the distribution payable to any Unitholder.

Limitation on Ownership

For Chartwell to maintain its status as a “mutual fund trust” under the Tax Act, Chartwell must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units and the Chartwell Trustees shall inform the transfer agent and registrar of this restriction. The Chartwell Trustees may

require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Chartwell Trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Chartwell Trustees may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Chartwell Trustees determine that more than 49% of the Units are held by non-residents, the Chartwell Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Chartwell Trustees may consider equitable and practicable, requiring them to sell or redeem their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold or redeemed the specified number of Units or have not provided the Chartwell Trustees with satisfactory evidence that they are not non-residents within such period, Chartwell may, on behalf of such Unitholders sell or redeem such Units and, in the interim, shall suspend the voting and Distribution rights attached to such Units, if any. Upon such sale or redemption the affected holders shall cease to be holders of Units and their rights shall be limited to receiving the net proceeds of sale or redemption. The Chartwell Trustees shall have no liability for the amount received provided they act in good faith.

Information and Reports

Chartwell will furnish to Voting Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Voting Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each annual and/or special meeting of Voting Unitholders, the Chartwell Trustees will provide the Voting Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the OBCA.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast in respect of the amendment at a meeting of the Voting Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast in respect of the amendment at a meeting of the Voting Unitholders called for such purpose.

The following amendments, among others, require the approval by at least two-thirds of the votes cast by Voting Unitholders in respect of the amendment at a meeting:

- (a) an exchange, reclassification or cancellation of all or part of the Voting Units;
- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Voting Units;
- (c) the constraint on the issue, transfer or ownership of the Voting Units or the change or removal of such constraint;
- (d) the sale or transfer of Chartwell's assets as an entirety or substantially as an entirety (other than as part of an internal reorganization of Chartwell's assets as approved by the Chartwell Trustees);
- (e) the termination of Chartwell; and
- (f) except as described herein, the amendment of Chartwell's investment guidelines and operating policies.

The Chartwell Trustees may, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Chartwell Trustees or Chartwell,

- (ii) Chartwell's status as a "mutual fund trust" or "registered investment" under the Tax Act, or (iii) the distribution of Voting Units;
- (b) which, in the opinion of the Chartwell Trustees, provide additional protection for the Voting Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust, or of a minor or clerical nature, or to make minor corrections which are, in the opinion of the Chartwell Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (d) which, in the opinion of the Chartwell Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the IPO prospectus and the Declaration of Trust;
- (e) which, in the opinion of the Chartwell Trustees, are necessary or desirable as a result of changes in IFRS (including accounting guidelines) or taxation or other laws;
- (f) necessary or desirable to enable Chartwell to issue Voting Units for which the purchase price is payable in instalments; or
- (g) for any purpose (except one in respect of which a vote is specifically otherwise required) which, in the opinion of the Chartwell Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

At Chartwell's annual and special meeting of Unitholders held on May 19, 2011, Unitholders approved a special resolution authorizing and approving certain matters, including certain amendments to the Declaration of Trust.

The amendments to the Declaration of Trust included amendments to: (a) simplify both the definition of "Independent Directors of the General Partner" and "Independent Trustee" by removing any reference to "Devco"; (b) eliminate the definition of "Independent Trustee Matter"; (c) allow Chartwell to invest in participating or convertible mortgages with the consent of a majority of the Chartwell Trustees, rather than a majority of the Independent Trustees; (d) include in the definition of "Adjusted Gross Book Value" references to IFRS, acquisition related costs and the option of approval by a majority of the Board of Directors; (e) restrict the total indebtedness of Chartwell to a fixed percentage of the Adjusted Gross Book Value and to allow a majority of the Chartwell Trustees, rather than a majority of the Independent Trustees, to approve the calculation of Adjusted Gross Book Value based on the appraised value of any property; (f) allow for the provision of a guarantee with respect to indebtedness of Master LP or a wholly-owned subsidiary, provided that Chartwell continues to qualify as a "mutual fund trust"; (g) simplify the description of "Number of Trustees" by eliminating the references to their appointment and removal; (h) eliminate the reference to "Independent Trustees" when establishing quorum; and (i) provide for the appointment of independent Directors in the case of both the Audit and Compensation Committees, and independent Directors or Directors in the case of all other committees.

Book-Based System

Except as otherwise provided below, the Units are represented in the form of one or more fully registered global units (the "Global Units") held by, or on behalf of CDS, as depository of the Global Units for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of the Units will be effected only through the book-based system administered by CDS.

Except as described below, no holder of a Unit is entitled to a certificate or other instrument from Chartwell evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in a Unit (a "Beneficial Owner") is shown on the records maintained by CDS except through book-entry accounts of a CDS participant acting on behalf of the Beneficial Owners. CDS is responsible for establishing and maintaining book-entry accounts for its participants having interests in the Global Units. Sales of interests in the Global Units can only be completed through participants in the depository services of CDS.

Except in the case of United States purchasers purchasing the Units under Rule 144A or Units issued under the LTIP while represented by Instalment Receipts, Units will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (a) Chartwell is required to do so by applicable law; (b) the depository system of CDS ceases to exist; (c) Chartwell determines that CDS is no longer willing or able or qualified to discharge properly its

responsibility as depository and Chartwell is unable to locate a qualified successor; or (d) Chartwell at its option elects to terminate the book-entry system in respect of the Units through CDS.

Transfer and Exchange of Units

Transfers of beneficial ownership of Units represented by Global Unit certificates will be effected through records maintained by the depository for such Global Unit certificates or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless Chartwell elects, in its sole discretion, to prepare and deliver definitive Unit certificates, Beneficial Owners who are not participants in the depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Unit certificates, may do so only through participants in the depository's book-entry system.

A Beneficial Owner's ability to pledge the Unit or otherwise take action with respect to such owner's interest in the Unit represented by a Global Unit certificate (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive Unit certificates may transfer such Units upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the definitive Unit certificates to the registrar for the Units at its principal office in the City of Toronto or such other city or cities as may from time to time be designated by Chartwell, whereupon new definitive Unit certificates will be issued in authorized denominations in the same aggregate principal amount as the definitive Unit certificates so transferred, registered in the name of the transferees.

Unitholder Rights Agreement

Chartwell has a rights agreement whereby Chartwell will issue one Right for each Voting Unit which is outstanding. The terms of such agreement are set out in the Unitholder Rights Agreement as amended and restated as of April 16, 2009, as reconfirmed from time to time. A copy of the Unitholder Rights Agreement is available from Chartwell upon request and is also available on SEDAR (www.sedar.com). At Chartwell's annual and special meeting of Unitholders, scheduled to be held on May 17, 2012, Unitholders will be asked to approve a new Unitholder Rights Agreement. A description of the new Unitholders Rights Agreement will be included in Chartwell's management information circular in respect of such meeting.

The Rights will separate and trade separately from the Voting Units after the Separation Time (as defined below). Following the Separation Time, Rights Certificates will be provided for registered Voting Unitholders as of the Separation Time and each separate Rights Certificate alone will evidence the Rights. Registration of interests in and transfer of the Rights will be made only through a book entry system administered by CDS.

The "Separation Time" is the close of business on the tenth Business Day following the earliest of:

- (a) the date of the first public announcement made by Chartwell or an Acquiring Person (as defined below) that a person has become an Acquiring Person;
- (b) the date of the commencement of a takeover bid by any person for the Voting Units;
- (c) the date upon which a permitted bid ceased to be a permitted bid; or

such later date as may be determined by the Chartwell Trustees upon the recommendation of the Directors.

If any takeover bid triggering the Separation Time expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, the bid shall be deemed, for the purposes of determining the Separation Time, never to have been made.

The initial exercise price established under the Unitholder Rights Agreement is \$50 per Unit. After the Separation Time and prior to the occurrence of a "Flip-in Event", as described below, each Right entitles the registered holder to purchase one Unit at the exercise price of \$50 per Unit, subject to certain anti-dilution adjustments and other rights as set

out in the Unitholder Rights Agreement. The terms of the Rights adjust significantly upon the occurrence of a Flip-In Event.

A “Flip-In Event” is triggered when a person becomes an Acquiring Person (as defined below). Upon the occurrence of a Flip-in Event, Chartwell must take such action as shall be necessary to ensure that each Right (except for Rights beneficially owned by the persons specified below) shall thereafter constitute the right to purchase from Chartwell upon exercise thereof in accordance with the terms of the Unitholder Rights Agreement that number of Units having an aggregate current market price on the date of the consummation or occurrence of such Flip-in Event equal to twice the exercise price, for an amount in cash equal to the exercise price.

The Unitholder Rights Agreement provides that Rights that are beneficially owned by (a) an Acquiring Person (as defined below), any affiliate or associate of an Acquiring Person, any person acting jointly or in concert with an Acquiring Person, or any affiliate or associate of such Acquiring Person, or (b) direct or indirect transferee of Rights from any of the foregoing, shall in certain circumstances become null and void without any further action and any holder of such Rights (including transferees) shall not have any rights whatsoever to exercise such Rights under any provision of the Unitholder Rights Agreement.

An “Acquiring Person” is a person who beneficially owns 20% or more of the outstanding Voting Units. An Acquiring Person does not, however, include: (a) Chartwell, the Operator or any other affiliate controlled by Chartwell; or (b) any person who becomes the beneficial owner of 20% or more of the Voting Units as a result of certain exempt transactions.

The Voting Unitholders reconfirmed the Unitholder Rights Agreement, and approved certain amendments to the Unitholder Rights Plan, at the annual and special meeting of Unitholders held on May 21, 2009, and the Unitholder Rights Agreement will be brought before the Unitholders again at the annual and special meeting of the Unitholders in 2012. The Unitholder Rights Agreement shall expire on the earliest of: (a) the date on which the Unitholder Rights Agreement is waived or the Rights are redeemed by the Chartwell Trustees in the manner described above, (b) the date on which the Unitholder Rights Agreement is not reconfirmed, or not presented for reconfirmation, at an annual general meeting of the Voting Unitholders at which the Unitholder Rights Agreement is required to be presented for reconfirmation, or (c) 11:59 p.m. (Toronto time) on December 31, 2012.

Distribution Reinvestment Plan

Chartwell has implemented a Distribution Reinvestment Plan pursuant to which resident Canadian holders of 1,000 Units or more may elect to have all their cash Distributions of Chartwell automatically reinvested at a price per Unit calculated by reference to the current average of the closing price for the Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Eligible Unitholders who so elect will receive additional Units equal in value to 3% of each Distribution.

DESCRIPTION OF DEBENTURES

2007 Debentures

On April 20, 2007, Chartwell completed a public offering of 14,100,000 Units at a price of \$14.25 per Unit and the 2007 Debentures, for net proceeds, after underwriters’ fees and offering expenses, of approximately \$265,075,500. In addition, on May 17, 2007, pursuant to the exercise of the over-allotment offering in connection with the foregoing offering, Chartwell issued an additional 2,115,000 Units at a price of \$14.25 per Unit for aggregate net proceeds of \$28,933,200. Chartwell issued the 2007 Debentures pursuant to the 2007 Indenture. On March 16, 2012, Chartwell redeemed all of the issued and outstanding 2007 Debentures.

2012 Debentures

On March 9, 2012, Chartwell completed a public offering of 24,913,125 of Subscription Receipts, with each Subscription Receipt representing the right to receive one Unit, at no additional cost and without further action, at a price of \$8.20 per Subscription Receipt, and \$135 million aggregate principal amount of 2012 Debentures due March 31, 2018, for net proceeds, after underwriters’ fees and offering expenses, of approximately \$325.3 million.

The principal amount of the 2012 Debentures is payable in lawful money of Canada or, at the option of Chartwell and subject to applicable regulatory approval and regulatory compliance, by delivery of Units to satisfy, in whole or in part, Chartwell's obligation to repay the principal amount of the 2012 Debentures as further described below under "Put Right Upon a Change of Control" and "Method of Payment – Payment of Principal on Redemption or at Maturity". The interest on the 2012 Debentures is payable in lawful money of Canada including, at the option of Chartwell and subject to applicable regulatory approval, in accordance with the interest payment election as described below under "Method of Payment – Interest Payment Election".

The 2012 Debentures are direct obligations of Chartwell and are not to be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other liabilities of Chartwell as described below under "Subordination".

The 2012 Debentures are transferable, and may be presented for conversion at the principal offices of Computershare in Toronto, Ontario.

Subordination

The 2012 Indenture provides that the 2012 Debentures are subordinated in right of payment of principal and interest to all of Chartwell's present and future Senior Indebtedness (as defined below), and as more particularly set forth in the 2012 Indenture. No payment of principal (including redemption payments) or interest on the 2012 Debentures may be made (a) if any Senior Indebtedness is not paid when due and any applicable grace period with respect to such payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist, or (b) if the maturity of any Senior Indebtedness has been accelerated because of a default and either such acceleration has not been rescinded or such Senior Indebtedness has not been repaid. Upon any distribution of assets of Chartwell to creditors upon any dissolution, winding-up, total liquidation or reorganization of Chartwell, whether in bankruptcy, insolvency or receivership proceedings, upon an "assignment for the benefit of creditors", or otherwise, all principal, premium, if any, and interest due on all Senior Indebtedness must be paid in full before the holders of the 2012 Debentures are entitled to receive or retain any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or declarable in any such event in respect of any of the 2012 Debentures or any unpaid interest accrued thereon.

Neither the 2012 Indenture nor the 2012 Debentures restrict Chartwell from incurring additional indebtedness, including indebtedness that ranks senior to the 2012 Debentures, or from mortgaging, pledging or charging its real or personal property or Properties to secure any indebtedness.

The term "Senior Indebtedness" means the principal of, and the interest and premium (or any other amounts payable thereunder), if any, on:

- (a) all indebtedness, liabilities and obligations of Chartwell (other than the 2012 Debentures), whether outstanding on the date of the 2012 Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition by Chartwell of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any subsidiary of Chartwell for payment of which Chartwell is responsible or liable, whether absolutely or contingently; and
- (b) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to 2012 Debentures which by their terms are subordinated.

The 2012 Debentures are direct unsecured obligations of Chartwell. Each debenture of the same series of 2012 Debentures will rank *pari passu* with each other 2012 Debenture of the same series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of Chartwell except for sinking fund provisions (if any) applicable to different series of debentures or other similar types of obligations of Chartwell.

Conversion Rights

Each 2012 Debenture is convertible into fully-paid, non-assessable and freely-tradable Units at the option of the holder, at any time prior to 4:00 p.m. (Toronto time) on the earlier of March 31, 2018 or, if called for redemption, on the business day immediately preceding the date specified by Chartwell for redemption of the 2012 Debentures, at a conversion price of \$11.00 per Unit (the “Conversion Price”), being a conversion rate of approximately 90.909091 Units per \$1,000 principal amount of 2012 Debentures, subject to adjustment in certain events in accordance with the Indenture. In the event Chartwell has suspended regular Distributions, then a holder of 2012 Debentures, in addition to the applicable number of Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last interest payment date prior to the date of conversion to the date of conversion. Notwithstanding the foregoing, no 2012 Debentures may be converted during the period from the close of business on the Record Date (as defined in the 2012 Indenture) preceding the interest payment date to and including such interest payment date, as the registers of Computershare will be closed during such periods.

No fractional Units will be issued on any conversion of the 2012 Debentures but in lieu thereof, Chartwell shall satisfy such fractional interests by a cash payment equal to the current market price of such fractional interest, which would have been issued, multiplied by the Conversion Price (as defined in the 2012 Indenture).

Redemption

The 2012 Debentures are not redeemable prior to March 31, 2015. On and after March 31, 2015 but prior to March 31, 2017, the Debentures may be redeemed by Chartwell, in whole at any time or in part from time to time, on not more than 60 days’ and on not less than 30 days’ prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption, provided that the Current Market Price preceding the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On and after March 31, 2017 and prior to the Maturity Date, the Debentures may be redeemed by Chartwell, in whole at any time or in part from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to, but excluding, the date of redemption from the latest Interest Payment Date on not more than 60 days’ and not less than 30 days’ prior written notice

Chartwell will have the right to purchase the 2012 Debentures in the market, by tender or by private contract subject to regulatory requirements; provided, however, that if an Event of Default (as defined in the 2012 Indenture) has occurred and is continuing, Chartwell will not have the right to purchase the 2012 Debentures by private contract.

Put Right Upon a Change of Control

Upon the occurrence of a Change of Control of Chartwell, each holder of the 2012 Debentures may require Chartwell to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “Put Date”), the whole or any part of such holder’s 2012 Debentures at a price equal to 101% of the principal amount thereof (the “Put Price”) plus accrued and unpaid interest up to but excluding the Put Date (the “Total Put Price”).

If 90% or more in aggregate principal amount of the 2012 Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Chartwell will have the right but not the obligation to redeem all the remaining 2012 Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to Computershare prior to the Put Date and as soon as reasonably possible thereafter, by Computershare to the holders of the 2012 Debentures not tendered for purchase.

The Total Put Price will be payable in lawful money of Canada or, at Chartwell’s option and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, Chartwell’s obligation to pay the Total Put Price.

Method of Payment

Payment of Principal on Redemption or at Maturity

On redemption or at maturity, Chartwell will repay the indebtedness represented by the 2012 Debentures by paying to Computershare in lawful money of Canada an amount required to repay the principal amount of the outstanding 2012 Debentures, together with accrued and unpaid interest thereon. Chartwell may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to applicable regulatory approval, unless an Event of Default (as defined in the 2012 Indenture) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, all or any portion of the principal amount of the 2012 Debentures that are to be redeemed or that are to mature, by issuing and delivering freely-tradable Units to the holders of the 2012 Debentures. The number of Units to be issued in respect of each 2012 Debenture will be determined by dividing the principal amount of the 2012 Debentures that are to be redeemed or that are to mature, as the case may be, by 95% of the volume-weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or maturity, as the case may be. No fractional Units will be issued on redemption but in lieu thereof, Chartwell shall satisfy fractional interests by a cash payment equal to the market price of the fractional interest.

Interest Payment Election

Unless an Event of Default (as defined in the 2012 Indenture) has occurred and is continuing, Chartwell may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and solicit bids to sell Units in order to raise funds to satisfy all or part of its obligations to pay interest on the 2012 Debentures in accordance with the 2012 Indenture in which event holders of the 2012 Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units by Computershare.

The 2012 Indenture sets forth the procedures to be followed by Chartwell and Computershare in order to effect the Unit payment option. If a unit payment option is made, the sole right of a holder of 2012 Debentures in respect of interest will be to receive cash from Computershare in full satisfaction of the Interest Obligation, and the holder of such 2012 Debentures will have no further recourse to Chartwell in respect of the Interest Obligation.

