CHARTWELL retirement residences | making people's lives BETTER®

For the year ended December 31, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Year Ended December 31, 2016

Contents

Chartwell Retirement Residences ("Chartwell" or the "Trust") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results of Chartwell for the year ended December 31, 2016. This MD&A should be read in conjunction with Chartwell's audited, consolidated financial statements for the years ended December 31, 2016 and 2015, and the notes thereto (the "Financial Statements.") This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2016, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of February 23, 2017.

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

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2016" refers to the calendar year 2016; "2015" refers to the calendar year 2015, "2014" refers to the calendar year 2014 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for 2016 and Q4 2016 are in comparison to results from 2015 and Q4 2015, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), "Property NOI," "Property Revenue," "Direct Property Operating Expenses," "Same Property Performance," "G&A Expenses as a percentage of Revenue," "Interest Coverage Ratio," "Adjusted Gross Book Value," "Indebtedness Ratio," "Adjusted EBITDA," "Net Debt to Adjusted EBITDA Ratio," "Distributions Declared as a Percentage of Total AFFO," "Estimated Development Costs," "Expected Unlevered Yield," "Chartwell's Interest" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Measures"). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Please refer to the "Joint Arrangements" and "Non-GAAP Measures" sections of this MD&A for details.

The results of operations of our United States Operations (the "U.S. Portfolio,") which we disposed of in 2015, are reported as discontinued operations throughout this MD&A.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States ("U.S.") dollars are identified as U.S.$.

This document contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A for more information.

Business Overview

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

Our Continuum of Care:

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

Our Vision is… Making People's Lives Better

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents' loved ones; and
- to attract and retain employees who care about making a difference in our residents' lives.

Our Values are…

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

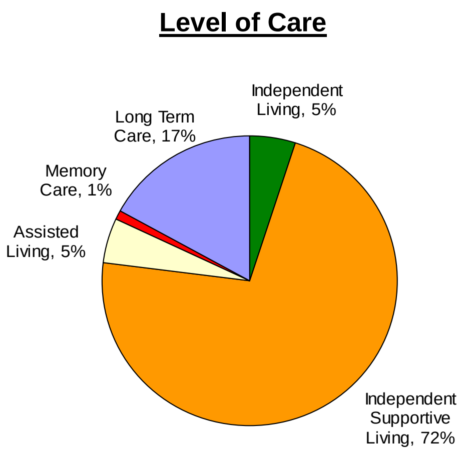
The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at December 31, 2016:

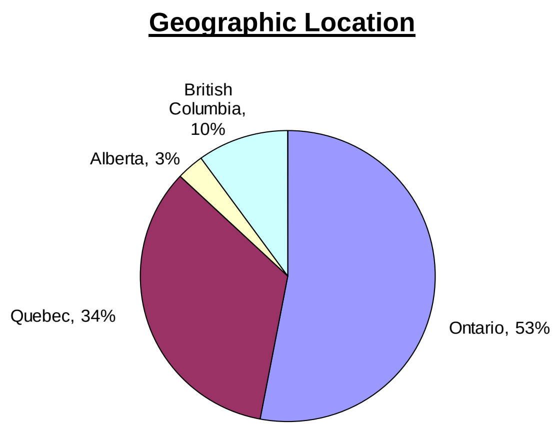
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: [(1)]						
100% Owned – operating	109	13,536	24	3,133	133	16,669
Partially Owned – operating [(2)]	46	8,217	-	-	46	8,217
Total Owned	155	21,753	24	3,133	179	24,886
Managed Communities	5	947	4	608	9	1,555
Total	160	22,700	28	3,741	188	26,441

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

(2) We have a 50% ownership interest in these communities (7,858 suites) with the exception of three retirement communities (359 suites) and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned Suites
at Chartwell's Share of Ownership Interest, at December 31, 2016 by:





Business Strategy

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

Grow core property portfolio contribution by:

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

Maintain a strong financial position by:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.

Improve quality and efficiency of our corporate support services by:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

Build value of our real estate portfolio by:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Developing innovative, modern, market-specific and operationally-efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

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

Grow core property portfolio contribution	• Focus on enhancing resident experience drives improved operating results. • Same property NOI [(1)] increased \$13.3 million or 6.6% in 2016. • Same property occupancy improved 1.1 percentage points to 93.6% in 2016.
Maintain a strong financial position	• At December 31, 2016, we had cash on hand [(2)] of \$38.3 million and \$73.8 million of available borrowing capacity under our Credit Facilities. • Interest Coverage Ratio [(3)] improved to 3.51 in 2016 compared to 2.84 in 2015. • Net Debt to Adjusted EBITDA Ratio [(3)] was 7.2 at December 31, 2016 compared to 7.6 at December 31, 2015. • Indebtedness Ratio [(3)] was 48.9% at December 31, 2016 compared to 49.7% at December 31, 2015.
Improve quality and efficiency of our corporate support services	• Established internal business support services centre “At Your Service” to improve information systems and business process support to our operating teams. • Completed the first phase of implementation of our new Human Capital Management system.
Build value of our real estate portfolio	• Completed five acquisitions for a total of \$211.7 million.[(4)] • Work continues on our development pipeline of 2,332 suites with nine projects in construction and four projects in pre-development.[(5)]

(1) Non-GAAP; refer to the “Summary of Net Operating Income” and the “Non-GAAP Measures” sections of this MD&A.
(2) Non-GAAP; includes Chartwell’s Interest in equity accounted investments of \$8.2 million. Refer to the “Joint Arrangements” section of this MD&A for details.
(3) Non-GAAP; refer to the “Liquidity and Capital Commitments” and the “Non-GAAP Measures” sections of this MD&A.
(4) Excluding accounting adjustments.
(5) Includes projects by Batimo and Signature Living.

2017 Outlook

Economic conditions in Canada remain challenging, with continuing weakness in the regions with oil-dependent economies and uncertainty related to the new U.S. administration's trade policies. Our exposure to the Alberta market is limited to seven properties (755 suites) and these properties continue to exhibit strong occupancy rates. The current economic weakness has created growth opportunities in the province.

Due to uncertain economic conditions, we do not expect significant growth in interest rates with increases in 2017, if any, to be gradual. This should be positive for our ability to finance new acquisitions and developments and for refinancing of our maturing debt.

While it is expected that as a result of various government initiatives growth in housing prices will slow down, we do not expect any significant market disruptions. This state of the housing market should continue to support the ability of our prospective customers to sell their properties prior to moving to a retirement residence.

Seniors housing development activity has increased with more new product coming to some of our markets in 2017 and 2018. We believe that the long-term impact of these developments will be mitigated by the projected growth in the seniors population in 2017 and beyond. We also believe that the quality of services and care that we offer at our properties, our strong national brand recognition, as well as the overall quality of our real estate portfolio, will allow us to successfully compete with these new properties.

Retirement Operations

We expect to generate moderate NOI growth through occupancy improvements, rate increases in line with competitive market conditions and a full-year contribution from the properties acquired in 2016 in our Retirement Operations segment.

We believe that our ongoing investments in branding, marketing and sales initiatives have increased, and will continue to increase awareness of Chartwell's name, prospect traffic to our residences and our occupancies. With our focus on enhancing customer experience at our residences, we expect to continue to grow our revenues, including revenues from additional care and services. We will continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs while improving the quality of goods and services provided to residents.

- In Ontario, our same property occupancy improved to 88.8% in 2016 from 87.6% in 2015 as the pace of new supply has been more in line with the growth of the seniors population and the markets continued to absorb excess inventory. While it is possible that upcoming new supply may have a short-term negative impact on occupancies in certain markets, overall we expect to see continuing incremental occupancy improvements in 2017 and average rental rate growth of approximately 3.0% in our Ontario portfolio.

- Our Western Canada platform delivered exceptionally strong performance in 2016 with same property portfolio occupancy reaching 96.9% in Q4 2016. While new developments may have a short-term negative impact on occupancies in certain markets, overall we expect to maintain high occupancies in our Western Canada platform with expected average rental rate growth of 3.0% in 2017.

- In Quebec, a number of large operators announced significant multi-year development programs. We also continue our development activities in the province in partnership with Batimo Inc. ("Batimo"). We believe that this anticipated growth in inventory is a reflection of the strong demographic trends and the resulting increases in demand, and older existing inventory. Our Quebec portfolio occupancies improved to 94.5% in 2016 from 93.5% in 2015. We expect to maintain high occupancies in our Quebec platform with average rental rate growth of approximately 2.5% in 2017.

Long Term Care Operations

In 2016, our LTC same property portfolio NOI declined by 0.2**%** primarily as a result of lower ancillary revenues. Our occupancies remained high at 98.4% in 2016. We expect stable performance and high occupancies in 2017 as there are over 25,000 people on the waiting list for LTC accommodation in Ontario. We continue our work with the industry association and the Ontario government to develop a viable redevelopment program for the remaining Class B and Class C beds in the province. We have nine properties with 876 beds subject to redevelopment.

General, Administrative and Trust Expenses

We continue to invest in our management platform to allow for enhanced corporate support to our operating teams and to appropriately resource the significant increase in our acquisitions and development activities in the past two years. We will continue these investments in 2017, supporting the implementation of new information management systems and the expected increase in development activities. At the same time, we will continue our efficiency reviews of corporate processes and purchasing practices for goods and services to mitigate inflationary pressures on our G&A expenses.