Neither Chartwell's making of the unit payment option nor the consummation of sales of Units will (a) result in the holders of the 2012 Debentures not being entitled to receive on the applicable interest payment date cash in an aggregate amount equal to the Interest Obligation payable on such date or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The 2012 Indenture provides that an event of default in respect of the 2012 Debentures will occur if certain events described in the 2012 Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the 2012 Debentures: (a) failure for 15 days to pay interest on the 2012 Debentures when due; (b) failure to pay principal or premium, if any, on the 2012 Debentures, whether at the maturity date, upon redemption, by declaration of acceleration or otherwise; (c) an unremedied breach of any material covenant or condition of the 2012 Indenture by Chartwell after a 30-day cure period following notice of such breach; or (d) certain events of bankruptcy, insolvency or reorganization of Chartwell under bankruptcy or insolvency laws. If an event of default has occurred and is continuing, Computershare may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the 2012 Debentures, declare the principal of (and premium, if any) and interest on all such outstanding 2012 Debentures to be immediately due and payable. Certain events of default may be waived by written direction of the holders of $66\frac{2}{3}\%$ of the principal amount of the such outstanding 2012 Debentures, by Extraordinary Resolution (as defined below) or by Computershare in certain circumstances in accordance with the terms of the 2012 Indenture.

Modification

The rights of the holders of the 2012 Debentures may be modified in accordance with the terms of the 2012 Indenture. For that purpose, among others, the 2012 Indenture contains certain provisions which will make binding on all holders of 2012 Debentures, resolutions ("Extraordinary Resolutions") passed at meetings of the holders of 2012 Debentures, by votes cast thereat by holders of not less than $66\frac{2}{3}\%$ of the principal amount of the then outstanding 2012

Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66²/₃% of the principal amount of the then outstanding 2012 Debentures. Under the 2012 Indenture, Computershare has the right to make certain amendments to the 2012 Indenture in its discretion, without the consent of the holders of 2012 Debentures.

Book-Based System

Debentures are issued in the form of fully-registered global Debentures (the “Global Debentures”) held by, or on behalf of, CDS or its successor, as custodian for its participants.

All 2012 Debentures are represented in the form of Global Debentures registered in the name of CDS or its nominee and are represented only in “book-entry only” form (unless Chartwell, in its sole discretion, elects to prepare and deliver definitive debentures in fully-registered form). Beneficial interests in the Global Debentures, constituting ownership of the 2012 Debentures, are represented through book-entry accounts of institutions acting on behalf of beneficial owners, as direct and indirect participants of CDS (the “participants”). CDS is responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

Offers for Debentures

The 2012 Indenture contains provisions to the effect that if an offer is made for the 2012 Debentures which is a takeover bid for the 2012 Debentures, within the meaning of the *Securities Act* (Ontario) and not less than 90% of the outstanding principal amount of the 2012 Debentures, is taken up and paid for by the offeror (other than the 2012 Debentures, held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror or any person acting jointly or in concert with the offeror), the offeror will be entitled to acquire the 2012 Debentures held by holders of the 2012 Debentures who did not accept the offer on the terms offered by the offeror.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units, whether by way of conversion of 2012 Debentures to Units, repayment of 2012 Debentures by issuance of Units or otherwise. Computershare may, upon the instruction of Chartwell, require declarations as to the jurisdictions in which beneficial owners of 2012 Debentures are resident. If Chartwell notifies Computershare that the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units are, or may be, non-residents, or that such a situation is imminent, Chartwell may require Computershare to make a public announcement thereof and Chartwell may instruct Computershare not to register a transfer of 2012 Debentures to a person unless the person provides a declaration that the person is not a non-resident and does not hold his or her 2012 Debentures for the benefit of a non-resident. If, notwithstanding the foregoing, Chartwell notifies Computershare that beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units are non-residents, Chartwell may instruct Computershare to, or the Chartwell Trustees may, send a notice to non-resident holders of 2012 Debentures or Units and holders of 2012 Debentures or Units for the benefit of non-residents, chosen in inverse order to the order of acquisition or registration of the 2012 Debentures or Units or in such manner as Computershare or the Chartwell Trustees may consider equitable and practicable, requiring them to sell their 2012 Debentures or Units or a portion thereof within a specified period of not more than 60 days. If the holders of 2012 Debentures or Unitholders receiving such notice have not sold the specified number of 2012 Debentures or Units or provided Computershare and Chartwell with satisfactory evidence that they are not non-residents and do not hold 2012 Debentures or Units for the benefit of a non-resident within such period, the Chartwell Trustees may or Chartwell may instruct Computershare, on behalf of such holder of 2012 Debentures or Unitholder, and the Chartwell Trustees or Computershare, as applicable, shall have the power of attorney of such holder to, sell or redeem such 2012 Debentures or Units, as the case may be, and, in the interim, shall suspend the rights attached to such 2012 Debentures or Units. Upon such sale or redemption, the affected holders shall cease to be holders of 2012 Debentures or Units, as the case may be, and their rights shall be limited to receiving the net proceeds of sale or redemption upon surrender of such 2012 Debentures or Units.

Transfer and Exchange of Debentures

Transfers of beneficial ownership in the 2012 Debentures represented by Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominees (with respect to interests of participants)

and on the records of participants (with respect to interests of persons other than participants). Unless Chartwell elects, in its sole discretion, to prepare and deliver definitive debentures, beneficial owners who are not participants in the CDS book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in the CDS book-entry system.

The ability of a beneficial owner of an interest in a 2012 Debenture represented by a Global Debenture to pledge the 2012 Debenture or otherwise take action with respect to such owner's interest in a 2012 Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive 2012 Debentures may transfer such 2012 Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the 2012 Debentures to the registrar for the 2012 Debentures at its principal offices in Toronto, Ontario, or such other city or cities as may from time to time be designated by Chartwell whereupon new 2012 Debentures will be issued in authorized denominations in the same aggregate principal amount as the 2012 Debentures so transferred, registered in the names of the transferees. No transfer or exchange of a 2012 Debenture will be registered during the period from the date of any selection by Computershare of any 2012 Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such 2012 Debentures is given. In addition, no transfer or exchange of any 2012 Debentures which have been selected or called for redemption will be registered.

CSH TRUST

The CSH Trust Declaration contains provisions substantially similar to those of the Declaration of Trust relating to Chartwell. The principal differences between the CSH Trust Declaration and the Declaration of Trust for Chartwell are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the CSH Trust Declaration available on SEDAR (www.sedar.com).

Chartwell is the sole holder of CSH Trust Units. At each annual meeting of Chartwell, the Voting Unitholders will direct Chartwell as to the nominees to be elected CSH Trustees. Chartwell will elect the nominees as directed from time to time by a majority of the votes cast by the holders of Voting Units.

CSH Trust Units are redeemable at any time on demand by the holders thereof upon delivery to CSH Trust of a duly completed and properly executed notice requiring CSH Trust to redeem CSH Trust Units, in a form reasonably acceptable to the CSH Trustees, together with the certificates for CSH Trust Units representing the CSH Trust Units to be redeemed and written instructions as to the number of CSH Trust Units to be redeemed. Upon tender of CSH Trust Units by a holder thereof for redemption, the holder of CSH Trust Units tendered for redemption will no longer have any rights with respect to such CSH Trust Units other than the right to receive the redemption price for such CSH Trust Units. The redemption price for each CSH Trust Unit tendered for redemption will be based on: (a) the cash redemption price per Unit of Chartwell; (b) the aggregate number of Units outstanding; (c) the aggregate unpaid principal amount and accrued interest thereon of indebtedness of CSH Trust to Chartwell (including the Series 1 Trust Notes) and the fair market value of any other assets or investments held by Chartwell (other than CSH Trust Units); and (d) the aggregate number of CSH Trust Units outstanding held by Chartwell.

The aggregate redemption price payable by CSH Trust in respect of any CSH Trust Unit tendered for redemption by the holders thereof during any month will generally be satisfied by the issuance of such aggregate principal amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable, rounded down to the nearest \$100 (with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes paid in cash) if so elected by Chartwell, or if no such election is made by Chartwell, at the discretion of CSH Trust generally by any combination of cash and Series 2 Trust Notes as the CSH Trustees shall determine, in their discretion.

The CSH Trustees have a policy to distribute all of CSH Trust's available cash, subject to applicable law, to holders of CSH Trust Units by way of monthly cash distributions, after satisfaction of administrative and other expenses (including reasonable reserves for such expenses), any debt service obligations (principal and interest) and any amounts payable in connection with any cash redemptions or repurchases of CSH Trust Units and Series 1 Trust Notes. Such distributions are intended to be received by Chartwell prior to its related monthly cash Distributions to Unitholders.

CSH Trust Notes

The following is a summary of the material attributes and characteristics of the CSH Trust Notes, which does not purport to be complete. Reference is made to the Note Indenture for a complete description of the CSH Trust Notes and the full text of its provisions.

Series 1 Trust Notes, Series 2 Trust Notes, Series 3 Trust Notes and any other notes issued under the Note Indenture will be issuable in Canadian currency. CSH Trust Notes are issuable in denominations of \$100 and integral multiples of \$100. No fractional CSH Trust Notes will be distributed and where the number of CSH Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

Series 2 Trust Notes will be reserved by CSH Trust to be issued exclusively to holders of CSH Trust Units as full or partial payment of the redemption price for CSH Trust Units, as the CSH Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by CSH Trust to be issued exclusively to holders of such Series 1 Trust Notes including as full or partial payment of the redemption or conversion price for Series 1 Trust Notes.

The Series 1 Trust Notes will be payable on demand, will mature on the tenth anniversary of the date of issuance and will bear interest at 3% per annum payable within 15 days of the end of each and every calendar month in respect of which such interest has accrued. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bears interest at a market rate to be determined at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on a date to be set by the Chartwell Trustees, at the time the Series 3 Trust Note is issued, which is no later than the 25th anniversary of the date of issuance and bears interest at market rate to be determined at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 3 Trust Note is outstanding. On maturity, CSH Trust will repay the CSH Trust Notes by paying under the Note Indenture in cash to the holder, an amount equal to the principal amount of the outstanding CSH Trust Notes which have then matured, together with accrued and unpaid interest thereon. The CSH Trust Notes will be redeemable at the option of CSH Trust prior to maturity, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, payable in cash.

Payment of the principal amount and interest on the CSH Trust Notes is subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which is defined in the Note Indenture as all indebtedness, liabilities and obligations of CSH Trust which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment in priority to the indebtedness evidenced by the Note Indenture. The Note Indenture provides that upon any distribution of the assets of CSH Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to CSH Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the CSH Trust Notes are entitled to receive any payment. The CSH Trust Notes are unsecured debt obligations of CSH Trust.

The Note Indenture provides for a number of events that would constitute an event of default under the Note Indenture. However, the provisions governing an event of default under the Note Indenture and remedies available thereunder do not provide protection to the holders of CSH Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

MASTER LP

Master LP is entitled to issue various classes of partnership interests. Master LP has outstanding one general partnership unit, Class A Master LP Units, all of which are held by CSH Trust, and Class B Master LP Units which have been issued to certain of the vendors as partial consideration for the acquisition of Properties by the Operator. The Class A Master LP Units represent approximately 98.9% of the total Master LP units outstanding and Class B Master LP Units represent approximately 1.1% of the total Master LP units outstanding. Holders of Class A Master LP Units are entitled to notice of, and to attend and vote at, all meetings of holders of partnership units. Units of Master LP may not be issued to, transferred to or held by any person or partnership if such issuance, transfer or holding could cause Master LP to not qualify as an “excluded subsidiary entity” under the SIFT Rules.

Class B Master LP Units, which are issuable in series, may be issued in respect of seniors housing acquisitions made by Master LP from time to time. The Class B Master LP Units are, in all material respects, economically equivalent to the Units on a per unit basis. Under the Exchange Agreement and pursuant to the terms of the Class B Master LP Units: (a) the Class B Master LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of the holder, unless the exchange would jeopardize Chartwell's status as a "unit trust", "mutual fund trust" or "registered investment" under the Tax Act; (b) each Class B Master LP Unit entitles the holder thereof to receive distributions from Master LP, where practicable, which are economically equivalent on a per unit basis to Distributions made by Chartwell on a Unit; (c) a registered holder of Class B Master LP Units will receive Special Voting Units entitling the holder to receive notice of, to attend and to vote at all meetings of Unitholders; (d) except as required by-law and in certain specified circumstances in which the rights of a holder of Class B Master LP Units are affected, holders of the Class B Master LP Units will not be entitled to vote at any meeting of the limited partners of Master LP; (e) Master LP will be entitled to require the redemption of the Class B Master LP Units in certain specified circumstances; and (f) Class B Master LP Units may not be transferred without the consent of the Directors.

By virtue of the fact that Chartwell is the sole shareholder of CMCC (the trustee of the General Partner of Master LP), at each annual meeting of Chartwell, the Voting Unitholders will direct Chartwell as to the nominees to be elected the Directors. Chartwell will elect and remove the nominees as directed from time to time by a majority of the votes cast by the holders of Voting Units.

In complying with its reporting issuer obligations, Chartwell has treated, and has undertaken to relevant securities regulatory authorities that it will treat, Master LP as a subsidiary of Chartwell; however, if IFRS measures prohibit the consolidation of financial information of Master LP and Chartwell, and for so long as Master LP (including any of its significant business interests) represents a significant asset of Chartwell, Chartwell will provide Unitholders with separate financial statements for Master LP (including information about any of its significant business interests). In addition, Chartwell has taken, and for so long as Chartwell is a reporting issuer has undertaken to relevant securities regulatory authorities that it will take, the appropriate measures to require each person who would be an insider of Master LP if Master LP were a reporting issuer to: (a) file insider reports about trades in Units and Class B Master LP Units; and (b) comply with statutory prohibitions against insider trading. Chartwell will also annually certify that it has complied with such undertakings and file such a certificate on SEDAR concurrently with the filing of its annual financial statements.

INVESTMENT GUIDELINES AND OPERATING POLICIES OF CHARTWELL

Investment Restrictions

Chartwell's constating documents provide for certain restrictions on investments which Chartwell may make. Chartwell's assets may be invested, directly or indirectly, only in securities of CSH Trust, Master LP, CMCC and their respective associates and only in accordance with the following restrictions:

- (a) Chartwell shall focus its acquisition activities on existing income-producing seniors housing facilities located in Canada and the United States that are substantially occupied, and on seniors housing operations and development management businesses in Canada and the United States;
- (b) Chartwell shall not acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost to Chartwell of such acquisition (net of the amount of acquisition debt) will exceed 15% of Chartwell's Adjusted Gross Book Value;
- (c) Notwithstanding anything else contained in the Declaration of Trust, Chartwell shall not make any investment, take any action or omit to take any action that would result in: (i) Chartwell failing or ceasing to qualify as a "mutual fund trust" or "registered investment" within the meaning of the Tax Act; (ii) the Units being disqualified for investment by deferred income plans; or (iii) that would result in CSH Trust being liable to pay tax under Part XII.2 of the Tax Act;
- (d) Chartwell may invest in a joint venture arrangement only if:

- (i) the arrangement is one pursuant to which Chartwell holds an interest in a seniors housing facility jointly or in common with others (“joint venturers”) either directly or through the ownership of securities of a corporation or other entity (a “joint venture entity”);
 - (ii) Chartwell’s interest in the joint venture arrangement is not subject to any restriction on transfer other than a right of first refusal or a right of first offer, if any, in favour of the joint venturers;
 - (iii) Chartwell has a right of first refusal or a right of first offer to buy the interests of the other joint venturers;
 - (iv) the joint venture arrangement provides an appropriate liquidity mechanism to enable Chartwell to purchase the other joint venturers’ interests or to sell its interest; and
 - (v) the joint venture arrangement requires Chartwell or its designee to participate fully, directly or indirectly, in the management thereof;
- (e) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, some or all of the receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act* (Canada) maturing prior to one year from the date of issue, Chartwell may not hold securities other than securities of a joint venture entity or an entity wholly owned by Chartwell formed and operated solely for the purpose of holding a particular real property or real properties or managing real property or properties or some or all of the receivables under instalment receipt agreements, and provided further that, subject to paragraph (c) above, notwithstanding anything contained in the Declaration of Trust to the contrary, Chartwell may acquire securities of other Canadian real estate investment trusts or limited partnership units of limited partnerships that invest in real estate;
- (f) Chartwell shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) Chartwell shall not invest in operating businesses other than seniors housing or related businesses;
- (h) Chartwell shall not invest in raw land for development except for: (i) existing properties with additional development potential or properties adjacent to existing properties of Chartwell for the purpose of (y) the renovation or expansion of existing facilities or (z) the development of new facilities which will be capital property of Chartwell or of Chartwell and its joint venture partners, as applicable; or (ii) the purpose of developing a facility which will replace an existing facility and to which it is intended that the residence of the existing facility will relocate;
- (i) Chartwell may invest in mortgages and mortgage bonds (including, with the consent of a majority of the Chartwell Trustees, participating or convertible mortgages) where:
- (i) the real property which is security therefor is an income-producing seniors housing facility which otherwise meets the general investment restrictions of Chartwell adopted by the Chartwell Trustees from time to time in accordance with the Declaration of Trust and the restrictions set out therein;
 - (ii) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2x debt service coverage;
 - (iii) the mortgage is a first mortgage registered on title to the real property which is security therefor; and
 - (iv) the aggregate value of the investments of Chartwell on a consolidated basis in these mortgages, after giving effect to the proposed investment, will not exceed 15% of the Adjusted Gross Book Value calculated at the time of such investment;

- (j) Chartwell may invest in mortgages, including mezzanine financings, if the sole intention is to use the acquisition of the mortgages as a method of acquiring control of real property that is income-producing or is being developed for that purpose which would otherwise meet the investment restrictions of Chartwell on a consolidated basis and provided that the aggregate value of the investments of Chartwell in these mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Gross Book Value (including the investments described in paragraph (i) above);
- (k) Notwithstanding paragraph (j), Chartwell may also invest in mortgages where:
 - (i) the mortgage is a “vendor take-back” mortgage granted to Chartwell in connection with the sale by it of existing real property and as a means of financing the purchaser’s acquisition of such property from Chartwell;
 - (ii) the mortgage is interest bearing;
 - (iii) the mortgage is registered on title to the real property which is security therefor;
 - (iv) the mortgage has a maturity not exceeding five years;
 - (v) the amount of the mortgage loan is not in excess of 75% of the selling price of the property securing the mortgage; and
 - (vi) the aggregate value of these mortgages to Chartwell on a consolidated basis (including mortgages and mortgage bonds in which Chartwell is permitted to invest by virtue of paragraphs (i) and (j)), after giving effect to the proposed investment, will not exceed 20% of the Adjusted Gross Book Value calculated at the time of such investment; and
- (l) Chartwell may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price to Chartwell of such property) up to 15% of Chartwell’s Adjusted Gross Book Value in investments or transactions which do not comply with paragraphs (e), (h) and (k) above.

Operating Policies

Chartwell’s constating documents provide that Chartwell’s operations and affairs will be conducted in accordance with the following policies:

- (a) (i) Chartwell shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term “hedging” shall have the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds* adopted by the Canadian Securities Administrators, as amended from time to time; and (ii) other than with respect to its own Units and other securities, Chartwell shall not underwrite, sell or market or participate therein;
- (b) (i) any written instrument creating an obligation which is or includes the granting by Chartwell of a mortgage, and (ii) to the extent the Chartwell Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders, any written instrument which is, in the judgment of the Chartwell Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, by way of lawsuit or otherwise, the private property of any of the Chartwell Trustees, Voting Unitholders, annuitants or officers, employees or agents of Chartwell, but that only property of Chartwell or a specific portion thereof shall be bound; Chartwell, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by Chartwell upon the acquisition of real property;
- (c) subject to paragraph (l) under the heading “Investment Restrictions” above, except for renovation, expansion, replacement or relocation of existing facilities and the development of new facilities on

property adjacent to existing properties of Chartwell as permitted under paragraph (h) under the heading “Investment Restrictions” above, Chartwell shall not engage in construction or development of real property except as necessary to maintain its real properties in good repair or to enhance the income-producing ability of capital properties in which Chartwell has an interest or as necessary or advisable in connection with the exercise of its rights as a creditor upon the default of any borrower;

- (d) title to each real property shall be held by and registered in the name of Chartwell, the Chartwell Trustees, or a corporation or other entity wholly-owned by Chartwell or jointly-owned by Chartwell with joint venturers;
- (e) Chartwell shall not incur or assume any indebtedness under a mortgage on any real property of Chartwell unless, at the date of the proposed assumption or incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness, excluding operating lines, secured on such real property, and (ii) the amount of additional indebtedness, excluding operating lines, proposed to be assumed or incurred, does not exceed 75% of the market value of such real property provided that such aggregate indebtedness may exceed 75% of such market value (a) if the entire amount of such aggregate indebtedness is insured by CMHC, or (b) where such indebtedness is the result of an assumption of mortgage indebtedness upon the acquisition of real property, until the maturity of the mortgage, at which time the amount of mortgage indebtedness outstanding must be reduced so as not to exceed 75% of the then applicable market value;
- (f) Chartwell shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness: (i) the total indebtedness of Chartwell and its consolidated subsidiaries, excluding convertible debentures, would be more than 60% of the Adjusted Gross Book Value; or (ii) the total indebtedness of Chartwell and its consolidated subsidiaries, including convertible debentures, would be more than 65% of the Adjusted Gross Book Value;
- (g) Chartwell may only provide a guarantee in respect of the indebtedness of (i) Master LP or a wholly-owned subsidiary of Chartwell if the provision by Chartwell of such guarantee will not cause Chartwell to cease to qualify as a “mutual fund trust” for the purposes of the Tax Act; and (ii) any person other than a person referred to in (i) if the provision by Chartwell of such guarantee will not cause Chartwell to cease to qualify as a “mutual fund trust” for the purposes of the Tax Act and such guarantee is approved by a majority of the Chartwell Trustees or unanimously by the Investment Committee of Chartwell;
- (h) Chartwell shall conduct or receive on terms approved by the Chartwell Trustees an independent appraisal and engineering survey with respect to the physical condition thereof (including capital replacement programs) of each property that it intends to acquire;
- (i) Chartwell shall obtain and maintain at all times insurance coverage in respect of potential liabilities of Chartwell and the accidental loss of value of the assets of Chartwell from risks, in amounts, with such insurers, and on such terms as the Chartwell Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;
- (j) Chartwell shall conduct or receive on terms approved by the Chartwell Trustees a Phase I environmental site assessment of each property to be acquired by it and, if the Phase I environmental site assessment recommends that further environmental site assessments be conducted, Chartwell shall conduct or receive on terms approved by the Chartwell Trustees such further environmental site assessments, in each case by an independent and experienced environmental consultant; such assessment as a condition to any acquisition shall be satisfactory to the Chartwell Trustees;
- (k) except pursuant to any plan from time to time in effect relating to reinvestments by Unitholders of their Distributions, Chartwell shall not issue additional securities unless the Chartwell Trustees consider such issuances not to be dilutive to ensuing annual Distributions per Unit to existing Unitholders; and
- (l) Chartwell shall not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of another person, except indebtedness or liabilities assumed or incurred by an entity in which Chartwell invests, directly or indirectly, or by an entity jointly-owned by Chartwell with joint venturers and operated solely

for the purpose of holding a particular property or properties where such indebtedness, if granted by Chartwell directly, would not cause Chartwell to otherwise contravene the investment restrictions set out in Section 4.1 of the Declaration of Trust or the operating policies set out in Section 4.2 of the Declaration of Trust. Chartwell is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by Chartwell pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of Chartwell permitted under the Declaration of Trust.

For the purposes of the foregoing restrictions and policies, the assets, liabilities and transactions of a corporation, partnership or other entity wholly or partially owned by Chartwell will be deemed to be those of Chartwell on a proportionate, consolidated basis. In addition, any references in the foregoing investment restrictions and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement. In addition, the term “indebtedness” means (without duplication) on a consolidated basis:

- (a) any obligation of Chartwell for borrowed money;
- (b) any obligation of Chartwell incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- (c) any capital lease obligation of Chartwell; and
- (d) any obligation of the type referred to in clauses (a) through (c) of another person, the payment of which Chartwell has guaranteed or for which Chartwell is responsible for or liable;

provided that (i) for the purposes of (a) through (d), an obligation (other than an obligation relating to convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of Chartwell in accordance with IFRS; (ii) obligations referred to in clauses (a) through (d) exclude trade accounts payable, Distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; (iii) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding and (iv) indebtedness shall not include any obligation of Chartwell which is Deferred Purchase Price of Property.

Amendments to Investment Restrictions and Operating Policies

Pursuant to Chartwell’s constating documents, all of the investment restrictions set out above under the heading “Investment Restrictions” and the operating policies contained in subparagraphs (a), (c), (e), (f), (g), (h), (i), (j) and (k) under the heading “Operating Policies” above may be amended only with the approval of 66⅔% of the votes cast by Voting Unitholders of Chartwell at a meeting of Voting Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by holders of Voting Units at a meeting of Voting Unitholders called for such purpose.

MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business, the only agreements which are material to Chartwell and which were entered into during 2011 or which were entered into prior to 2011 but are still in effect are the:

- (a) Declaration of Trust described under “Chartwell, CSH Trust and Master LP”;
- (b) CSH Trust Declaration described under “Chartwell, CSH Trust and Master LP”;
- (c) Master LP Partnership Agreement described under “Chartwell, CSH Trust and Master LP”;
- (d) LTIP;
- (e) Exchange Agreement described under “Description of the 2012 Debentures – Exchange Agreement”;
- (f) Non-competition agreements described below;

- (g) Unitholder Rights Agreement described under “Chartwell, CSH Trust and Master LP – Unitholder Rights Agreement”;
- (h) Amended and Restated Credit Agreement described below and under “General Development of the Business – History of the Business”;
- (i) Distribution Reinvestment Plan;
- (j) Deferred Unit Plan;
- (k) Restricted Unit Plan;
- (l) Initial Indenture;
- (m) Brookdale Purchase Option Agreement – described under “General Development of the Business – History of the Business - 2011”;
- (n) Brookdale Right of First Offer Agreement – described under “General Development of the Business – History of the Business - 2011”;
- (o) Maestro APS;
- (p) Subscription Receipt Agreement; and
- (q) 2012 Indenture.

Subject to the closing of the Maestro Acquisition, the Co-Ownership Agreement will also become material to Chartwell and will be made available on SEDAR at www.sedar.com on the applicable closing date.

Long Term Incentive Plan

The Chartwell Trustees, Directors, officers and employees of Chartwell (collectively, the “Eligible Persons”), among others, are eligible to participate in the LTIP.

Currently, a maximum of 5,900,890 Units are reserved for issuance under the LTIP representing approximately 4.07% of the issued and outstanding Units. As of the date hereof, 2,716,176 Units have been issued under the LTIP, which represent approximately 1.87% of the issued and outstanding Units. There remain 3,184,714 Units which are reserved for issuance, which represent approximately 2.20% of the outstanding Units. The LTIP is administered by the Compensation Committee, which has the power to determine, among other things, (a) which Eligible Persons may subscribe for LTIP units; (b) the number of LTIP units allocated to each such Eligible Person; (c) the vesting schedule of grants; and (d) the market price for the Units at the time such LTIP units are issued. An Eligible Person who participates in the LTIP is referred to as an “LTIP Participant”. The “market price” for Units under the LTIP is equal to the volume weighted average trading price of Units on the TSX for the 20 trading days immediately preceding their issue, except for the “initial plan units” granted to Eligible Persons at the IPO price as disclosed in the final prospectus of Chartwell dated October 31, 2003. The LTIP prohibits any reduction or other change in the price paid for Units, except to reflect a consolidation or split of the Units or similar capital reorganization.

The maximum number of Units issuable to insiders of Chartwell under all security based compensation arrangements, including the LTIP, at any time cannot exceed 10% of the issued and outstanding Units, and the number of securities to be issued to insiders of Chartwell pursuant to such arrangements within any one-year period cannot exceed 10% of the issued and outstanding Units. The purchase price for Units, other than the initial payment, if applicable, is payable from the proceeds of Distributions. The initial payment is equal to 5% of the market price for Units on the date of issue of LTIP units and is payable by LTIP Participants whose title with Chartwell is Vice- President or more senior. All LTIP Participants who are more junior than Vice-President with Chartwell on the date of issue of LTIP units are not required to make the initial payment. LTIP Participants are required to pay interest to Chartwell on the outstanding balance of the remaining unpaid purchase price at a 10-year fixed annual rate which interest rate shall not be less than the prescribed rate under the Tax Act applicable at the time the LTIP units are issued. All Distributions paid on the Units are applied to

pay such interest and to pay the remaining unpaid purchase price such that, following all such payments, the LTIP Participants will have paid the full market price for the Units.

All Units issued after May 25, 2005 are, at the discretion of the Board of Directors, subject to vesting requirements whereby beneficial ownership of the Units will vest in and accrue to the LTIP Participant. The Compensation Committee has exercised its discretion to defer vesting until the later of satisfaction of the employment conditions and the market price for the LTIP units exceeding the purchase price for such LTIP units. Upon due payment of all unpaid purchase price and vesting, the Units will be released to the LTIP Participants and the LTIP Participants will become the registered holders of the Units. Until all of the unpaid purchase price has been paid, LTIP Participants will not be allowed to vote or transfer or dispose of their Units issued under the LTIP, other than a transfer to a registered retirement savings plan, registered retirement income fund, or other entity approved by Chartwell.

Under the LTIP, all unpaid purchase price must be paid over a period of not more than ten years. If an LTIP Participant fails to make any required payment of unpaid purchase price, the Units may, at the option of Chartwell and subject to applicable law, (a) be acquired by Chartwell for cancellation or (b) be sold by the custodian in the market and that portion of the proceeds equal to remaining unpaid purchase price owing delivered to Chartwell, in each case in full satisfaction of the obligations of the LTIP Participant. Units that are not vested on the termination of employment of an LTIP Participant will be cancelled.

Deferred Unit Plan

Chartwell established the Deferred Unit Plan in 2008 to provide non-employee Chartwell Trustees, CSH Trustees and Directors (“DTU Participants”) with the opportunity to acquire Deferred Units. The Deferred Unit Plan allows DTU Participants to invest all or a portion of the fees earned as Directors in Deferred Units and thereby to participate in the long-term success of Chartwell. Chartwell believes the Deferred Unit Plan promotes a greater alignment of interests between the DTU Participants and Unitholders. The Deferred Unit Plan was approved by Unitholders at Chartwell’s annual and special meeting in 2009 and, in accordance with the policies of the TSX, Unitholders will be asked to ratify the Deferred Unit Plan at the annual and special meeting scheduled for May 17, 2012.

The Deferred Unit Plan is administered by the Compensation Committee. Under the Deferred Unit Plan, a DTU Participant has the right to elect to receive his or her retainer and meeting fees for the calendar year paid in whole or in part in Deferred Units. Deferred Units are each equivalent in value to a Unit and are credited on the books of Chartwell. With respect to any portion of the fees such DTU Participant is to be paid in Deferred Units, Chartwell will credit to the DTU Participant’s account the number of Deferred Units equal to two times the amount of the fees deferred, if any, divided by the fair market value of the Units as determined in accordance with the Deferred Unit Plan on the date of the award. The DTU Participant’s account will be credited with Distribution equivalents in the form of additional Deferred Units in respect of normal cash Distributions. Deferred Units are non-transferable, except to a DTU Participant’s estate in the event of his or her death, as provided for in the Deferred Unit Plan. Director fees elected to be paid in Deferred Units are matched on a one-for-one basis by Chartwell.

For the above purpose, “fair market value” with respect to a Unit, as at any date, means the volume weighted average of the prices at which the Units traded on the TSX (or, if the Units are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the Units are then listed and posted for trading as may be selected for such purpose by the Board of Directors in its sole and absolute discretion) for the five trading days on which the Units traded on the said exchange immediately preceding such date. In the event that the Units are not listed and posted for trading on any stock exchange, the fair market value shall be the fair market value of the Units as determined by the Board of Directors in its sole and absolute discretion.

The Deferred Units are exercisable by a DTU Participant upon delivery of a notice of exercise to the secretary of CMCC, specifying the exercise date, which shall be either: (a) the Cessation Date; or (b) such later date as the DTU Participant may elect, provided that such date is not later than December 1st of the second calendar year following the calendar year in which the Cessation Date occurred.

Upon the exercise of an award under the Deferred Unit Plan, a DTU Participant will receive the number of Units equal to the number of Deferred Units recorded in the DTU Participant’s account on the exercise date. Upon the issuance of such Units, the Deferred Units will be cancelled.

The number of Deferred Units reserved for issuance under the Deferred Unit Plan cannot exceed 2% of the aggregate number of issued and outstanding Units. The number of Units issuable to insiders, at any time, under all security based compensation arrangements of Chartwell, including under the Deferred Unit Plan, cannot exceed 10% of the issued and outstanding Units. Within any one year period, the number of Units issued to insiders under all security based compensation arrangements of Chartwell, including under the Deferred Unit Plan, cannot exceed 10% of the issued and outstanding Units.

The Deferred Unit Plan may be amended from time to time by Chartwell to: (a) determine eligibility for participation and awards of Deferred Units under the Deferred Unit Plan; (b) determine whether any election or notice requirement or other administrative procedure under the Deferred Unit Plan has been adequately observed; (c) remedy possible ambiguities, inconsistencies or omissions by general rule or particular decision; (d) determine the fair market value of the Units on any date; (e) prescribe, amend and rescind rules and regulations relating to the Deferred Unit Plan; (f) interpret the Deferred Unit Plan; and (g) make any and all other determinations deemed necessary or advisable for the administration of the Deferred Unit Plan. The Deferred Unit Plan may also be terminated by Chartwell or CMCC at any time.

Any such amendments are subject to the prior approval of any applicable regulatory bodies, including the TSX. If Chartwell amends or suspends the Deferred Unit Plan, such amendment or suspension will not affect previously granted Deferred Units without the consent of Chartwell and the DTU Participant to whom such awards have been made. If the Deferred Unit Plan is terminated, no new Deferred Units (other than those issued as credit for Distributions) will be issued but previously credited Deferred Units shall be paid out in accordance with the terms of the Deferred Unit Plan.

Restricted Unit Plan

Chartwell established the Restricted Unit Plan in 2008, which was implemented in 2009, to provide senior employees (each an “Executive Officer”) of CMCC (and its Related Entities, as such term is defined in the Restricted Unit Plan), and their respective permitted assigns (each an “RUP Participant”) with the opportunity to acquire Restricted Units. The Restricted Unit Plan was amended effective January 1, 2010 to include vice-presidents and regional vice-presidents as RUP Participants. The purpose of the Restricted Unit Plan is to enhance the ability of Chartwell and CMCC to attract and retain senior officers and to allow RUP Participants to share in Chartwell’s long-term success. The Restricted Unit Plan promotes a greater alignment of interests between RUP Participants and Unitholders.

The Restricted Unit Plan is administered by the Compensation Committee. Under the Restricted Unit Plan, the Compensation Committee may award Restricted Units to any RUP Participant for services rendered in a particular year. Each Restricted Unit is equivalent in value to a Unit, credited on Chartwell’s books. Unless otherwise specified by the Compensation Committee when granting an award to an RUP Participant, each Restricted Unit will vest on the third anniversary (the “Vesting Period”) of the date the award is granted (the “Vesting Date”). As soon as practicable after each Vesting Date, or on the Final Date (as such term is defined in the Restricted Unit Plan), Chartwell or CMCC will pay an RUP Participant an amount in cash equal to the volume weighted average trading price of the Units on the TSX for the five trading days prior to the Vesting Date, multiplied by the number of Restricted Units held by an RUP Participant (the “Payment Amount”), less any applicable tax and other legal withholdings.

The Restricted Unit Plan was amended, effective January 1, 2012, to provide that the amounts payable to certain RUP Participants on vesting will be determined based on the extent to which Chartwell has achieved certain AFFO targets. The amendments are mandatory for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of Chartwell, and certain senior executives of Chartwell have the ability to opt-in and have the amendments apply to their Restricted Units (collectively, the “Applicable Participants”). Grants of Restricted Units to Applicable Participants continue to vest on the Vesting Date.

On the Vesting Date, the Payment Amount to an Applicable Participant is determined as follows: (a) if the average AFFO for the Vesting Period is equal to targeted AFFO, the Applicable Participant will be entitled to receive 100% of the Payment Amount for a particular award of Restricted Units; (b) if the average AFFO for the Vesting Period is less than targeted AFFO, the Payment Amount for a particular grant will be reduced by 10% for each percentage point that average AFFO for the Vesting Period is less than targeted AFFO, subject to a maximum 50% reduction; and (c) if the average AFFO for the Vesting Period is greater than targeted AFFO, the Payment Amount for a particular grant will be increased by 10% for each percentage point that average AFFO for the Vesting Period is greater than targeted AFFO, subject to a

maximum 150% increase. Targeted AFFO is calculated by the Compensation Committee as the average amount of AFFO of Chartwell in respect of a particular Vesting Period, as follows: (x) in respect of the first year of a Vesting Period, as the budgeted amount of AFFO in respect of that year; (y) in respect of the second year of a Vesting Period, as a forecast of AFFO in respect of that year (as calculated in the first year of a Vesting Period); and (z) in respect of the third year of a Vesting Period, as a forecast of AFFO in respect of that year (as calculated in the first year of a Vesting Period).