Development

Development continues to be one of our core growth strategies. In 2016, in partnership with Batimo, we completed construction of two projects with 441 suites in Quebec. We expect to acquire an 85% interest in these projects upon the properties achieving stabilized occupancy levels.

At this time, our development program consists of 13 projects with 2,332 suites in various stages of development. We continue to source and evaluate other opportunities, including development opportunities on our owned lands with an estimated development and redevelopment potential of over 2,800 additional suites.

Acquisitions

In 2016, we acquired interests in five properties. In addition, in Q1 2017, we completed an acquisition of one property with 107 suites and entered into an agreement to acquire another 66-suite property. We are evaluating a number of other potential acquisitions in our core markets and continue to proactively search for additional opportunities to add newer, well-located and well-built properties to our portfolio.

Dispositions

As part of the ongoing reviews of our real estate portfolio, we may identify assets that no longer fit with the strategic direction of our company due to their age, location or other attributes. In 2016, we completed sales of three non-core properties, and in Q1 2017, we entered into an agreement to sell another property in Quebec.

Taxation

In 2016, 36.7% of our distributions were classified as return of capital, 58.2% as non-taxable capital dividend and 5.1% as non-eligible dividend. Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any specified investment flow through (“SIFT”) taxes in 2017.

Distributions

On February 23, 2017, we announced our third consecutive annual increase in monthly distributions. Monthly cash distributions will increase by 2.5% from $0.046818 per unit ($0.561816 on an annualized basis) to $0.048 per unit ($0.5760 on an annualized basis) effective for the March 31, 2017 distribution payable on April 17, 2017.

Significant Events

The following events have had a significant effect on our financial results in 2016 and may be expected to affect our results in the future.

Development

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

In 2016, Batimo, in partnership with Chartwell, completed construction of the 343-suite Chartwell Le Teasdale Retirement Community in Terrebonne, Quebec and the 98-suite Chartwell Les Monarques Phase II Retirement Residence in Ste. Eustache, Quebec. Chartwell has provided a $5.9 million mezzanine loan on Chartwell Le Teasdale, manages the lease-up of both of these residences and expects to acquire an 85% interest in both properties upon achievement of stabilized occupancy expected in Q4 2017 for Chartwell Le Teasdale and in Q3 2018 for Chartwell Les Monarques Phase II.

The following table summarizes projects that are in various stages of development as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status	Estimated Development Costs (1) ($ millions)	Costs incurred as at Dec. 31, 2016 (2) ($millions)	Actual/ Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield (3)
Chartwell Waterford Retirement Residence	Oakville, ON	128	ISL / MC	Construction	43.6	10.9	Q3 2017	Q3 2019	8.3%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	Construction	38.4	6.6	Q4 2017	Q4 2019	7.7%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	LTC	Construction	27.5	15.2	Q2 2017	Q2 2017	8.8%
Chartwell Bankside Apartments	Kitchener, ON	58	IL	Construction	18.6	2.1	Q2 2018	Q3 2019	7.3%
The Sumach by Chartwell (4)	Toronto, ON	332	IL	Construction	45.4	10.1	Q2 2018	Q2 2020	6.9%
Chartwell Meadowbrook Village	Lively, ON	55	IL / ISL	Pre-development	17.4	0.2	Q2 2018	Q2 2019	8.9%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL / MC	Pre-development	45.4	4.7	Q3 2018	Q4 2020	7.2%
Chartwell Guildwood Retirement Residence (5)	Scarborough, ON	170	ISL / MC	Pre-development	56.0	0.5	Q2 2019	Q4 2020	8.4%
		1,121			292.3	50.3			
Projects by Batimo (6)									
Chartwell L'Unique Phase III (7)	Ste. Eustache, QC	163	ISL	Construction	N/A	N/A	Q1 2017	Q3 2018	N/A
Chartwell Le Prescott	Vaudreuil, QC	290	ISL	Construction	N/A	N/A	Q2 2017	Q4 2018	N/A
Chartwell Le Montcalm	Candiac, QC	283	ISL	Construction	N/A	N/A	Q4 2017	Q2 2019	N/A
Chartwell St. Gabriel	St. Hubert, QC	310	ISL / AL	Pre-development	N/A	N/A	Q2 2018	Q3 2019	N/A
		1,046							
Project by Signature Living									
Centennial Place Retirement Residence Phase I (8)	Kingston, ON	165	ISL / AL	Construction	30.0	0.1	Q2 2018	Q3 2021	7.1%
		2,332			**322.3**	**50.4**			

(1) Non-GAAP; refer to the "Non-GAAP Measures – Estimated Development Costs" section of this MD&A.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Non-GAAP; refer to the "Non-GAAP Measures – Expected Unlevered Yield" section of this MD&A.
(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.
(5) Redevelopment of the existing 83-suite residence to a 170-suite residence. Chartwell owns a 50% interest in this project.
(6) Chartwell manages pre-opening and lease-up of these Batimo projects and expects to acquire an 85% interest in these projects upon stabilization.
(7) Chartwell advanced a $2.7 million mezzanine loan on this project on July 5, 2016.
(8) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon stabilization.