The RUP Participant's account will be credited with Distribution equivalents in the form of additional Restricted Units upon the payment of any Distributions by Chartwell to Unitholders in the ordinary course of business. Restricted Units are non-transferable, except to a permitted assign of an RUP Participant.

Upon the resignation of an RUP Participant or the termination of an RUP Participant's employment or service as an Executive Officer for cause, any unvested Restricted Units will terminate without payment, as of the termination or resignation date. Upon the termination of an RUP Participant's employment or service as an Executive Officer without cause, or in the event an RUP Participant becomes disabled, such RUP Participant will continue to participate in the Restricted Unit Plan. Upon the retirement or death of an RUP Participant, any unvested Restricted Units of such RUP Participant shall vest at the discretion of the Compensation Committee, as of ten days after the date of retirement and the business day before the date of death, as applicable.

Unless otherwise determined by the Compensation Committee in its sole discretion, upon the occurrence of a change of control, all outstanding Restricted Units shall become conditionally vested upon (or prior to) the completion of the transaction resulting in the change of control. Upon the occurrence of a change of control, the distribution value of the Restricted Units shall be the greater of: (a) the volume weighted average trading price of the Units on the TSX for the five trading days immediately preceding the effective date of the change of control; or (b) the value ascribed to the Units pursuant to the transaction which is the subject of the change of control.

The Restricted Unit Plan may be amended or suspended from time to time or terminated by Chartwell. If Chartwell amends, suspends or terminates the Restricted Unit Plan, such amendment, suspension or termination will not adversely affect previously granted Restricted Units without the consent of the affected RUP Participant. If the Restricted Unit Plan is terminated or suspended, no new Restricted Units (other than those issued as credit for Distributions) will be credited to the account of an RUP Participant. If the Restricted Unit Plan is terminated, all unvested Restricted Units will immediately vest and RUP Participants will receive the applicable Payment Amount, less any applicable tax and other legal withholdings.

Non-Competition Agreements

Messrs. Binions and Volodarski and Ms Sullivan have entered into non-competition agreements with Chartwell and the Operator which restricts them from certain activities in the seniors housing industry. So long as they are Directors, officers and/or employees of Chartwell or the Operator, and for two years thereafter (one and a half years in the case of Mr. Volodarski), they will not: (a) create another real estate investment trust or other entity with investment criteria similar to that of Chartwell unless substantially all of the properties that are acquired by such new real estate investment trust have been first offered to the Operator and the Operator has declined to purchase such properties; (b) purchase any assets which meet Chartwell's investment criteria unless they have given the Operator a right of first opportunity to purchase such assets and the Operator has declined to purchase such properties; (c) solicit residents, suppliers, employees, consultants, advisers, partners, directors or agents away from the Operator or its facilities; or (d) develop or purchase seniors housing facilities or manage the operations or development of seniors housing facilities (unless, in the case of Mr. Binions and Ms Sullivan, he or she is no longer affiliated with the Operator and has become an employee, but not a shareholder, elsewhere) on their own behalf or on behalf of third parties other than through the Operator.

Amended and Restated Credit Agreement

Chartwell's operating facility was established pursuant to the Amended and Restated Credit Agreement primarily for the purpose of funding, from time to time, certain operating expenses of the Operator and its properties, the acquisition of seniors housing facilities and the funding of mezzanine loans. Chartwell believes that the Amended and Restated Credit Agreement enables the Operator to negotiate property acquisitions on favourable terms, without additional constraints and expenses associated with a related and simultaneous equity financing.

In June 2011, the Amended and Restated Credit Agreement was renewed until June 24, 2012 and the borrowing capacity was increased from \$75 million to \$85 million. The term may be extended, upon request of the Operator and with the consent of the lenders, for additional 364-day periods. Borrowings under the Amended and Restated Credit Agreement can be in the form of a prime loan or a bankers' acceptance. The interest on (a) prime loans is the prime rate plus 1.65% and (b) bankers' acceptance borrowings is the bankers' acceptance rate plus 2.65%. The Amended and Restated Credit Agreement is subject to customary terms and conditions for borrowings of this nature, including limits on pledging assets without the consent of the lenders and the maintenance of various financial ratios. The Amended and Restated Credit Agreement also contains customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed under the facility and that restrict distributions that may be made by the Operator and CSH Trust. Since Chartwell indirectly holds equity interests in the Operator, the amounts owed to the lenders under the Amended and Restated Credit Agreement have priority for payment over Distributions on Chartwell's indirect equity interest. Under the Amended and Restated Credit Agreement, Distributions paid in cash by Chartwell to Unitholders are restricted to 100% of Chartwell's AFFO (as defined in the second amending agreement to the Amended and Restated Credit Agreement), for each fiscal year. The Amended and Restated Credit Agreement is secured, *inter alia*, by first and second ranking mortgages on 22 seniors housing facilities in Ontario, Québec and British Columbia owned by the Operator.

DISTRIBUTION POLICY

The following outlines the Distribution policy of Chartwell as contained in the Declaration of Trust, the CSH Trust Declaration and the Master LP Partnership Agreement. The Distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Voting Unitholders.

General

Chartwell's Declaration of Trust permits the Chartwell Trustees, in their discretion, to determine Chartwell's income which is to be distributed to Unitholders, provided that Chartwell receives amounts equal to such Distributions from its investments. It is Chartwell's intention that annual Distributions will be at least equal to 70% of its AFFO for a specified year, as disclosed in the relevant year's Management's Discussion and Analysis.

For the year ended December 31, 2011, Chartwell distributed 91% of its AFFO. All Distributions paid in respect of Units outstanding under the LTIP are repaid by the LTIP Participants as repayments of unpaid purchase price, resulting in no net cash impact to Chartwell.

The Operator is the primary source of cash flow to fund Distributions and their payments. The Master LP Partnership Agreement requires Master LP to distribute all of its cash on hand that is derived from any source (other than receipt of any subscription proceeds for Class A Master LP Units or Class B Master LP Units), subject to certain priorities and in a specified manner. CSH Trust will use all of its share of distributions from Master LP, less expenses, to pay interest on the Series 1 Trust Notes and to the extent that its share of distributions exceeds such interest and any other costs or expenses payable by CSH Trust, to pay distributions to Chartwell on its CSH Trust Units.

Chartwell intends to use all amounts received by it, net of amounts required to pay its own expenses, to pay Distributions to Unitholders of a sufficient amount to ensure that Chartwell will not be subject to income tax, subject to the application of the SIFT Rules.

Distributions by Chartwell are paid in cash, subject to an election by eligible Unitholders to utilize the Distribution Reinvestment Plan (see "Chartwell, CSH Trust and Master LP – Distribution Reinvestment Plan"). Where the Chartwell Trustees determine that Chartwell does not have available cash in an amount sufficient to make payment of the full amount of any Distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Chartwell Trustees, include the issuance of additional Units, or fractions of such Units, if necessary, having a fair market value as determined by the Chartwell Trustees equal to the difference between the amount of such Distribution and the amount of cash which has been determined by the Chartwell Trustees to be available for the payment of such Distribution. Distributions will be made to Unitholders of record as at the close of business on the last Business Day of the calendar month for the relevant Distribution. The Distribution for any month will actually be paid on or about the 15th day of the following month.

Computation of AFFO

For the year ended December 31, 2011, AFFO was defined as net income computed in accordance with IFRS and adjusted for: (a) depreciation of properties and amortization of limited life intangible assets; (b) gain or loss on disposal of properties; (c) bargain purchase gains on acquisition of properties; (d) impairment of non current assets; (e) gain recorded on re-measurement of previously held equity interest resulting from step acquisitions; (f) transaction costs arising from business acquisitions expenses to profit and loss; (g) deferred income taxes; (h) distributions on Class B Units recorded as interest expense; (i) changes in fair value of financial instruments and unrealized foreign exchange gains or losses; (j) principal portion of capital funding receivable; (k) amounts received under income guarantees; (l) amortization of financing costs and fair value adjustments on mortgages payable; and (m) deducting reserves for financing costs and capital maintenance. Chartwell commenced reporting using IFRS for its annual and interim financial statements on January 1, 2011.

Distributions Made

From December 2003 through to February 2005, Chartwell made Distributions on the Units in the amount of \$0.0854 per Unit per month. From March 2005 through to February 2008, Chartwell made Distributions on the Units in the amount of \$0.08875 per Unit per month. From March 2008 to August 2009, Chartwell made Distributions on the Units in the amount of \$0.06167 per Unit per month. As of August 2009, Chartwell makes Distributions on the Units in the amount of \$0.0450 per Unit per month.

RISK FACTORS

There are certain risks inherent in the activities of Chartwell and the Operator, including the ones described below.

Risks Related to Chartwell and the Industry

Business Risks

Chartwell is dependent on the business and assets of the Operator for its cash flow. The Operator is 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 economic residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs including the costs of utilities, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreak and control risks, the imposition of increased taxes or new taxes, capital expenditure 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 expected demographic trends will continue or that the occupancy levels achieved to date at the Properties and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to, or the financial position of, Chartwell.

Real Property Ownership and Lack of Diversity

Real property equity investments are relatively illiquid. This illiquidity will tend to limit the ability of Chartwell to respond to changing economic or investment conditions. By specializing in a particular type of real estate, Chartwell is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

Geographic Concentration

Chartwell's business and operations are conducted in the United States and Canada. As of March 16, 2012, 31% of Chartwell's owned and leased suites were located in the United States, and 69% were located in Canada. By province, as a percentage of total suites, 38% of Chartwell's suites were located in Ontario, 22% were located in Québec and 9% were located in other provinces. 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.

Maintenance of Assets

Chartwell is committed to keeping its communities in a good state of repair. Chartwell fundamentally believes that investing back into communities increases resident and staff satisfaction, which ultimately makes the business more profitable. Chartwell estimates that based on the average age, market position and state of repairs of its existing portfolio, the annual capital maintenance requirements are approximately 2% of Chartwell's annual gross property revenues. In addition to recurring capital maintenance projects, Chartwell invests in revenue enhancement and internal growth programs. The amount of these investments varies from time to time based on the volume of specific projects in progress. Chartwell takes into account the capital maintenance requirements of its communities when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact the cash available to Chartwell.

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. Additionally, growth may be limited by the properties being owned in a different structure (i.e., a trust compared with a corporation) and possibly a different economic environment. Chartwell expects that it will have opportunities to acquire properties which will be accretive and enable Chartwell to increase cash flow through improved management, but there can be no assurance that will be the case.

Acquisition and Development

Chartwell is open to selective new development relationships but has not yet entered into any agreements with any new development partners. Chartwell will no longer participate in any new development with Spectrum or Melior, two entities with which Chartwell has had development agreements. Chartwell is pursuing limited development in-house and on balance sheet, which would create development-specific risks.

Acquisitions and development agreements, including the Maestro APS, entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of Chartwell. Representations and warranties given by such third parties to Chartwell 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, including the Maestro 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 agreements entered into with third parties with respect to such acquisitions are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions, including the Maestro Acquisition, 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 Chartwell may not be recoverable.

Competition

Numerous other developers, managers and owners of seniors housing facilities compete with Chartwell in seeking residents. The existence of competing developers, managers and owners and competition for Chartwell's residents may adversely affect Chartwell's ability to find residents for its seniors housing facilities and the rents which may be charged, and could adversely affect Chartwell's revenues and, consequently, its ability to meet its debt obligations. An increased supply of suites in the regions in which Chartwell owns ISL Facilities, AL Facilities and LTC Facilities may have an impact on the demand for suites in such facilities.

Debt Financing

Chartwell has and will continue to have substantial outstanding consolidated indebtedness comprised primarily of the Property Mortgages and indebtedness under its operating credit facility.

Chartwell intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including its cash flow from operations, additional indebtedness and public or private sales of equity or debt securities. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, Chartwell may be required to finance a conventional mortgage which may be less favourable to Chartwell than a CMHC-insured mortgage. In addition, the terms of Chartwell's 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 Chartwell and its subsidiaries. Therefore, upon an event of default under such indebtedness, Chartwell's ability to make Distributions will be adversely affected.

A portion of Chartwell's cash flow is devoted to servicing its debt, and there can be no assurance that Chartwell will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Chartwell is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. Chartwell is also subject to the risk that any of its 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 its existing indebtedness.

Economic and Financial Conditions

Adverse changes to the economic and financial conditions in Canada, the United States and globally could impact Chartwell's ability to execute upon its operating, investing and financing strategies which, in turn, could have a material adverse impact on its business, sales, profitability and financial position. General uncertainty on the timing of a recovery from recent financial market volatility may continue to create a challenging operating environment for Chartwell.

Mezzanine Financing

Mezzanine financing that has been provided by Chartwell to borrowers is generally secured by second charges or pledges of the borrowers' interests in development projects and ranks behind construction financing. While Chartwell generally seeks to obtain security for advances against real property, in some circumstances it is only possible to obtain security in a joint venture interest. Consequently, if Chartwell's borrowers face financial difficulty and are not able to meet their commitments to their lenders, Chartwell has historically suffered and could suffer a loss of management fees and of either interest or principal or both on the mezzanine loans it has advanced since lenders under the construction financing rank ahead of Chartwell in any recovery from the assets of borrowers. Additionally, Chartwell may not, at the applicable time, have the financial capacity to acquire all facilities that it is entitled to acquire from Spectrum and other joint venture partners. In the event that Chartwell does not exercise its purchase option, Chartwell would expect to have the principal and any unpaid interest relating to its mezzanine financing returned to it at which time Chartwell would cease to receive mezzanine interest, or may cease to receive its management fees when a Development Property is sold to a third party. Chartwell has taken provisions against mezzanine loans to Spectrum and its joint venture partners which it determined in its judgment are not supported by the security on such loans. There is a risk if property values deteriorate or the financial capacity of its borrowers deteriorate that Chartwell could have to take further provisions or suffer losses on such loans. Chartwell is working to collect the remaining outstanding mezzanine loans and, at the present time, does not expect to advance any new mezzanine loans.

A portion of Chartwell's revenues are derived from fees generated through the management of seniors housing facilities on behalf of joint venture partners and the provision of mezzanine financing to joint venture partners. While it is the intention that such fees will be replaced in the normal course by operating income upon Stabilization and the exercise of Chartwell's option to purchase the facilities, there is no guarantee that the operating income from the facilities will replace the previous income generated through management services and the receipt of mezzanine financing interest.

Environmental Liabilities

Environmental legislation and policies have become increasingly important in recent years. Under various environmental laws and regulations, the Operator, 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 its properties or disposed of at other locations, in some cases regardless of whether or not the Operator knew of or was 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. Notwithstanding the above, management of the Operator is not aware of any material non-compliance, liability or other claim in connection with any of the Properties, the Managed Properties or Development Properties in respect of which acquisition mezzanine financing has been provided, nor is management aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditure by the Operator. It is the Operator's 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 regulations may change and Chartwell or the Operator 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 Chartwell's business, financial condition or results of operation and Distributions.

Liability and Insurance

The businesses which are carried on, directly or indirectly, by the Operator entail an inherent risk of liability. Management expects that from time to time Chartwell and/or the Operator may be subject to such lawsuits as a result of the nature of its businesses. The Operator maintains 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 Chartwell and/or the Operator not covered by, or in excess of, Chartwell's and the Operator's insurance could have a material adverse effect on Chartwell's and the Operator's business, operating results and financial condition. Claims against Chartwell and/or the Operator, regardless of their merit or eventual outcome, also may have a material adverse effect on their ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.

Personnel Costs

The Operator competes in local markets with other health care providers with respect to attracting and retaining qualified personnel. Chartwell and the Operator are also dependent upon the available labour pool of employees. A shortage of qualified personnel may require the Operator to enhance wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase or, if they do increase, that they can be matched by corresponding increases in rental or management revenue.

Labour Relations

Chartwell, through the Operator and its subsidiaries, and also through Brookdale, directly and indirectly employs approximately 14,200 people in Canada and the U.S., of whom approximately 37% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can

be no assurance that the Operator and Chartwell 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 Chartwell's and the Operator's business, operating results and financial condition. However, most seniors housing facilities in the Province of Ontario are governed by the *Hospital Labour Disputes Arbitration Act*, which prohibits strikes and lockouts in the seniors housing facility sector. 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 facilities may become unionized in the event they are targeted for certification by a trade union. There can be no assurance that the seniors housing facilities owned by the Operator that are currently unorganized will not in the future be subject to unionization efforts or that any such efforts will not result in the unionization of such a seniors housing facility's employees.

Conflicts of Interest

The Chartwell Trustees, CSH Trustees and Directors will, from time to time, in their individual capacities deal with parties with whom Chartwell may be dealing, or may be seeking investments similar to those desired by Chartwell. The relevant constating documents of Chartwell, CSH Trust and Master LP contain conflict of interest provisions requiring the Chartwell Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Management Contracts

Chartwell will receive management fees from non-owned facilities that it manages for others. Chartwell will not receive this revenue if the management agreements with the facilities' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice.

U.S./Canadian Exchange Rate Fluctuations

The Operator has interests in, and may acquire further interests in, seniors housing facilities located in the United States. The Operator will therefore be subject to foreign currency fluctuations which may, from time to time, have an impact upon its financial position and results. The Operator may enter into hedging arrangements to mitigate a portion of this risk. However, there can be no assurance that hedging agreements, if any, entered into by the Operator to mitigate the potential impact of exchange rate fluctuations on Canadian dollar Distributions will be sufficient to protect against currency exchange rate losses.

Government Regulation

Canada

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. The Provinces of Alberta, British Columbia and Manitoba have led this trend. 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 Chartwell. In addition, new regulatory standards and requirements are being considered in a number of provinces which may affect all types of seniors housing facilities.

In Ontario, LTC Facility licences are issued for a fixed term which shall not exceed 25 years, after which the operators of a LTC Facility 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 it is possible for authorities to revoke a licence due to inadequate performance by the Operator, such actions are rare and would typically be preceded by a series of warnings, notices and other sanctions. While the Operator endeavours to comply with all regulatory requirements in its LTC Facilities, it is not unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is Chartwell's intention to correct deficiencies which have been legitimately identified within the time frames allowed.

Prior to July 1, 2010, LTC Facilities in Ontario operated pursuant to the *Nursing Homes Act* (Ontario), the *Charitable Institutions Act* (Ontario) or the *Homes for the Aged and Rest Homes Act* (Ontario). On October 3, 2006, the Government of Ontario introduced Bill 140, now known as the LTC Act 2007, which consolidated the three pieces of legislation governing LTC Facilities. The LTC Act 2007 was proclaimed into force on July 1, 2010 and replaced the three pieces of legislation that governed LTC Facilities. In addition, the Long-Term Care Homes Program Manual ceased to apply.

Aspects of the LTC Act 2007 which affect Chartwell's LTC Facilities include: new licensing procedures based on more rigorous standards for licence review; the granting of licences for fixed terms of up to 25 years, depending on bed classifications; the granting of replacement licences to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in facilities, including the requirement that a registered nurse be on site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of facility staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of facilities. In addition, there will be a notice given three years before the end of a licence term as to whether a new licence will be issued.

In addition to the LTC Act 2007, general regulations made under the LTC Act 2007 were also proclaimed into force on July 1, 2010. The regulations address issues relating to the operation of LTC Facilities, including: (a) plans of care; (b) key high risk areas of resident care; (c) abuse and neglect; (d) minimizing the restraining of residents; (e) residents' rights, care and services; (f) admission of residents; (g) residents' and family councils; (h) funding; (i) licensing; (j) municipal homes and first nations homes; (k) compliance and enforcement; and (l) administration, miscellaneous and transition.

The provincial regulation of LTC Facilities includes the control of long-term care fees and the subsidization of LTC Facility 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 the Properties and Chartwell's net income.

In Québec, LTC Facility permits are issued for an indeterminate term and only the date of issuance and the date of coming into force are indicated on the permit. The permit, which is issued to the operator of the LTC Facility, remains valid until it is modified, cancelled or withdrawn. The permit may be suspended or cancelled where: (a) the holder of the permit has been convicted of an offence in connection with the performance of activities for which it holds the permit; (b) the permit holder is unable to ensure adequate health services or social services; (c) the permit holder is or is about to become insolvent; or (d) the permit holder no longer fulfills the conditions required by regulation to obtain the permit. The holder of the permit must be notified before the permit can be suspended or cancelled and must be given an opportunity to contest the decision. However, in some circumstances, the holder of the permit will be given a warning and ordered to take necessary remedial measures within a fixed time prior to the suspension or cancellation of the permit.

Bill 83 (*An Act to amend the Act respecting Health Services and Social Services and Other Legislative Provisions* (Québec)), which became law in late 2005, introduced a new procedure for the certification of ISL Facilities and AL Facilities. The provisions of Bill 83 dealing with such certification have now come into force and require ISL Facilities and AL Facilities to obtain a certificate of compliance by: (a) filing a written application with the appropriate regional agency; (b) complying with the health and social criteria set by regulation; and (c) satisfying the requirements established by regulation. Chartwell is in compliance with the certification procedures at all of its properties in Québec.

On June 8, 2010, the RH Act received Royal Assent, extending regulation to all forms of retirement homes and introducing certain measures designed to protect seniors living in retirement homes across Ontario. Under the RH Act, persons operating retirement homes will be required to be licensed by the RHRA established under the RH Act to operate a retirement home. Licences granted under the RH Act are not transferable and may be revoked should the persons operating the facilities fail to meet the requirements of the RH Act. Other measures outlined in the RH Act include: (a) granting the regulatory authority the power to conduct inspections, investigations and enforcement, including issuing financial penalties if necessary, (b) the establishment of mandatory care and safety standards, as well as requirements for emergency plans, infection control and prevention programs, assessment of care needs and care planning, police background checks and training for staff, (c) the establishment of a residents' bill of rights, including the right to know the true cost of care and accommodation and the residents' right to participate fully in making decisions regarding care, (d) the requirement to establish a policy that promotes zero tolerance of abuse or neglect, and (e) the inclusion of whistle-blowing protection

provisions shielding persons disclosing information to the regulatory authority regarding the operation of a retirement home from any retaliation. Comprehensive regulations to accompany the RH Act have been drafted and posted for public consultation. It is expected that these will come into force in 2012. At present, very minimal regulations (dealing mostly with the definition of “retirement home”) are in force to accompany the RH Act. They will be revoked when the comprehensive regulations come into force. Chartwell does not anticipate that the RH Act will significantly impact operations.

United States

Seniors housing facilities in the United States are subject to varying degrees of regulation and licensing by federal, state and local governmental agencies and other regulatory authorities depending principally on the level of care and types of services offered.

LTC Facilities and AL Facilities must comply with state licensing regulations that can contain, among other requirements, rules regarding quality of care, resident’s health and safety, dietary, physical plant and facility standards, professional standards for caregivers, and record maintenance and residency agreements. LTC Facilities and AL Facilities are subject to periodic inspections, surveys, audits, investigations and other reviews (“Surveys”) by regulatory agencies to determine the Operator’s compliance with the applicable regulations. Such Surveys occur within the normal course of operation of Operator’s facilities. These Surveys are generally required to occur on a regular basis, often annually. In addition, a Survey may occur as a result of a complaint made by an individual, often a resident or family member. As a result of such Survey, the regulatory agency may require affirmative action or response by the Operator. In addition, a determination by a regulatory agency that the Operator failed to comply with applicable regulations, including providing care at a level which exceeds the level of care for which the facility is licensed, could result in sanctions or penalties, the loss of utilization of a facility, loss of revenues, loss or reduction in a facility’s scope of licensure, certification or accreditation, if applicable, or the Operator’s ability to operate all or a portion of its facilities, and consequently, could have a material and adverse effect on the operations or financial condition of the Operator.

In addition, some states require a CON to build, transfer, or expand a LTC Facility or an AL Facility. Obtaining CON approval can involve complex regulatory approval processes, including, in some states, detailed financial reviews and proof that there is a need for such a facility. To the extent a CON is needed and cannot be obtained, it could have a material and adverse effect on the operations or the financial condition of the Operator.

Most of the Operator’s suites in the United States are private and receive no government funding and therefore are not required to be federally certified. Nevertheless, to the extent that any such suites are certified under Medicare and/or Medicaid, the Operator must comply with the requirements of the applicable program, including increased federal regulation of Medicare and state Medicaid programs pursuant to the ACA. In addition, to the extent any suites are certified to participate in Medicare and/or Medicaid, the revenue of such facility could be affected by that program’s payment rates, which are generally lower than rates paid by private pay patients.

In response to perceived abuses and actual violations of health care regulations, many health care regulatory agencies, including those regulating Medicare and Medicaid, have increased their audit and enforcement activities, and state legislation has been enacted in many states, providing for civil and criminal penalties against certain activities. Some aspects of these initiatives could adversely affect the Operator.

Moreover, operations could suffer if additional regulations, including those regarding the scope and quality of care given to residents or consumer protection, are imposed upon the Operator whether through enactment of new laws or regulations or changes in the application of existing rules. In addition, ISL Facilities, which are currently regulated, if at all, by insurance or consumer protection agencies, could become subject to regulation by health care regulatory agencies.

Operations in United States

While Chartwell has entered into arrangements with parties that management believes have experience in the management of seniors housing facilities in the United States, prior to 2005 Chartwell had not previously owned or managed senior housing facilities in the United States. Such ownership and management may require additional expertise and give rise to issues and risks different from those required or experienced by Chartwell in its Canadian operations such as differing market requirements and differing regulatory schemes or enforcement thereof. If Chartwell fails to anticipate or

is unable to manage any such differences, the performance of its investments in the United States may not be comparable to its investments in Canadian senior housing facilities. Accordingly, the performance of Chartwell and its ability to grow or maintain its Distributions may be materially affected.

Joint Venture Interests

Chartwell has entered into joint venture arrangements in respect of certain of its seniors housing operations. These joint venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing facilities including those risks described above. However, Chartwell relies, in part, on its joint venture partners to successfully manage and operate certain of its seniors housing operations, including those owned by the joint ventures. Such reliance may include, but is not limited to: personnel; local, regional and/or industry expertise and licensing; historical performance; technical resources and information systems; financial strength and access to capital; economies of scale; and operations management. Therefore, Chartwell may be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on, or termination of, Chartwell's interests in its joint ventures and could affect the value of the joint ventures to Chartwell and/or cause Chartwell to incur additional costs if it 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 venturer may exercise buy-sell, put or other sale or purchase rights which could obligate Chartwell to sell its interest or buy the other joint venturer's interest at a price which may not be favourable to Chartwell or at a time which may not be advantageous to Chartwell, the effect of which could be materially adverse to Chartwell's financial position or resources.

Risks Related to the Structure of Chartwell

Distributions

Currently, Chartwell Distributions are determined in relation to AFFO. While Chartwell intends for such Distributions to be at least equal to 70% of its AFFO for a specified year, 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. Chartwell may be required to decrease its Distributions in order to accommodate such items. Under Chartwell's Amended and Restated Credit Agreement, Distributions by Chartwell to Unitholders are limited to 100% of its AFFO. Chartwell has had to seek waivers from its lenders in the past, but not in 2010 or 2011 to maintain its Distributions as they had exceeded such funds.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments (see "Chartwell, CSH Trust and Master LP – Redemption Right"). Cash redemptions are subject to limitations. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and may not be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts under the Tax Act. No established market is expected to develop in such notes and they may be subject to resale restrictions under applicable securities laws.

Dilution

Chartwell may, in its sole discretion, issue additional Units from time to time, and the interests of the Unitholders may be diluted thereby. Such determination may prove to be incorrect over time.

Nature of Units

The Units are not traditional equity investments. The Units represent an undivided ownership interest in Chartwell. Chartwell's primary assets are CSH Trust Units and Series 1 Trust Notes. The Units do not represent a direct investment in the business of Master LP and should not be viewed by investors as direct securities of Master LP or its subsidiaries. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights to dissent from fundamental transactions undertaken by a corporation and to apply to court to be paid "fair value" for their securities.

As well, Chartwell may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

The Units are not debt instruments and are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Further, cash Distributions are not guaranteed amounts and may fluctuate with the performance of the entities in which Chartwell invests. The trading price of the Units will be greatly affected by such performance and the anticipated Distributions of Chartwell. The market value of the Units may deteriorate if Chartwell is unable to maintain its cash Distribution levels in the future and that deterioration may be significant.

Unitholder Liability

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Québec, Alberta and British Columbia (and in those jurisdictions in certain circumstances), there remains a minimal risk, which is considered by Chartwell to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for the obligations of Chartwell to the extent that claims are not satisfied out of the assets of Chartwell. The affairs of Chartwell are conducted to seek to minimize such risk wherever possible.

Market for Units and Unit Price

The Units are listed on the TSX. There can be no assurance that an active public market for Units will be sustained. One of the factors that may influence the market price of the Units is the annualized yield on the Unit price from Distributions. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which could adversely affect the market price of the Units. The market price of the Units does not necessarily reflect the net asset value of Chartwell. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors outside the control of Chartwell which may cause the market price of Units to change in a manner which is different from the change in value of the underlying real estate assets.

Matters Affecting Trading Prices for the Debentures

The 2012 Debentures are listed on the TSX. No assurance can be given that an active or liquid trading market for the 2012 Debentures will develop or be sustained. If an active or liquid market for the 2012 Debentures fails to develop or be sustained, the prices at which the 2012 Debentures trade may be adversely affected. Whether or not the 2012 Debentures will trade at lower prices depends on many factors, including liquidity of the 2012 Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Chartwell's financial condition, historic financial performance and future prospects.

Chartwell may determine to redeem outstanding 2012 Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the 2012 Debentures by issuing additional Units. Accordingly, holders of Units may suffer dilution. See "Description of the 2012 Debentures – Method of Payment".

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the 2012 Debentures will receive payments owing to them under the terms of the 2012 Debentures will depend on the financial health of Chartwell and its creditworthiness. In addition, the 2012 Debentures are unsecured obligations of Chartwell and are subordinate in right of payment to all Chartwell's existing and future Senior Indebtedness. Therefore, if Chartwell becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Chartwell's assets will be available to pay its obligations with respect to the 2012 Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the 2012 Debentures then outstanding. The 2012 Debentures are also effectively subordinate to claims of creditors (including trade creditors) of Chartwell's subsidiaries except to the extent Chartwell is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The 2012 Indenture does not prohibit or limit the ability of Chartwell or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make Distributions, except, in respect of Distributions, where an event of default has occurred and such default has not

been cured or waived. The 2012 Indenture does not contain any provision specifically intended to protect holders of the 2012 Debentures in the event of a future leveraged transaction involving Chartwell.

Conversion Following Certain Transactions

In the case of certain transactions, each 2012 Debenture will become convertible into the securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the 2012 Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the 2012 Debentures in the future. For example, if Chartwell were acquired in a cash merger, each 2012 Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Chartwell's future prospects and other factors. See "Description of the 2012 Debentures – Conversion Rights".

Risks Related to Canadian Tax Matters

The SIFT Rules

The SIFT Rules, which relate to the federal income taxation of publicly traded income 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" 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.

Under the SIFT Rules, a SIFT trust does not include a "real estate investment trust" (a "REIT") that meets certain conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, Chartwell does not meet the REIT Conditions. Chartwell has been a SIFT trust since 2007 and, unless Chartwell changes its structure and the nature of its operations, it expects to be a SIFT trust for 2012 and future years.

Distributions paid by a SIFT trust that are in excess of the taxable income of the SIFT trust have not been affected by the SIFT Rules. Such distributions are not taxable to Unitholders but reduce the adjusted cost base of a Unitholder's Units. In 2011, 95.667% of Chartwell's Distributions were classified as tax deferred returns of capital with the remaining 4.333% being characterized as foreign source interest income, which is not subject to SIFT tax. Based on current projections, Chartwell does not expect to pay SIFT taxes in 2012 or 2013 and Chartwell estimates, based on current projections, that it will be liable to approximately \$4.265 million of SIFT taxes in 2014.

There can be no assurance that income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the Canada Revenue Agency (the "CRA") and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. Chartwell will endeavour to ensure that the Units and Debentures continue to be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts but there is no assurance that Chartwell will be able to do so. Units will be qualified investments if they are listed on the TSX (or other designated stock exchanges), if they are registered investments under the Tax Act or if Chartwell qualifies as a mutual fund trust. Debentures will be qualified investments if they are listed on the TSX (or other designated stock exchanges) or if Chartwell qualifies as a mutual fund trust under the Tax Act and the Units are listed on the TSX (or other designated stock exchanges in Canada). The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Any Series 2 Trust Notes or Series 3 Trust Notes or other property distributed to a Unitholder on an in specie redemption of Units may not be qualified investments under the Tax Act.

Interest on the Series 1 Trust Notes must be recognized by Chartwell for income tax purposes whether or not actually paid. Where the amount of net income and net realized capital gains of Chartwell in a taxation year exceeds the cash available for Distribution in the year (including, for instance, where interest payments on the Series 1 Trust Notes are due but not paid in whole or in part during such year), such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal

to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash Distribution.

Although Chartwell is of the view that all expenses to be claimed by Chartwell, CSH Trust and Master LP will be reasonable and deductible 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 the deductibility of such expenses or the allocation of such income, Master LP's allocation of taxable income to CSH Trust, and indirectly 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.

Certain rules in the Tax Act provide that where a taxpayer acquires property from a person (a "vendor") with whom the taxpayer does not deal at arm's length, and the vendor owes amounts in respect of taxes, the taxpayer may be assessed for the vendor's taxes to the extent that the taxpayer does not pay fair market value consideration for the property acquired. Chartwell has acquired, and may acquire in the future, property from persons with whom Chartwell might be considered to not be dealing at arm's length. Chartwell believes that it has provided and will provide fair market value consideration for property acquired by it. Also, Chartwell has obtained or will obtain certain covenants, representations and indemnities from such parties designed to protect it from costs in respect of any unexpected assessment by tax authorities pursuant to the above mentioned rules; however, no assurance can be given that such assessments will not be made by tax authorities, that such assessment if successfully made would not be material or that such parties will be able to reimburse Chartwell for the full amount of any such costs.

Risks Related to United States Tax Matters

Chartwell, through the Operator, owns and operates its seniors housing facilities in the United States through Chartwell USCO, a United States corporation that is subject to United States federal corporate income taxation imposed on a net income basis. For this purpose, Chartwell USCO's share of items of income, gain, loss and deduction generated by Chartwell USCO's United States affiliates, will be includible in the United States federal taxable income base of Chartwell USCO.

Distributions made by Chartwell USCO on its capital stock held by Chartwell Canco, a wholly-owned affiliate of Chartwell, and paid out of current and accumulated "earnings and profits" of Chartwell USCO, as determined under United States federal income tax principles, will be subject to United States federal withholding tax, subject to potential reduction under the United States-Canada income tax treaty. Subject to the discussion below regarding recent legislation, it is expected that Chartwell Canco, as the direct owner of all of the capital stock of Chartwell USCO, should be eligible to claim a reduced rate of withholding under the United States-Canada income tax treaty. To the extent that Chartwell USCO makes distributions on its capital stock held by Chartwell Canco that exceed the current and accumulated earnings and profits of Chartwell USCO and the United States tax basis that Chartwell Canco has in such shares, Chartwell Canco may be subject to United States federal income taxes with respect to such distributions.

Chartwell USCO has issued a note held by Master LP (the "Master LP Note") that possesses the formal characteristics of indebtedness and thus Chartwell USCO and Master LP intend to treat such note as "indebtedness" for United States federal income tax purposes. No assurances may be given that the characterization of the Master LP Note as debt will not be successfully challenged by the IRS. If the Master LP Note were treated as equity rather than debt for United States federal income tax purposes, payments of principal and interest on the Master LP Note may be subject to United States federal withholding and income taxes in a manner similar to that described above in connection with distributions made by Chartwell USCO on its capital stock held by Chartwell Canco.

The imposition of both United States federal corporate income tax on the earnings generated by Chartwell USCO and United States federal withholding income taxes on distributions made by Chartwell USCO on its capital stock held by Chartwell Canco or on payments on the Master LP Note or the U.S. Note, will reduce the net amount of distributions that Chartwell could receive from Chartwell USCO. In turn, in light of the imposition of such taxes, the amount of cash flow

generated by Chartwell USCO that could ultimately be made available to Chartwell for Distribution will be less than the amount of such cash flow that would have been available in the absence of the imposition of United States federal tax on the earnings generated, and distributions made, by Chartwell USCO.

TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

Trustees and Directors

The following table sets forth the name, municipality of residence, position held, Units, Deferred Units, Class B Master LP Units, Subscription Receipts and 2012 Debentures beneficially owned or controlled as of March 16, 2012 and the principal occupation within the previous five years of each of the Chartwell Trustees, the CSH Trustees, the Directors and the executive officers of the Operator.