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

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites [(1)]	Book Value of Land [(2)] ($millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Montgomery Village Retirement Residence	Orangeville, ON	100	1.5	120	1.0
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	100	4.5	135	1.6
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Thunder Bay Retirement Residence	Thunder Bay, ON	100	1.2	9	-
Chartwell Wedgewood Retirement Residence	Brockville,ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence [(3)]	Markham, ON	100	1.4	108	-
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités [(4)]	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.3
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.4
Chartwell Royalcliffe Retirement Residence	London, ON	50	1.3	197	1.1
Total [(5)]			35.7	2,886	22.5

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) At Chartwell's Interest.
(3) Leased lands.
(4) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.
(5) Excludes $0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

Acquisitions

On March 15, 2016, we acquired a 100% interest in the 105-suite Duke of Devonshire Retirement Residence located in Ottawa, Ontario (rebranded as 'Chartwell Duke of Devonshire Retirement Residence' post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was $63.7 million. The purchase price was settled by the assumption of a $33.4 million mortgage bearing interest at 4.41% and maturing on September 1, 2024, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of $2.5 million with respect to the assumed mortgage.

On April 21, 2016, we acquired from our joint-venture partner all outstanding shares of a corporation that owns a 50% interest in the 97-suite Chartwell Kamloops Retirement Residence ("Kamloops") located in Kamloops, British Columbia. The purchase price was $5.9 million, representing the agreed upon value of the 50% interest in Kamloops of $11.1 million, net of the company's share of the mortgage debt of $5.2 million. The assumed mortgage bears interest at 3.95% and matures on October 1, 2019. We recorded a mortgage mark-to-market adjustment of $0.2 million, goodwill of $1.0 million and a deferred tax liability of $1.5 million in connection with this transaction.

On May 2, 2016, we acquired a 100% interest in the 109-suite Wedgewood Retirement Resort in Brockville, Ontario (rebranded as 'Chartwell Wedgewood Retirement Residence' post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was $37.1 million. The purchase price was settled by the assumption of a $19.8 million mortgage bearing interest at 4.29% and maturing on April 1, 2017, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of $0.3 million with respect to the assumed mortgage.

On June 2, 2016, we acquired a 100% interest in the 127-suite Lord Lansdowne Retirement Residence located in Ottawa, Ontario (rebranded as ‘Chartwell Lord Lansdowne Retirement Residence’ post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was $68.4 million. The purchase price was settled by the assumption of a $22.1 million mortgage bearing interest at 4.56% and maturing on March 1, 2020, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of $2.0 million with respect to the assumed mortgage.

On September 1, 2016, we acquired a 100% interest in the 121-suite Tiffin House Retirement Residence located in Midland, Ontario (rebranded as ‘Chartwell Tiffin Retirement Residence’ post acquisition). The purchase price before closing costs was $31.5 million and was settled in cash.

On January 9, 2017, we entered into a definitive agreement to acquire the 66-suite Hilldale Gardens Retirement Residence in Thunder Bay, Ontario (which will be rebranded as ‘Chartwell Hilldale Retirement Residence’ post acquisition). The purchase price before closing costs is $6.9 million and will be settled in cash with closing expected in March 2017.

On February 1, 2017, we acquired a 100% interest in the 107-suite The Orchards Retirement Residence located in Vineland, Ontario (rebranded as ‘Chartwell Orchards Retirement Residence’ post acquisition). The purchase price before closing costs was $22.0 million and was settled in cash.

The following table summarizes acquisitions completed in 2016:

($000s, except communities and suites/beds)	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**	**2016**	2015
Number of communities	1	3	1	-	5	13
Number of suites/beds	105	333	121	-	559	1,772
Contractual purchase price, excluding deferred consideration	63,650	116,600	31,501	-	211,751	585,211
Accounting adjustments:						
Estimated present value of deferred consideration	-	-	-	-	-	1,506
Assumed tax liability [1]	-	1,518	-	-	1,518	8,216
Valuation of Class B Units	-	-	-	-	-	136
Mortgage mark-to-market adjustment	2,516	2,469	-	-	4,985	7,212
Adjusted purchase price	66,166	120,587	31,501	-	218,254	602,281
Settled as follows:						
Cash	30,251	69,440	31,501	-	131,192	488,198
Mezzanine loan settlement	-	-	-	-	-	1,455
Assumed mortgages – contractual amounts	33,399	47,160	-	-	80,559	80,558
Mortgage mark-to-market	2,516	2,469	-	-	4,985	7,212
Class B Units	-	-	-	-	-	15,136
Estimated present value of deferred consideration	-	-	-	-	-	1,506
Deferred tax liability	-	1,518	-	-	1,518	8,216
Total	66,166	120,587	31,501	-	218,254	602,281

(1) Q2 2016 amount includes $1.0 million recorded as goodwill.