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Restricted Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
Lise Bastarache, ^{(3), (4)} Candiac, Québec, Canada	Chartwell Trustee; Director of CMCC	37,500 LTIP Units 22,574 Deferred Units	August 2005	Director, Laurentian Bank of Canada; Director, The Jean Coutu Group (PJC) Inc.; Member of the Board of Governors, Université de Moncton; Former Director, NB Power Corporation
W. Brent Binions, ... King City, Ontario, Canada	President and Chief Executive Officer of Chartwell; President and Chief Executive Officer of CSH Trust; Director, President and Chief Executive Officer of CMCC	31,202 Units 124,281 LTIP Units 200,000 ⁽²⁾ Class B Master LP Units 66,517 Restricted Units 5,000 Subscription Receipts	November 2003	President and Chief Executive Officer, Chartwell; Former Executive Vice-President, Chartwell
Michael D. Harris, ⁽⁵⁾ Toronto, Ontario, Canada	CSH Trustee; Director and Chair of CMCC	47,247 Units 45,000 LTIP Units 96,979 Deferred Units 10,000 Subscription Receipts	November 2003	Senior Business Advisor, Cassels Brock & Blackwell LLP, a law firm; Director, Canaccord Financial Inc. Director, FirstService Corporation Director, Magna International Inc. Director, Route 1 Inc. Director, Element Financial Corporation Former Senior Business Advisor, Goodmans LLP, a law firm; Former Premier of the Province Ontario

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Restricted Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
André R. Kuzmicki, ^{(4)*} Toronto, Ontario, Canada	CSH Trustee; Director of CMCC	10,791 Units 42,500 LTIP Units 49,484 Deferred Units	May 2005	Executive Director, Program in Real Estate and Infrastructure, Schulich School of Business, York University; President, Excellent! Inc., a real estate consulting firm; Adjunct Professor, Real Estate Development, Graduate School of Architecture, Planning and Preservation, Columbia University; Director, RealNet Canada Inc.; Director, Dorsay Development Corporation Former director, Bentall GP; Former trustee, Artis REIT
Charles R. Moses, ^{(3)*} Toronto, Ontario, Canada	Chartwell Trustee; Director of CMCC	25,000 Units 42,500 LTIP Units 28,980 Deferred Units	November 2003	Former Chairman of the Board, The Canadian Depository for Securities Limited, a provider of depository, clearing and settlement services for securities in Canada
Sidney P. H. Robinson, ^{(3),(5)*} Toronto, Ontario, Canada	Chartwell Trustee; Director of CMCC	15,000 Units 42,500 LTIP Units 75,558 Deferred Units	November 2003	Corporate Director; Director, Amerigo Resources Inc.; Director, Rio Alto Mining Limited Former Senior Partner, Torys LLP, a law firm
Sharon Sallows, ⁽⁴⁾ Toronto, Ontario, Canada	Director of CMCC	12,500 LTIP Units 21,948 Deferred Units 10,000 Subscription Receipts	August 2010	Trustee, RioCan REIT; Director, Ontario Teachers' Pension Plan; Former Chair of the Board of Executive Risk Services Ltd., a private Lloyds of London cover holder specializing in professional liability, trade credit, privacy and network liability insurance
Thomas Schwartz, ^{(4),(5)} Toronto, Ontario, Canada	CSH Trustee; Director of CMCC	12,027 Units 37,500 LTIP Units 486,045 ⁽⁷⁾ Class B Master LP Units 64,505 Deferred Units	November 2003	President and Chief Executive Officer, Canadian Apartment Properties REIT, a real estate investment trust with investments in residential apartment suites

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Restricted Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
Huw Thomas, ⁽³⁾ Oakville, Ontario, Canada	Director of CMCC ⁽⁷⁾	4,280 Units 17,500 LTIP Units 1,815 Subscription Receipts	February 2012	Former Executive Vice-President, Financial Strategy and Performance, Canadian Tire Corporation; Chief Financial Officer, Canadian Tire Corporation; Director of Dollarama Inc.; Trustee of Calloway REIT; former Trustee of Commerce Brothers
Karen Sullivan, ... Barrie, Ontario, Canada	Chief Operating Officer of Chartwell, CSH Trust and CMCC	2,200 Units 38,584 LTIP Units 10,494 Restricted Units	N/A	Executive Vice-President, People and Long Term Care of Chartwell, CSH Trust and CMCC; Executive Vice-President, People, CMCC; Former Executive Director of Ontario Long Term Care Association
Vlad Volodarski, ... Thornhill, Ontario, Canada	Chief Financial Officer of Chartwell, CSH Trust and CMCC	4,000 Units 102,872 LTIP Units 15,766 Restricted Units	N/A	Chief Financial Officer, Chartwell
Sheri Annable, ... Kitchener, Ontario, Canada	Executive Vice-President, Finance and Administration of Chartwell, CSH Trust and CMCC	39,262 LTIP Units 11,356 Restricted Units	N/A	Executive Vice-President, Finance and Administration, CMCC; Finance Executive, Chartwell; Finance Executive, Revera Inc. (formerly Retirement Residences REIT); Finance Executive, CPL Long Term Care REIT
Jonathan Boulakia, ... Toronto, Ontario, Canada	Executive Vice-President and General Counsel and Secretary of Chartwell, CSH Trust and CMCC	13,866 Units 38,764 LTIP Units 10,726 Restricted Units 3,000 Subscription Receipts \$35,000 of 2012 Debentures	N/A	Executive Vice-President and General Counsel, Chartwell; Former Counsel, CIBC
Philip McKenzie, ... Guelph, Ontario, Canada	Executive Vice-President, Marketing and Public Relations of Chartwell, CSH Trust and CMCC	9,425 Units 96,016 LTIP Units 7,236 Restricted Units	N/A	Executive Vice-President, Marketing and Public Relations, CMCC; Marketing and Public Relations Executive, CMCC

- (1) Each of the Chartwell Trustees, the CSH Trustees and the Directors of CMCC were elected to their positions on May 19, 2011, with the exception of Huw Thomas who was appointed to the CMCC Board effective February 29, 2012, and their term will expire at the next annual meeting of Voting Unitholders unless they are re-elected.

- (2) Held by NBCN Clearing Inc. in trust for JBG. Class B Master LP Units were issued to JBG in connection with the sale by the Binions Companies of certain seniors housing facilities to Chartwell. Mr. Binions has a 40% beneficial interest in the 500,000 Class B Master LP Units held in trust for JBG, with a resulting beneficial interest in 200,000 Class B Master LP Units.
 - (3) Member of the Audit Committee.
 - (4) Member of the Investment Committee.
 - (5) Member of the Compensation Committee.
 - (6) Held by 1027386 Ontario Inc. Class B Master LP Units issued in connection with the acquisition by Chartwell of the 921 Millwood and the 4 Teddington Park seniors housing facilities.
 - (7) Mr. Thomas was appointed to the Board of Directors of CMCC effective February 29, 2012.
- * Chair of Committee.

As of March 16, 2012, the Chartwell Trustees, the CSH Trustees, the Directors and the executive officers of the Operator, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 892,317 Units, excluding Deferred Units and Restricted Units (representing approximately 0.6% of all issued and outstanding Units, excluding Deferred Units and Restricted Units) and 686,045 Class B Master LP Units (representing 40.8% of all issued and outstanding Class B Master LP Units).

The Chartwell Trustees

Chartwell has three trustees, all of whom are residents of Canada within the meaning of the Tax Act and “independent” of each of Chartwell and Master LP. The Chartwell Trustees are Lise Bastarache, Charles R. Moses and Sidney P. H. Robinson (who also serve as Directors).

Governance of Chartwell

The Chartwell Trustees are directly responsible for developing Chartwell’s approach to governance issues and periodically reviewing the composition and effectiveness of the Chartwell Trustees.

Audit Review

All Chartwell Trustees serve on the Audit Committee of Chartwell. The Audit Committee has adopted a written charter which includes, among other things, the following responsibilities: (a) nominate and be responsible for overseeing the work of the external auditors; (b) pre-approve all non-audit services to be provided by the external auditors; (c) review Chartwell’s financial disclosures; (d) review Chartwell’s annual and quarterly “management’s discussion and analysis”; (e) establish procedures for dealing with complaints and employee submissions regarding accounting, internal accounting controls or auditing matters; (f) review with management principal financial risks and significant contingent liabilities; (g) and review and approve the Operator’s hiring policies regarding employees and former employees of Chartwell’s external auditors. All members of the Audit Committee are required to be independent and at least one member of the Audit Committee is required to have accounting or related financial experience.

CSH Trustees

CSH Trust has three trustees, all of whom are residents of Canada within the meaning of the Tax Act. The CSH Trustees are André R. Kuzmicki, Michael D. Harris and Thomas Schwartz (who also serve as Directors).

Governance of Master LP

The General Partner has exclusive authority to manage the business and affairs of Master LP, subject to the terms and conditions of the Master LP Partnership Agreement. The Directors manage and supervise the General Partner in its conduct of the business of Master LP. The Directors of CMCC are Lise Bastarache, W. Brent Binions, Michael D. Harris, André R. Kuzmicki, Charles R. Moses, Sidney P. H. Robinson, Sharon Sallows, Thomas Schwartz and Huw Thomas.

Chartwell is the sole shareholder of CMCC, the sole trustee of the General Partner. At each annual meeting of Chartwell, the Voting Unitholders direct Chartwell as to the nominees to be elected Directors. Chartwell will elect the nominees or remove Directors as directed from time to time by a majority of the votes cast by holders of Voting Units.

The Chair of the General Partner is required to be an independent Director. The Chair currently is Michael D. Harris.

Committees

The Directors have three committees: the Audit Committee, the Compensation Committee, and the Investment Committee. All members of all the Audit Committee and Compensation Committee are required to be independent Directors. The Declaration of Trust requires that members of the Investment Committee must be independent Directors or Directors who are not also employees or officers of Chartwell or any of its subsidiaries.

Audit Committee

The Audit Committee of the Directors supervises the quality and integrity of the Operator's financial statements, reviews its accounting policies and practices, reviews the adequacy and effectiveness of the Operator's internal controls and procedures. The Chair and members of the Audit Committee of the Directors are the same as the Chair and members of the Audit Committee of Chartwell.

Audit Committee Charter

A complete copy of Chartwell's Audit Committee Charter is set out in the attached Schedule "A" to this AIF.

Composition of the Audit Committee

The following Directors of CMCC are members of the Audit Committee:

Name and Municipality of Residence	Position/Office	Financially Literate	Education and Experience
Charles R. Moses Toronto, Ontario, Canada	Chartwell Trustee; Independent Director	Yes	Chartered Accountant; former Senior Vice-President of Bank of Montreal; former Chairman of the Board, The Canadian Depository for Securities Limited, a provider of depository, clearing and settlement services for securities in Canada; Consultant.
Sidney P. H. Robinson Toronto, Ontario, Canada	Chartwell Trustee; Independent Director	Yes	LL.B. Admitted to the Ontario bar in 1968, LL.M. Osgoode Hall, York University 1977; Corporate Director; former Senior Partner, Torsys LLP, a law firm, practicing Corporate and Commercial law with emphasis on financing, mergers and acquisitions and international projects.
Lise Bastarache Candiac, Québec, Canada	Chartwell Trustee; Independent Director	Yes	Master's degree (and doctoral studies) in Economics; Director and member of the Audit Committee of The Jean Coutu Group (PJC) Inc.; Former Director and member of the Audit Committee of NB Power; Member of the Board of Governors and Chair of the Finance Committee of The Université de Moncton; Director of Laurentian Bank of Canada – former member of the Audit Committee.
Huw Thomas Oakville, Ontario, Canada	Independent Director	Yes	B.S.C., Economics, University of London; Chartered Accountant; Former Executive Vice-President, Financial Strategy and Performance and Chief Financial Officer, Canadian Tire Corporation; Director of Dollarama Inc., Trustee and Audit Committee Chair of Calloway REIT, former Trustee of Commerce Brothers.

The members of the Audit Committee have significant experience and exposure to the complexities of financial reporting associated with Chartwell and are able to address with due oversight and provide the necessary governance over Chartwell's financial reporting.

Pre-Approval Policies and Procedures

The policies and procedures governing the engagement of non-audit services are contained in section 3 of the Audit Committee Charter, attached to this AIF as Schedule “A”.

External Auditor Service Fees

Financial Year Ending December 31	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2011	\$1,602,711	-	\$490,800	-
2010	\$1,833,631	\$111,475	\$708,899	-
2009	\$1,830,623	-	\$780,500	-

Compensation, Governance and Nominating Committee

In addition to reviewing Chartwell’s approach to corporate governance and generally having responsibility for Chartwell’s corporate governance, human resources and compensation policies, the Compensation Committee has primary responsibility for, among other things: (a) assessing the effectiveness of the Directors and each of their committees; (b) considering questions of management succession; (c) participating in the recruitment and selection of candidates as Directors; (d) considering and approving proposals by the Directors to engage outside advisers on behalf of the Directors as a whole or on behalf of the independent Directors; (e) administering the LTIP, the Deferred Unit Plan and the Restricted Unit Plan; (f) assessing the performance of the President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of the General Partner; (g) reviewing and approving the compensation of senior management and consultants of the Operator; and (h) reviewing and making recommendations to the Directors concerning the level and nature of the compensation payable to Directors. All three members of the Compensation Committee are required to be independent Directors.

Investment Committee

The Investment Committee approves, or recommends to the Board where appropriate, whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of properties, oversees borrowings (including the assumption or granting of any mortgage) by Chartwell and the provision of mezzanine financing, including the financing and acquisition of Development Properties. The Investment Committee consists of four Directors, all of whom are required to be independent Directors or Directors who are not also employees or officers of Chartwell or any of its subsidiaries.

Corporate Social Responsibility Program

Chartwell's Corporate Social Responsibility program benchmarks commitments and progress in five key areas: Corporate Governance, Resident Experience, Employee Engagement, Community Investment, and Environmental Stewardship. For each of these areas, a number of goals and objectives are developed and reported on annually in the Annual Report.

Conflicts of Interest

As described under “General Development of the Business – Interests of Management and Others in Material Transactions”, Chartwell’s Board of Directors considers the conflict of interest between certain directors and officers of Chartwell and Spectrum to have been eliminated.

The Declaration of Trust, CSH Trust Declaration and Master LP Partnership Agreement contain “conflict of interest” provisions that serve to protect the interests of Unitholders without creating undue limitations on Chartwell, CSH Trust and the Operator. As the Chartwell Trustees, the CSH Trustees and Directors are engaged in a wide range of real

estate and other activities, the Declaration of Trust, CSH Trust Declaration and Master LP Partnership Agreement contain provisions, similar to those contained in the OBCA, that require each Chartwell Trustee, CSH Trustee and Director to disclose to the Chartwell Trustees, the CSH Trustees and CMCC, as the case may be, any interest in a material contract or transaction or proposed material contract or transaction with Chartwell, CSH Trust and/or the Operator (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Chartwell, CSH Trust and/or the Operator. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Directors, then a Chartwell Trustee or a CSH Trustee is required to disclose in writing to the Chartwell Trustees, the CSH Trust Trustees and CMCC, or request to have entered into the minutes of meetings of the Directors, the nature and extent of his interest forthwith after the individual becomes aware of the contract or transaction or proposed contract or transaction. In any case, such individual who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to his or her remuneration or for indemnity under the provisions of the applicable declaration of trust or liability insurance.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the management’s discussion and analysis of financial condition and results of operations for the year ended December 31, 2011 filed on SEDAR (www.sedar.com) which is incorporated herein by reference.

MARKET FOR SECURITIES

The Units are listed and posted for trading on the TSX under the symbol “CSH.UN”.

The following table summarizes the highest trading value, lowest trading value and volume for the Units listed on the TSX on a monthly basis from January 1, 2011 to March 15, 2012.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January, 2011	\$8.65	\$8.05	6,980,341
February, 2011	\$9.01	\$8.07	7,221,674
March, 2011	\$9.37	\$8.11	6,724,702
April, 2011	\$9.19	\$8.58	4,603,617
May, 2011	\$9.07	\$8.65	3,094,876
June, 2011	\$8.68	\$7.84	4,503,226
July, 2011	\$8.46	\$7.76	4,295,997
August, 2011	\$7.89	\$6.85	9,242,986
September, 2011	\$7.84	\$6.45	7,086,908
October, 2011	\$7.90	\$6.90	5,289,073
November, 2011	\$8.22	\$7.30	6,262,579
December, 2011	\$8.73	\$7.95	5,026,027
January, 2012	\$9.06	\$8.48	3,685,792
February, 2012	\$9.17	\$8.27	8,852,328
March, 2012 (from March 1 to March 15)	\$9.45	\$8.92	3,750,098

The Subscription Receipts were listed for trading on the TSX upon the closing of the Offering under the symbol “CSH.R”.

The following table summarizes the highest trading value, lowest trading value and volume for the Subscription Receipts listed on the TSX from March 9, 2012 to March 15, 2012.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
March, 2012 (from March 9 to March 15)	\$9.04	\$8.51	2,094,575

The 2012 Debentures were listed for trading on the TSX upon the closing of the Offering under the symbol “CSH.DB.B”.

The following table summarizes the highest trading value, lowest trading value and volume for the 2012 Debentures listed on the TSX from March 9, 2012 to March 15, 2012.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
March, 2012 (from March 9 to March 15)	\$102.88	\$101.65	15,237

During 2011, Chartwell issued 166,983 Units pursuant to its LTIP, 145,716 Deferred Units pursuant to its Deferred Unit Plan, 73,006 Restricted Units pursuant to its Restricted Unit Plan and 1,966,054 Units under Chartwell’s Distribution Reinvestment Plan.

Class B Master LP Units have been issued by Chartwell from time to time in the past as consideration to third parties in connection with the purchase of facilities. No Class B Master LP Units were issued during 2011.

EXPERTS

KPMG LLP is the external auditor of Chartwell who prepared the Auditors’ Report to the Unitholders dated March 1, 2012, with respect to the financial statements of Chartwell for the years ended December 31, 2010 and 2011 consisting of consolidated balance sheets and consolidated statements of operations and comprehensive loss, unitholders’ equity and cash flows for the years then ended. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units and the debenture trustee for the 2012 Debentures is Computershare at its principal office in Toronto, Ontario. Computershare is also the subscription receipt agent for the Subscription Receipts.

ADDITIONAL INFORMATION

Additional information relating to Chartwell may be found on SEDAR at www.sedar.com.

Additional information in respect of (a) the remuneration and indebtedness of Chartwell Trustees, CSH Trustees, Directors and certain members of senior management of the Operator; (b) principal holders of the Units and Special Voting Units; and (c) securities authorized for issuance under equity compensation plans, is contained in Chartwell’s information circular for its most recent annual meeting of Voting Unitholders that involved the election of Chartwell Trustees, CSH Trustees and Directors, and its management’s discussion and analysis of financial condition and results of operations for the year ended December 31, 2011. Additional financial information is provided in Chartwell’s financial statements for the year ended December 31, 2011.

GLOSSARY

The following terms used in this AIF have the meanings set out below. Unless the context otherwise requires, any reference in this AIF to any agreement, instrument, indenture or other document shall mean such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future:

“2007 Debentures” means the \$75,000,000 aggregate principal amount of 5.9% convertible unsecured subordinated debentures due May 1, 2012 issued by Chartwell.

“2007 Indenture” means the Initial Indenture, together with the first supplemental indenture between Chartwell and Computershare, dated as of April 20, 2007.

“2012 Debentures” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“2012 Debenture Offering” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“2012 Indenture” means the Initial Indenture, together with the second supplemental indenture to be entered into between Chartwell and Computershare, as of the date of the closing of the Debenture Offering.

“ACA” means the U.S. Patient Protection and Affordable Care Act.

“AcG-15” means Accounting Guideline 15, Consolidation of Variable Interest Entities, issued by the Canadian Institute of Chartered Accountants.

“Adjusted Gross Book Value” means, at any time, the book value of the assets of Chartwell and the Operator, as shown on Chartwell’s then most recent consolidated balance sheet (or if approved by a majority of the independent Directors at any time, the appraised value thereof), plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto.

“AFFO” means adjusted funds from operations, which is the net income of Chartwell on a consolidated basis, calculated as described under “Distribution Policy – Computation of AFFO”.

“affiliate” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“AIF” means this Annual Information Form.

“Amended and Restated Credit Agreement” means the amended and restated credit agreement between the Operator and the Canadian Imperial Bank of Commerce, as administrative agent, dated as of March 15, 2005, as amended by an amending agreement dated as of June 1, 2005, a second amending agreement dated as of September 30, 2006, a third amending agreement made as of July 1, 2007, a fourth amending agreement made as of August 1, 2008, a fifth amending agreement made as of June 28, 2009, a sixth amending agreement made as of June 25, 2010, a seventh amending agreement made as of June 24, 2011 and as further amended from time to time.

“Amended Spectrum Settlement Agreement” means the amended and restated Spectrum Settlement Agreement between Chartwell and Spectrum, dated as of October 17, 2011.

“Applicable Participants” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“Assisted Living”, “AL”, Assisted Living Facilities” or “AL Facilities” means facilities for more frail seniors who need assistance with daily living activities but do not require skilled nursing care. AL units can be offered in a separate wing, separate floor or separate building of a retirement home. While government home care services may deliver AL services in some communities, most residents of AL Facilities pay for their services privately. AL, ISL and LTC are the three defined

categories that Chartwell's Senior Executive Committee adopted in March 2008 to describe Chartwell's facilities. See "Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities".

"Basic Underwriters' Fees" has the meaning ascribed to it under "Chartwell, CSH Trust and Master LP – Description of the Subscription Receipts".

"Benco" means Chartwell Benco Inc., a corporation formed under the laws of the Province of Ontario.

"Beneficial Owner" means a holder of a beneficial interest in a Unit.

"Board of Directors" means the board of directors of CMCC, acting in its own capacity or, where appropriate, in its capacity as the sole trustee of GP M Trust, in its capacity as the general partner of Master LP.

"Binions Companies" means CEBY and JBG.

"Bridge Facility" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Bristol JV" has the meaning ascribed to it under "Description of the Business – Chartwell – Relationship with ING".

"Bristol Portfolio" means five seniors housing properties in New York State totalling 640 suites that CSH-INGRE LLC acquired on February 21, 2007.

"Brookdale" means Brookdale Senior Living Inc. or BKD HB Acquisition Sub, Inc. and their affiliates.

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

"CBCA" means the *Canada Business Corporations Act*.

"CDS" means CDS Clearing and Depository Services Inc.

"CEBY" means CEBY Management Limited, a corporation governed by the laws of the Province of Ontario.

"Cessation Date" means the date a DTU Participant ceases to be a Director, Chartwell Trustee or CSH Trustee, as applicable, for any reason whatsoever.

"Change of Control" means a change of control of Chartwell involving the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66²/₃% or more of the votes attaching, collectively, to (a) outstanding Voting Units; and (b) voting units of Chartwell issuable upon the conversion or exercise in accordance with their terms of securities convertible into or carrying the right to acquire Voting Units.

"Chartwell" means, unless the context otherwise requires, Chartwell Seniors Housing Real Estate Investment Trust and its subsidiaries.

"Chartwell Canco" means CSH Master Care Canada Inc., a corporation incorporated under the laws of the Province of Ontario.

"Chartwell Trustees" means the trustees of Chartwell, and "Chartwell Trustee" means any one of them.

"Chartwell USCO" means CSH Master Care USA Inc., a corporation incorporated under the laws of the State of Delaware.

"Class A Master LP Units" means the Class A limited partnership units in Master LP.

"Class B Master LP Units" means the Class B limited partnership units in Master LP.

“Class B Master LP Unitholders” means Chartwell, CSH Trust, Master LP, Spectrum and certain vendors of Properties acquired by Chartwell.

“Closing” means the closing of the IPO.

“CMCC” means Chartwell Master Care Corporation, a corporation governed by the laws of the Province of Ontario, which as the sole trustee of GP M Trust, the general partner of Master LP, manages the business and operations of the Operator.

“CMHC” means Canada Mortgage and Housing Corporation and its successors.

“Co-Owned Properties” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Co-Ownership” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Co-Ownership Agreement” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Computershare” means Computershare Trust Company of Canada, a trust company existing under the laws of Canada.

“Compensation Committee” means the Compensation, Governance and Nominating Committee of the Board of Directors.

“CON” means a certificate of need to build, transfer or expand a LTC Facility or an AL Facility in the United States.

“Conversion Price” has the meaning ascribed to it under “Description of the 2012 Debentures – Conversion Rights”.

“CRA” means the Canada Revenue Agency.

“CSH Master Care” means CSH Master Care LLC, an indirect, wholly-owned subsidiary of Chartwell.

“CSH Trust” means CSH Trust, a trust established under the laws of the Province of Ontario pursuant to the CSH Trust Declaration.

“CSH Trust Declaration” means the eighth amended and restated declaration of trust of CSH dated as of May 19, 2011.

“CSH Trust Notes” means, collectively, the Series 1 Trust Notes, the Series 2 Trust Notes, the Series 3 Trust Notes and other trust notes issued pursuant to the Note Indenture.

“CSH Trust Units” means trust units of CSH Trust, each such unit representing an equal undivided beneficial interest therein.

“CSH Trustees” means the trustees of CSH Trust, and “CSH Trustee” means any one of them.

“Declaration of Trust” means the eighth amended and restated declaration of trust of Chartwell dated May 19, 2011.

“Deemed Interest” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Description of the Subscription Receipts”.

“Deferred Purchase Price of Property” means the amount of any obligation in respect of any property acquired or to be acquired by Chartwell which relates to any portion of the purchase price or consideration to be paid to the vendor on or after the closing of such an acquisition, but does not include any vendor-take-back mortgage or other secured deferred obligation in respect of such an acquisition.

“Deferred Unit Plan” means Chartwell’s deferred unit plan established in 2008, as amended from time to time.

“Deferred Units” means a right to receive a Unit under an award made pursuant to the Deferred Unit Plan.

“Development Agreement” means the agreement between Spectrum and the Operator with respect to the development of seniors housing facilities by Spectrum and the rights of the Operator to finance and acquire such seniors housing facilities of Spectrum entered into on November 14, 2003, as amended by Amendment No. 1 dated as of the 27th day of May, 2004, as further amended by Amendment No. 2 dated as of the 24th day of December, 2004, as further amended on the 13th day of February, 2009.

“Development Properties” means, collectively, all seniors housing facilities or projects in any stage of development from time to time by Spectrum, and a “Development Property” means any one of them.

“Directors” means the directors of CMCC or, where appropriate, the Directors of CMCC acting on behalf of CMCC in its capacity as the sole trustee of GP M Trust, in its capacity as the general partner of Master LP, and “Director” means any one of them.

“Distributions” means amounts to be distributed to Unitholders, as determined by the Chartwell Trustees in their discretion, provided that Chartwell receives amounts equal to such Distributions from its investments.

“Distribution Date” means, in respect of a month, on or about the 15th day of the following month.

“Distribution Reinvestment Plan” means the distribution reinvestment plan established by Chartwell as described under “Chartwell, CSH Trust and Master LP – Distribution Reinvestment Plan”.

“DTU Participant” has the meaning ascribed to it under “Material Contracts – Deferred Unit Plan”.

“Eligible Person” has the meaning ascribed to it under “Material Contracts – Long Term Incentive Plan”.

“Escrowed Funds” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Description of the Subscription Receipts”.

“Exchange Agreement” means the exchange agreement dated November 14, 2003 entered between the Class B Master LP Unitholders.

“Executive Officers” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“Extraordinary Resolutions” has the meaning ascribed to it under “Description of the 2012 Debentures – Modification”.

“GAAP” means Canadian generally accepted accounting principles determined with reference to The Handbook of The Canadian Institute of Chartered Accountants, as amended from time to time.

“General Partner” means GP M Trust, the general partner of Master LP, as represented by and acting through its sole trustee, CMCC.

“Global Units” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Book-Based System”.

“Global Debentures” has the meaning ascribed to it under “Description of the 2012 Debentures – Book-Based System”.

“HBC” means Horizon Bay Chartwell L.L.C.

“HBCII” means Horizon Bay Chartwell II, LLC.

“HCN” means Health Care REIT, Inc.

“HCN Canada” means HCN Canadian Properties, Inc.

“HCN Properties” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“IASB” means the International Accounting Standards Board. See “Risk Factors – Accounting – International Financial Reporting Standards”.

“IFRS” means International Financial Reporting Standards. See “Risk Factors – Accounting – International Financial Reporting Standards”.

“Independent Living Facilities” or “IL” was a defined category of seniors housing accommodation that Chartwell used until March 2008. The term referred to facilities that typically took the form of an apartment or townhouse project, sometimes within a larger seniors community. The facilities were largely unregulated and unlicensed (other than regulations generally applicable to rental housing facilities and public health). Residents might own or rent their suites and the facilities would offer a choice of services. These facilities were attractive to seniors able to live independently without professional assistance in a safe and secure environment. Properties that were formerly classified as IL facilities are now considered ISL Facilities. See “Explanatory Notes” and “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

“Independent Supportive Living”, “ISL”, “Independent Supportive Living Facilities” or “ISL Facilities” means facilities for seniors who require little or no assistance with daily living activities but benefit from the social setting and services like meal preparation, 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private pay fee or rental rate. ISL, AL and LTC are the three defined categories that Chartwell’s Senior Executive Committee adopted in March 2008 to describe Chartwell’s facilities. See “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

“ING” means collectively, ING Real Estate and ING Community Living LLC, each being a subsidiary of ING Group N.V. of the Netherlands, and ING Community Living, a real estate investment fund of which ING Real Estate Investment Management Australia Pty Limited is the manager and a minority unitholder.

“ING Community Living” means ING Real Estate Community Living Fund.

“ING Real Estate” means ING Real Estate Community Living Management Trust.

“Initial Debentures” means the \$125,000,000 aggregate principal amount of 6% convertible unsecured subordinated debentures due on December 1, 2011.

“Initial Indenture” means the trust indenture dated as of the 28th day of November, 2006 between Chartwell and Computershare.

“Instalment Receipts” has the meaning ascribed to it under “Material Contracts – Long Term Incentive Plan”.

“Interest Obligation” has the meaning given to that term in the Indenture.

“IPO” means Chartwell’s initial public offering of Units on November 14, 2003.

“JBG” means JBG Management Inc., a corporation governed by the laws of the Province of Ontario.

“Lease-Up” means the period after which a seniors housing facility has opened for occupancy and has not yet achieved Stabilization.

“LTC Act 2007” means the *Long-Term Care Homes Act, 2007*.

“LTIP” means Chartwell’s long-term incentive plan dated November 14, 2003, as amended on May 25, 2005, May 24, 2006, May 22, 2007 and May 20, 2010.

“LTIP Participant” has the meaning ascribed to it under “Material Contracts – LTIP”.

“Long Term Care”, “LTC”, “Long Term Care Facilities” or “LTC Facilities” means facilities for people who cannot live independently and require skilled nursing care on a daily basis. ISL, AL and LTC are the three defined categories that

Chartwell's Senior Executive Committee adopted in March 2008 to describe Chartwell's facilities. See "Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities".

"Maestro" means, collectively, Maestro Retirement Residences Fund, L.P., Maestro Retirement Residences Fund II, L.P., Maestro Retirement Residences Fund III, L.P., Maestro Retirement Residences Fund IV, L.P. and Maestro Retirement Residences Fund V, L.P.

"Maestro Acquisition" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Maestro Acquisition Closing" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Maestro APS" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Maestro Properties" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Management Agreement" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Managed Properties" means the seniors housing facilities managed by the Operator.

"Master LP" means Chartwell Master Care LP, a limited partnership formed under the laws of the Province of Manitoba.

"Master LP Note" has the meaning ascribed to it under "Risk Factors – Risk Factors Related to United States Tax Matters".

"Master LP Partnership Agreement" means the eighth amended and restated limited partnership agreement of Master LP dated May 19, 2011.

"Melior" means Le Groupe Melior Inc.

"Melior Debtors" has the meaning ascribed to it under "General Development of the Business – History of the Business – 2009".

"Melior Settlement Agreement" has the meaning ascribed to it under "General Development of the Business – History of the Business – 2009".

"Meridian Portfolio" has the meaning ascribed to it under "Description of the Business – Chartwell - Relationship with ING".

"NOI Guarantee" means a guarantee that a seniors housing facility acquired by Chartwell will achieve certain earnings targets and if such targets are not achieved entitling Chartwell to receive certain cash payments from vendors of such property to compensate it for the lack of such earnings.

"Note Indenture" means the trust indenture providing for the issuance by CSH Trust of the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes dated as of the Closing and made between CSH Trust and Computershare.

"OBCA" means the *Business Corporations Act* (Ontario).

"Offering" has the meaning ascribed to it under "General Development of the Business – History of the Business – Recent Developments".

"Operator" means, collectively, Master LP, the General Partner and Master LP's subsidiaries, including entities in which Master LP directly or indirectly has a joint venture interest.

“Other Issuable Securities” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Issuance of Units”.

“Payment Amount” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“Properties” means, collectively, the seniors housing facilities owned directly or indirectly by the Operator, from time to time.

“Property Mortgages” means all mortgages by which the Operator is bound, together with any replacement and other mortgages secured by the Properties.

“Prospectus” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Put Date” has the meaning ascribed to it under “Description of the 2012 Debentures – Put Right upon a Change of Control”.

“Put Price” has the meaning ascribed to it under “Description of the 2012 Debentures – Put Right upon a Change of Control”.

“Redemption Date” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Redemption Right”.

“Redemption Price” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Redemption Right”.

“Regency Care Portfolio” has the meaning ascribed to it under “Description of the Business – Chartwell - Relationship with ING”.

“Renaissance” means Renaissance Seniors Housing Inc.

“Renaissance IPO” means the initial public offering of Renaissance.

“REIT” has the meaning ascribed to it under “Risk Factors – Risks Related to Canadian Tax Matters – The SIFT Rules”.

“REIT Conditions” has the meaning ascribed to it under “Risk Factors – Risks Related to Canadian Tax Matters – The SIFT Rules”.

“Resident Occupancy” with respect to (a) a LTC Facility means the number of residents occupying approved LTC beds, and (b) an AL or ISL Facility means the number of occupied suites, in each case not including residents or suites that are subject to incentives or discounts.

“Resident Occupancy Rate” with respect to (a) a LTC Facility means 100 times the Resident Occupancy divided by the total number of residents capable of being housed by such facility, and (b) an AL Facility or ISL Facility means 100 times the Resident Occupancy divided by the number of suites in the facility, in each case expressed as a percentage.

“Restricted Units” means the restricted units of Chartwell issued to RSU Participants pursuant to the Restricted Unit Plan.

“Restricted Unit Plan” means Chartwell’s restricted unit plan established in 2008, and implemented in 2009, as amended from time to time.

“RH Act” means the *Retirement Homes Act* (Ontario).

“RHRA” Retirement Homes Regulatory Authority established under the RH Act.

“Right” means a right issued by Chartwell for each Voting Unit which is outstanding, pursuant to the Unitholder Rights Agreement.

“Rights Certificates” means the certificates provided to registered Voting Unitholders as of the Separation Time, evidencing the Rights.

“RUP Participant” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“Seasons” has the meaning ascribed to it under “General Development of the Business – History of the Business – 2009”.

“SEDAR” means the System for Electronic Document Analysis and Retrieval.

“Senior Indebtedness” has the meaning ascribed to it under “Description of the 2012 Debentures – Subordination”.

“Separation Time” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Unitholder Rights Agreement”.

“Series 1 Trust Notes” means the interest-bearing Series 1 unsecured subordinated demand promissory notes of CSH Trust issued to Chartwell at Closing or from time to time thereafter pursuant to the Note Indenture.

“Series 2 Trust Notes” means the interest-bearing Series 2 unsecured subordinated promissory notes of CSH Trust to be issued to Chartwell from time to time pursuant to the Note Indenture.

“Series 3 Trust Notes” means the interest-bearing Series 3 unsecured subordinated promissory notes of CSH Trust to be issued to Chartwell from time to time pursuant to the Note Indenture.

“SIFT Rules” means the provisions of the Tax Act that relate to SIFT trusts, as that term is defined in subsection 122.1(1) of the Tax Act, or SIFT partnerships, as that term is defined in subsection 197(1) of the Tax Act, and any corresponding provisions of applicable provincial tax legislation.

“SLALA” means the *Supportive Living Accommodation Licensing Act*.

“Special Voting Units” means the special voting units of Chartwell.

“Spectrum” means Spectrum Seniors Housing Development LP.

“Spectrum Deferred Payment” has the meaning ascribed to it under “General Development of the Business – History of the Business - 2011”.

“Spectrum Settlement Agreement” has the meaning ascribed to it under “Description of the Business – Spectrum”.

“Stabilization” or “Stabilized” with respect to a seniors housing facility means a facility which has had an average Resident Occupancy Rate of 90% or greater during the preceding three calendar months.