Dispositions

On May 3, 2016, we notified residents of Chartwell Castel Royal résidence pour rétraites, a 250-suite retirement residence in Montreal, Quebec, that we will be ceasing operations of the property effective May 2017. In Q1 2017, we entered into an agreement to sell the property. The sale price is $23.5 million, of which $2.5 million will be held in escrow for two years after closing to support purchaser's rental income and certain renovation costs. The closing is expected in Q2 2017. One of our Directors is also an officer and director of the purchaser and was not involved in any discussions or decision making related to this sale.

On June 27, 2016, we completed the sale of three non-core retirement residences in Quebec. Mortgages totalling $17.9 million bearing interest at the weighted average rate of 3.99% were assumed by the purchaser on closing. Under the terms of the transaction, $1.7 million was due to the purchaser upon satisfaction of certain conditions subsequent to closing, of which $0.9 million has been released to date.

Redemption of 5.7% Convertible Debentures

As more fully described in the "Liquidity and Capital Commitments – Convertible Debentures" section of this MD&A, we redeemed all our 5.7% Convertible Debentures on May 16, 2016.

Capital Funding Receivable

In Q1 2016, we received notices of increases in capital funding on three redeveloped LTC properties from $15.48 per bed per day to $18.83 per bed per day, retroactive to the date of completion. As a result, we recognized an additional capital funding receivable of $5.0 million with a corresponding reduction in cost of property, plant and equipment ("PP&E").

Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint arrangements that were previously accounted for using line-by-line proportionate ("line-by-line") consolidation to now be accounted for using the equity method. Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint arrangement is held through a separate legal entity such as a limited partnership or corporation; however, where an interest is held directly, line-by-line consolidation continues to apply.

The following table summarizes the details of our joint arrangements and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-Welltower Landlord (1)	38	7,354	50%	Line-by-line
Chartwell-Welltower Operator (1)	Same as above	Same as above	50%	Equity
Batimo	4	359	85%	Line-by-line
Oakville	1	147	50%	Equity
Constantia	1	121	50%	Equity
Riverside	1	138	50%	Line-by-line
Churchill	1	98	50%	Line-by-line
Clair Hills (2)	1	120	Refer to note (2)	Equity
Oak Ridges (2)	1	129	Refer to note (2)	Equity
The Sumach	1	332	45%	Line-by-line

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.
(2) Chartwell owns 100% of Class C units of these limited partnerships. Certain affiliates of the vendors own 100% of Class R units.

On April 21, 2016, we acquired the remaining 50% interest in Kamloops. Prior to this acquisition, we accounted for Kamloops using the line-by-line method.

During Q2 2016, we entered into a new joint arrangement with Welltower Inc. ("Welltower") and Daniels Corporation ("Daniels") to develop The Sumach by Chartwell ("The Sumach"), a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each own a 45% interest and Daniels owns a 10% interest. The Sumach is accounted for on a line-by-line basis.

Throughout this document, amounts reported at 'Chartwell's Interest,' a non-GAAP measure, represent Chartwell's proportionate share of interests in our entire portfolio of investments excluding discontinued operations. Refer to the "Non-GAAP Measures – Chartwell's Interest" section of this MD&A for a detailed description of this measure and reconciliations of Chartwell's Interests to IFRS basis of presentation.

We believe that presenting the operating and financial results of our joint arrangements at Chartwell's Interest, a non-GAAP basis, provides useful information to current and prospective investors to assist them with their understanding of our financial performance by providing transparency of revenue earned, expenses incurred, as well as assets and liabilities held through joint arrangements. Management uses this measure when making strategic and operational decisions at the portfolio level.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates and per unit amounts)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Net income/(loss) - continuing operations	12,826	(1,361)	14,187	(710)	12,139	(12,849)
Total comprehensive income	15,053	562	14,491	4,796	357,579	(352,783)
Resident revenue (1)	213,350	201,686	11,664	834,733	750,127	84,606
Weighted average occupancy rate - same property portfolio (2)	93.7%	93.7%	-	93.6%	92.5%	1.1pp
Same property NOI (3)	52,702	51,568	1,134	214,160	200,871	13,289
AFFO - continuing operations (4)	40,660	36,252	4,408	162,206	118,483	43,723
AFFO per unit diluted - continuing operations (5)	0.21	0.20	0.01	0.85	0.66	0.19
Total AFFO (4)	40,660	36,252	4,408	162,206	134,781	27,425
Total AFFO per unit diluted (5)	0.21	0.20	0.01	0.85	0.75	0.10
FFO - continuing operations (6)	43,767	38,484	5,283	172,637	128,303	44,334
FFO per unit diluted - continuing operations (5)	0.23	0.21	0.02	0.91	0.71	0.20
Total FFO (6)	43,767	38,484	5,283	172,637	146,317	26,320
Total FFO per unit diluted (5)	0.23	0.21	0.02	0.91	0.81	0.10
Distributions declared (7)	27,221	24,735	2,486	106,089	97,917	8,172
Distributions declared per unit (5)	0.14	0.14	-	0.56	0.55	0.01
Distributions declared as a percentage of total AFFO (8)	66.9%	68.2%	(1.3pp)	65.4%	72.6%	(7.2pp)

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was $714.4 million and $182.7 million in 2016 and Q4 2016, respectively ($643.9 million and $173.4 million in 2015 and Q4 2015, respectively.) Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

(3) Non-GAAP; reported at Chartwell's Interest. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.

(5) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.

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

(7) Non-GAAP; includes distributions declared on Trust Units, Class B Units of Chartwell Master Care LP ("Class B Units") and Deferred Trust Units ("DTUs").

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

Net Income/(Loss):

In 2016, net loss from continuing operations was $0.7 million compared to net income from continuing operations of $12.1 million in 2015. The decline in net income is primarily due to higher depreciation and amortization expenses and revaluation charges on financial instruments, primarily due to appreciation in value of our Trust Units, lower deferred tax benefits, partially offset by higher revenues, net of direct property operating and general, administrative and Trust ("G&A") expenses.

For 2016, total comprehensive income declined $352.8 million primarily as a result of a $350.1 million income from discontinued operations recorded in 2015, which included a gain on sale of the U.S. Portfolio, for which there were no comparable items in 2016.

Fourth Quarter: For Q4 2016, net income from continuing operations was $12.8 million compared to net loss of $1.4 million in Q4 2015. Q4 2016 total comprehensive income was $15.1 million compared to $0.6 million in Q4 2015. The increase in net income and total comprehensive income was primarily due to higher revenues, net of direct property operating and G&A expenses, and positive changes in fair value of financial instruments, partially offset by higher depreciation and amortization charges.

AFFO:

For 2016, AFFO from continuing operations was $162.2 million or $0.85 per unit diluted, a 36.9% increase from $118.5 million or $0.66 per unit diluted in 2015. The following items impacted the change in AFFO from continuing operations:

- higher NOI of $45.2 million consisting of a $13.3 million increase in same property NOI and a $31.9 million contribution from acquisitions and developments;
- higher management fee revenue of $1.0 million, primarily due to growth in revenues of management properties and higher performance-related incentive fees;
- lower interest costs of $1.3 million due to redemption of convertible debentures, partially offset by higher interest costs from acquisition-related financings;
- higher NOI guarantees of $0.9 million; and
- higher capital funding subsidy receipts of $1.0 million, primarily due to retroactive funding adjustments for three redeveloped LTC properties;

partially offset by:

- higher G&A expenses of $3.1 million, primarily due to higher staffing costs incurred to support newly acquired and developed properties and higher cost of unit-based compensation resulting from the appreciation in value of our Trust Units;
- higher capital maintenance reserve of $1.7 million, primarily due to growth in resident revenues;
- higher depreciation of leasehold improvements and amortization of software costs of $0.8 million; and
- other items combined of $0.1 million.

Fourth Quarter: For Q4 2016, AFFO from continuing operations was $40.7 million or $0.21 per unit diluted, a 12.2% increase from $36.3 million or $0.20 per unit diluted in Q4 2015. The following items impacted the change in AFFO from continuing operations:

- higher NOI of $4.3 million consisting of a $1.1 million increase in same property NOI and a $3.2 million contribution from acquisitions and developments;
- higher management fee income of $0.6 million; and
- lower interest costs of $1.2 million

partially offset by:

- higher G&A expenses of $0.6 million;
- lower amounts receivable under income guarantees of $0.5 million;

- higher capital maintenance reserve of $0.2 million, primarily due to growth in resident revenues; and
- other items combined of $0.4 million.

Total AFFO, which for 2015 included results of our U.S. operations that were sold on June 30, 2015, increased $27.4 million or 20.3% in 2016 and increased $4.4 million or 12.2% in Q4 2016 due to significant improvements in our Canadian operations including a growing contribution from the properties acquired utilizing the net proceeds from the sale of the U.S. Portfolio.