“Subscription Receipts” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Subscription Receipt Adjustment Payment” means, in circumstances in which the Maestro Acquisition is completed, an amount per Subscription Receipt equal to the amount per Unit of any Distributions made by Chartwell for which record dates have occurred during the period from and including the closing of the Subscription Receipt Offering to and including the date immediately preceding the date upon which Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement.

“Subscription Receipt Agent” means Computershare Trust Company of Canada.

“Subscription Receipt Agreement” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Description of the Subscription Receipts”.

“Subscription Receipt Offering” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“subsidiary” includes, with respect to any person, company, partnership, limited partnership, trust, or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company or entity.

“Supplemental Indenture” means First Supplemental Indenture dated as of the 20th day of April, 2007 between Chartwell Seniors Housing Real Estate Investment Trust and Computershare Trust Company of Canada.

“Surveys” means periodic inspections, surveys, audits, investigations and other reviews of LTC Facilities and AL Facilities by regulatory agencies in the United States to determine the Operator’s compliance with applicable regulations.

“Tax Act” means the *Income Tax Act* (Canada), as amended.

“Termination Event” has the meaning ascribed to it under “Chartwell, CSH Trust and Master LP – Description of the Subscription Receipts”.

“Total Put Price” has the meaning ascribed to it under “Description of the 2012 Debentures – Put Right upon a Change of Control”.

“TSX” means the Toronto Stock Exchange.

“Underwriters” has the meaning ascribed to it under “General Development of the Business – History of the Business – Recent Developments”.

“Unitholder” means a holder of Units.

“Unitholder Rights Agreement” means Chartwell’s Unitholder rights agreement as amended and restated as of April 16, 2009, as reconfirmed from time to time.

“Units” mean the units of Chartwell, other than the Special Voting Units.

“Vesting Date” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“Vesting Period” has the meaning ascribed to it under “Material Contracts – Restricted Unit Plan”.

“VIE” means a variable interest entity.

“Voting Unitholders” means holders of Voting Units.

“Voting Units” means Units and Special Voting Units.

SCHEDULE "A"

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

AUDIT COMMITTEE CHARTER

(attached)



AUDIT COMMITTEE CHARTER

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1. CONTINUATION OF THE AUDIT COMMITTEE

The Board of Chartwell Trustees (“Board”) bears responsibility for the stewardship of Chartwell Seniors Housing Real Estate Investment Trust (“Chartwell”) and in this regard the Board supervises and directs management of Chartwell in carrying out the business of Chartwell, in the interest and for the benefit of Chartwell’s unit holders.

To assist the Board in its monitoring of Chartwell’s financial reporting and disclosure and to assist the Board in the identification and oversight of the management of financial risk, the Declaration of Trust has established a committee of the Board known as the Audit Committee (the “Committee”). The Committee’s mandate is set out in this Charter.

2. COMPOSITION OF COMMITTEE

The Committee will be appointed annually by the Board and consist of at least three members from among the Independent Trustees of Chartwell, each of whom shall be, in the opinion of the Board, an “unrelated” trustee within the meaning of s.472 of the Toronto Stock Exchange Company Manual.

- 2.1. The Audit Committee shall consist of independent members who have no direct or indirect material relationship with Chartwell. A material relationship means a relationship which could, in the view of Chartwell’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- 2.2. The following individuals are considered to have a material relationship with Chartwell:
 - 2.2.1 An individual who is, or has been within the last three years an employee or executive officer of Chartwell.
 - 2.2.2 An individual whose immediate family member is, or has been within the last three years, an executive officer of Chartwell.
 - 2.2.3 An individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of Chartwell within the last three years.
 - 2.2.4 An individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of Chartwell within the last three years.
 - 2.2.5 An individual who is, or has been, or whose immediate family member is or has been within the last three years, an executive officer of an entity if any of Chartwell’s current executive officers serves or served at that same time on the entity’s compensation committee.
 - 2.2.6 An individual who received, or whose immediate family member who is employed as an executive officer of Chartwell has received, more than \$75,000 in direct compensation from Chartwell, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee during any 12 month period within the last three years.
 - 2.2.7 An individual who has a relationship with Chartwell pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from Chartwell or any subsidiary entity of Chartwell, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee.
 - 2.2.8 An individual who is an affiliated entity of Chartwell or any of its subsidiary entities.

- 2.2.9 An individual who is deemed to have a material relationship with Chartwell pursuant to National Instrument 52-110.
- 2.3. For the purpose of section 2.2, an issuer includes a subsidiary entity of the issuer.
- 2.4. Despite section 2.2, an individual will not be considered to have a material relationship with Chartwell solely because:
 - 2.4.1 He or she had a relationship identified in section 2.2 if that relationship ended before March 30, 2004; or
 - 2.4.2 He or she had a relationship identified in section 2.2 by virtue of section 2.3 if that relationship ended before June 30, 2005.
- 2.5. The definition of a partner does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
- 2.6. The definition applicable to section 2.2.6 referring to compensatory fees and direct compensation do not include:
 - 2.6.1 Remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - 2.6.2 The receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Chartwell if the compensation is not contingent in any way on continued service.
- 2.7. For the purposes of subsection(s) 2.2.7 and 2.2.8, the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
 - 2.7.1 A person's spouse, minor child or stepchild, or a child or stepchild who shares the person's home; or
 - 2.7.2 An entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non- managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to Chartwell or any subsidiary entity of Chartwell.
- 2.8. Despite section 2.2, a person will not be considered to have a material relationship with Chartwell solely because the individual or his or her immediate family member:
 - 2.8.1 Has previously acted as an interim chief executive officer of Chartwell, or
 - 2.8.2 Acts, or has previously acted, as a chair or vice-chair of the board of directors or any board committee, other than on a full-time basis.
- 2.9. No member of the committee may (other than in his or her capacity as a member of the committee, the board or another board committee) accept any consulting, advisory or other compensatory fee from Chartwell or be an affiliated person of Chartwell or any subsidiary.

- 2.10. All members of the Committee shall be financially literate (i.e. have the ability to read and understand Chartwell's financial statements and notes). At least one member of the Committee shall have accounting or related financial experience (i.e. the ability to analyze and interpret financial statements and notes in accordance with generally accepted accounting principles in Canada).
- 2.11. A majority of the members of the Committee shall be resident Canadians.
- 2.12. The board will designate the Chairman of the Committee. The Chairman shall have responsibility for overseeing that the Committee fulfills its mandate and its duties effectively.

3. RESPONSIBILITIES AND DUTIES OF THE COMMITTEE

- 3.1. The board mandates the Committee to monitor and be responsible for the supervision of Chartwell's financial reporting and disclosure obligations. To fulfill this role, the Committee shall have the following responsibilities;
- 3.2. Audit Committee must recommend to the board of directors:
 - 3.2.1 The external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Chartwell; and the compensation of the external auditor.
- 3.3. To oversee compliance by Chartwell with all legal, regulatory and contractual requirements relating to financial reporting and disclosure and to oversee the accounting and financial reporting processes and audits of the financial statements of Chartwell.
- 3.4. Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Chartwell, its subsidiaries and joint, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 3.5. To approve hiring, the remuneration and the terms of engagement of the external auditors as set forth in their engagement letter and, if necessary, their termination, and to review the performance of the external auditors as required. The Committee shall also require that the lead or responsible audit partner of the external auditors in charge of Chartwell's audit is rotated every five years and that other rules relating to the audit partner as enacted by securities regulatory authorities of Canada are followed.
- 3.6. To review and approve Chartwell's hiring policies regarding employees and former employees of the present and former external auditors.
- 3.7. To review regularly with the external auditors their independence, including pre-approval of all engagements (and fees related thereto) for non-audit services with Chartwell, and to ensure disclosure of any non-audit services in the next periodic public report of Chartwell, but in no event shall any of the following non-audit services be performed by the external auditors:
 - 3.7.1 Bookkeeping or other services related to the accounting records or financial statements.
 - 3.7.2 Financial information systems design and implementation.
 - 3.7.3 Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
 - 3.7.4 Actuarial services.
 - 3.7.5 Internal audit outsourcing services.

- 3.7.6 Management functions or human resources.
- 3.7.7 Broker or dealer, investment advisor or investment banking services.
- 3.7.8 Legal services and expert services unrelated to the audit; and
- 3.7.9 Other services prescribed by legislation.
- 3.8. To review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the materiality levels which the external auditors propose to employ and other issues which are appropriate in the view of either the Committee or the external auditors.
- 3.9. The Audit Committee must pre-approve all non-audit services to be provided to Chartwell or its subsidiary entities by Chartwell's external auditor.
- 3.10. To review the financial statements and other financial information of Chartwell with management and the external auditors to gain reasonable assurance that they present fairly (in accordance with generally accepted accounting principles in Canada) in all material respects the financial condition, results of operations and cash flows of Chartwell as of the date of such financial statements and for the periods covered thereby, and report thereon to the board before same is approved by the board.
- 3.11. To review with management and the external auditors the financial statements of any significant subsidiaries of Chartwell.
- 3.12. To review with management the representation letter provided to the external auditors, to receive from management any additional representations required by the Committee, and to receive from the external auditors reports on their audit of the annual and their review of the quarterly financial statements of Chartwell.
- 3.13. To review news releases and reports to unit holders to be issued by Chartwell containing earnings guidance or containing financial information based on Chartwell's financial statements.
- 3.14. To review Chartwell's annual and quarterly "management's discussion and analysis" with management and report thereon to the board before it is approved by the board.
- 3.15. To review the financial information in prospectuses, annual reports, material change disclosures of a financial nature, annual information forms and similar disclosure documents to be issued by Chartwell.
- 3.16. To periodically assess the adequacy of disclosure controls and the Disclosure Controls policy.
- 3.17. To review with management and the external auditors the acceptability, appropriateness and quality of Chartwell's accounting principles.
- 3.18. To review an annual report by the external auditors describing: (i) all critical accounting practices and policies to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the impact of the alternative treatments, and the treatment preferred by the external auditors; and (iii) other material written communications between the external auditors and management, and to meet with the external auditors to discuss the said annual report.
- 3.19. To review with management the principal financial risks facing Chartwell and gain reasonable assurance that financial risk is being effectively managed or controlled.
- 3.20. To review with management significant contingent liabilities.

- 3.21. To review with management and the external auditors the internal financial control system used by Chartwell for its effectiveness and integrity and to oversee management's reporting on that system.
- 3.22. To review with management the management information systems used by Chartwell for its effectiveness and its integrity.
- 3.23. To review with management the results of goodwill impairment testing.
- 3.24. **De Minimis Non-Audit Services** – Audit Committee must pre-approve all non-audit services acquired from the appointed external auditors if:
 - 3.24.1 The aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by Chartwell and its subsidiary entities to the external auditor during the fiscal year in which the services are provided.
 - 3.24.2 Chartwell or its' subsidiary entities, as the case may be, did not recognize the services as non-audit services at the time of the engagement.
 - 3.24.3 The services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.
- 3.25. **Delegation of Pre-Approval Function**
 - 3.25.1 An audit committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in section 3.9.
 - 3.25.2 The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection 3.25.1 must be presented to the audit committee at its first scheduled meeting following such pre-approval.
- 3.26. **Pre-Approval Policies and Procedures** – Audit Committee sets forth specific policies and procedures for the engagement of the non-audit services, by:
 - 3.26.1 Setting the pre-approval policies and procedures detailed as to the particular service.
 - 3.26.2 The Audit Committee is informed of each non-audit service; and
 - 3.26.3 The procedures do not include delegation of the audit committee's responsibilities to management.
- 3.27. An audit committee must establish procedures for:
 - 3.27.1 The receipt, retention and treatment of complaints received by Chartwell regarding accounting, internal accounting controls, or auditing matters.
 - 3.27.2 The confidential, anonymous submission by employees of Chartwell, its subsidiaries, and joint ventures of concerns regarding questionable accounting or auditing matters.
 - 3.27.2.1 To put in place procedures to receive and handle complaints or concerns received by Chartwell about accounting, internal accounting controls and audit matters including those submitted anonymously by an employee of Chartwell or the provider of its accounting services.

- 3.27.3 To review periodically with management Chartwell's code of ethics for senior financial officers.
- 3.27.4 To ensure that an external auditor cannot act as auditor of Chartwell if the Chief Executive Officer, President, Controller, Chief Financial Officer or person serving in an equivalent position was employed by the external auditor and participated in any capacity in the audit of Chartwell during a one year period preceding the date of initiation of the audit.
- 3.28. **Events Outside Control of Member** – Subject to section 3.33, if an audit committee member ceases to be independent for reasons outside the member's reasonable control, the member is exempt from the requirement in section 2.2 for a period ending on the later of:
- 3.28.1 The next annual meeting of the Chartwell, and
- 3.28.2 The date that is six months from the occurrence of the event which caused the member to not be independent.
- 3.29. **Death, Disability or Resignation of Member** – Subject to section 3.33, if the death, disability or resignation of an audit committee member has resulted in a vacancy on the audit committee that the board of directors is required to fill, an audit committee member appointed to fill such vacancy is exempt from the requirements in sections 3.28, 3.30 and 3.32 for a period ending on the later of:
- 3.29.1 The next annual meeting of the issuer, and
- 3.29.2 The date that is six months from the day the vacancy was created.
- 3.30. **Temporary Exemption for Limited and Exceptional Circumstances** – Subject to subsection 3.31, an audit committee member is exempt from the requirement in sections 3.28 and 3.29 if:
- 3.30.1 The member is not an individual described in subsection 2.2.7.
- 3.30.2 The member is not an employee or officer of the issuer, or an immediate family member of an employee or officer of the issuer.
- 3.30.3 The board, under exceptional and limited circumstances, determines in its reasonable judgment that:
- 3.30.3.1 The member is able to exercise the impartial judgment necessary for the member to fulfill his or her responsibilities as an audit committee member, and
- 3.30.3.2 The appointment of the member is required by the best interests of the issuer and its shareholders.
- The member does not act as chair of the audit committee; and
 - The member does not rely upon this exemption for a period of more than two years.
- 3.31. Majority Independent – The exemptions in section 3.30 are not available to a member unless a majority of the audit committee members would be independent.
- 3.32. Acquisition of Financial Literacy – Subject to section 3.33, an audit committee member who is not financially literate may be appointed to the audit committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

3.33. Restriction on Use of Certain Exemptions – The exemptions in sections 3.28, 3.29 and 3.32 are not available to a member unless the issuer’s board of directors has determined that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this Instrument.

3.34. To perform any other matters delegated to the Committee by the Chartwell Trustees.

4. OPERATING PRINCIPLES

The Committee will fulfill its responsibilities within the context of the following operating principles:

4.1. Committee Duties

4.1.1 Committee members are required to act honestly and in good faith with a view to the best interests of Chartwell and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

4.2. Committee Values

4.2.1 The Committee expects management of Chartwell to operate in compliance with all Chartwell policies and codes, and all laws and regulations governing Chartwell and to maintain strong financial reporting and control processes.

4.3. Communications

4.3.1 The Chairman and all members of the Committee expect to have direct, open and frank communications throughout the year with management, other committee chairmen, the external auditors, the internal auditor, if any, the chairman of the audit committee of any subsidiaries, where applicable, and other key Committee advisors, as applicable.

4.4. External Resources

4.4.1 To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of Chartwell, retain one or more persons having special expertise. Chartwell shall pay all fees and expenses of the external auditors or other persons retained by the Committee.

4.5. Reporting to the Board

4.5.1 The Committee, through its Chairman, will report regularly to the board, and in any event no less frequently than on a quarterly basis.

4.6. Time Commitment

4.6.1 Members of the Committee are expected to commit whatever time may be necessary to fulfill the mandate of the Committee. Members should prepare for Committee meetings by reviewing the materials sent to them by management for discussion at the meeting, as well as other material they feel is necessary. Members are expected to attend (in person or by telephone) all meetings of the Committee and to participate in those meetings through the asking of relevant questions and the expression of opinions on items being discussed.

4.7. External Auditors

4.7.1 The external auditors will be accountable to the board, as representatives of unit holders, through the Committee. The Committee is directly responsible for recommending the appointment of the

auditors to Chartwell's unit holders and for the compensation and oversight of the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors will report all material issues or potentially material issues to the Committee.

4.8. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee will be entitled to rely in good faith upon:

4.8.1 Financial statements of Chartwell represented to him or her by an officer of Chartwell or in a written report of the external auditors to present fairly the financial position of Chartwell in accordance with Canadian generally accepted accounting principles; and

4.8.2 Any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

5. OPERATING PROCEDURES

5.1. Frequency of Meetings

5.1.1 The Committee will meet at least 4 (FOUR) times annually, and more frequently as circumstances dictate. Meetings will be held on at least six hours notice at the call of the Chairman or upon the request of any member of the Committee.

5.2. Quorum

5.2.1 A quorum will be a majority of the members of the Committee present in person or by telephone.

5.3. Chairman

5.3.1 In the absence of the Chairman of the Committee, the members will appoint an acting Chairman.

5.4. Secretary

5.4.1 Unless the Committee otherwise specifies, the Secretary of Chartwell will act as Secretary of all meetings of the Committee.

5.5. Meeting Agenda

5.5.1 Committee meeting agendas shall be set by the Chairman of the Committee in consultation with Committee members, management if appropriate and the external auditors if appropriate.

5.6. In Camera Meetings

5.6.1 The members of the Committee will meet at regularly scheduled sessions with the external auditors, select members of management, and by themselves, without management and the external auditors present.

5.7. Background Material for Meetings

5.7.1 Members of the Committee should be provided with an agenda and sufficient background material prepared in a clear and concise manner relating to a forthcoming meeting as will allow them to understand the items to be discussed at the meeting. The material should contain

sufficient information; to the extent such information is reasonably available to management, to enable the Committee members to make an informed decision. The agenda with this material should be received by the Committee members far enough in advance of the meeting as will allow them sufficient time to review the materials.

5.8. Minutes

- 5.8.1 Minutes of each meeting of the Committee will be prepared by the Secretary of the meeting and be provided to each member of the Committee for review and approval at a subsequent Committee meeting. After being approved, a copy of the minutes will be provided to each Chartwell Trustee for information purposes.

6. LIMITATIONS ON COMMITTEE MEMBERS' DUTIES

- 6.1. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all board members are subject. It is not the duty of the Committee to prepare financial statements, plan or conduct audits, act as auditors or to determine that Chartwell's financial statements and disclosures are complete and accurate and are in accordance with Canadian generally accepted accounting principles and applicable laws. These are the responsibilities of management and the external auditors. The external auditors are accountable to the board and the committee, being the representatives of the unit holders of Chartwell.
- 6.2. With regard to financial risk management, the Committee's responsibility is one of oversight only. Management is responsible to ensure proper financial risk management policies are in place and being adhered to.