FFO:

For 2016, FFO from continuing operations was $172.6 million or $0.91 per unit diluted compared to $128.3 million or $0.71 per unit diluted in 2015. For Q4 2016, FFO from continuing operations was $43.8 million or $0.23 per unit diluted compared to $38.5 million or $0.21 per unit diluted in Q4 2015. Total FFO increased $26.3 million or $0.10 per unit diluted in 2016 and increased $5.3 million or $0.02 per unit diluted in Q4 2016.

In addition to the items noted in the discussion of AFFO above, FFO from continuing operations was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

Refer to the "Non-GAAP Measures" section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Retirement portfolio:						
NOI [1]	46,345	44,671	1,674	186,531	173,177	13,354
Occupancy	92.8%	92.6%	0.2pp	92.6%	91.2%	1.4pp
LTC portfolio:						
NOI [1]	6,357	6,897	(540)	27,629	27,694	(65)
Occupancy	98.0%	98.8%	(0.8pp)	98.4%	98.7%	(0.3pp)
Combined:						
NOI [1][2]	52,702	51,568	1,134	214,160	200,871	13,289
Occupancy	93.7%	93.7%	-	93.6%	92.5%	1.1pp

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. Refer to the "Summary of Net Operating Income" and the "Non-GAAP Measures – Same Property Performance" sections of this MD&A for a discussion of the significance of this metric.

For 2016, combined same property occupancy was 93.6% compared to 92.5% in 2015, and same property NOI increased $13.3 million or 6.6% as follows:

- In our retirement portfolio, same property NOI increased 7.7%. The increase was primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, lower insurance and bad debt expenses, partially offset by higher staffing costs incurred to support growing occupancies and to improve services delivered to our residents, as well as higher food, supplies, administrative and property tax expenses. Occupancy increased to 92.6% from 91.2% in 2015.
- In our LTC portfolio, same property NOI declined by 0.2%, primarily due to lower ancillary services revenues and higher utilities expenses, partially offset by higher preferred accommodation revenue. Occupancy remained high at 98.4%.

Fourth Quarter: In Q4 2016, combined same property occupancy was in line with Q4 2015 at 93.7%, and same property NOI increased $1.1 million or 2.2% as follows:

- In our retirement portfolio, same property NOI increased 3.7%. The increase was primarily due to regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing costs incurred to improve services delivered to our residents, as well as higher marketing, utilities and administrative expenses. In Q4 2016, occupancy increased 0.2 percentage points to 92.8%.
- In our LTC portfolio, same property NOI decreased 7.8%, primarily due to lower ancillary services revenue and higher utilities expenses, partially offset by higher preferred accommodation revenue. Occupancy was 98.0% compared to 98.8% in Q4 2015.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Resident Revenue						
Same property [1][2]	180,491	176,195	4,296	708,342	682,500	25,842
Acquisitions and other [1]	32,859	25,491	7,368	126,391	67,627	58,764
	213,350	201,686	11,664	834,733	750,127	84,606
Less: Share of resident revenue from joint ventures	30,698	28,273	2,425	120,353	106,213	14,140
Total resident revenue	182,652	173,413	9,239	714,380	643,914	70,466
Direct Property Operating Expenses						
Same property [1][2]	127,789	124,627	3,162	494,182	481,629	12,553
Acquisitions and other [1]	19,843	15,664	4,179	75,214	48,385	26,829
	147,632	140,291	7,341	569,396	530,014	39,382
Less: Share of direct property operating expenses from joint ventures	19,455	17,789	1,666	74,169	66,479	7,690
Total direct property operating expenses	128,177	122,502	5,675	495,227	463,535	31,692
Net Operating Income						
Same property [1][2]	52,702	51,568	1,134	214,160	200,871	13,289
Acquisitions and other [1]	13,016	9,827	3,189	51,177	19,242	31,935
	65,718	61,395	4,323	265,337	220,113	45,224
Less: Share of net operating income from joint ventures	11,243	10,484	759	46,184	39,734	6,450
Total net operating income	54,475	50,911	3,564	219,153	180,379	38,774
Weighted average occupancy rate - same property portfolio	93.7%	93.7%	-	93.6%	92.5%	1.1pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	92.2%	91.8%	0.4pp	92.1%	90.7%	1.4pp

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue increased 10.9% in 2016 and 5.3% in Q4 2016. The changes in resident revenue were due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments.

Same property resident revenue increased $25.8 million or 3.8% in 2016 and $4.3 million or 2.4% in Q4 2016, primarily as a result of higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Total direct property operating expenses increased 6.8% in 2016 and 4.6% in Q4 2016. The changes in direct property operating expenses were due to higher expenses in our same property portfolio and acquisitions and developments.

Same property direct operating expenses increased $12.6 million or 2.6% in 2016 and $3.2 million or 2.5% in Q4 2016, primarily due to higher staffing and other costs incurred to improve services delivered to our residents and as a result of occupancy growth in our retirement portfolio.

Management Fee Revenue

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Welltower	1,931	1,522	409	6,676	5,939	737
Other	610	455	155	2,101	1,876	225
Total management fee revenue	2,541	1,977	564	8,777	7,815	962

Management fee revenue increased in 2016 and Q4 2016 primarily due to growth in revenues of managed properties and higher performance-related incentive fees.

Loans Receivable and Related Interest Income

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Interest on loans receivable	282	361	(79)	1,252	1,142	110

At December 31, 2016, mezzanine and other loans of $9.1 million were due from the entities affiliated with Batimo. In Q3 2016, one land loan of $1.9 million was replaced by a mezzanine loan of $2.7 million for the development of Chartwell L'Unique Phase III, a 163-suite addition to one of our retirement residences in Quebec. Mezzanine loans and other loans with Batimo are secured by various charges against related real estate, guaranteed by Batimo and contain certain cross-collateralization and cross-default provisions.

In Q2 2016, vendor take back ("VTB") loans in the amount of $6.0 million were repaid. At December 31, 2016, one VTB loan totalling $1.4 million remained outstanding. The loan was repaid on February 22, 2017.

Loans receivable bear interest at rates ranging from 8.0% to 10.0% and are in good standing.

Changes in interest earned on loans receivable from period to period are a result of changes in loan balances outstanding.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
G&A expenses	8,227	7,581	646	33,838	30,771	3,067
G&A expenses as a percentage of revenue (1)	3.8%	3.7%	0.1pp	4.0%	4.0%	-

(1) Non-GAAP; refer to the "Non-GAAP Measures – G&A Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric and a reconciliation of revenue used in the calculation of this measure to our Financial Statements.

In 2016, G&A expenses increased $3.1 million or 10.0%, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and developments, and higher unit-based compensation costs of $1.6 million primarily as a result of the appreciation in value of our Trust Units, partially offset by reversal of accruals for employee benefit costs of $0.3 million on settlement of a related claim in Q1 2016.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 4.0% in 2016, in line with 2015.

Fourth Quarter: G&A expenses increased $0.6 million or 8.5% in Q4 2016, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and developments, as well as higher unit-based compensation costs of $0.2 million primarily resulting from the appreciation in value of our Trust Units.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 3.8% in Q4 2016 compared to 3.7% in Q4 2015.

Finance Costs

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Mortgages and loans payable						
Same property [1]	12,660	13,244	(584)	51,372	55,234	(3,862)
Acquisitions and other [1]	3,613	2,617	996	14,577	7,226	7,351
	16,273	15,861	412	65,949	62,460	3,489
Convertible debentures	-	1,938	(1,938)	2,611	7,690	(5,079)
Credit Facility and other interest expense	1,280	596	684	3,912	2,737	1,175
	17,553	18,395	(842)	72,472	72,887	(415)
Amortization of financing costs and debt mark-to-market adjustments [1]	(224)	(63)	(161)	(1,084)	(139)	(945)
	17,329	18,332	(1,003)	71,388	72,748	(1,360)
Interest capitalized to properties under development	(419)	(71)	(348)	(1,085)	(239)	(846)
Distributions on Class B Units recorded as interest expense	229	281	(52)	904	956	(52)
	17,139	18,542	(1,403)	71,207	73,465	(2,258)
Less: Share of finance costs from joint ventures	557	474	83	2,429	1,388	1,041
Total finance costs	16,582	18,068	(1,486)	68,778	72,077	(3,299)

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

Interest expense on the same property portfolio decreased $3.9 million in 2016 and decreased $0.6 million in Q4 2016, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Interest expense on the acquisitions and other portfolio increased $7.4 million in 2016 and $1.0 million in Q4 2016 primarily due to the high level of acquisition activity and related financings in 2015 and 2016.

Credit Facility and other interest expense increased $1.2 million in 2016 and $0.7 million in Q4 2016, primarily due to higher balances outstanding on our Credit Facilities partially offset by reduced interest rates achieved on renewal of our Credit Facilities in June 2015.

Changes in amortization of financing costs and debt mark-to-market adjustments are primarily a result of amortization of debt mark-to-market adjustments on certain 2015 and 2016 acquisitions.

Interest capitalized to properties under development increased by $0.8 million in 2016 and $0.3 million in Q4 2016, primarily due to higher levels of development activity.

Other Income/(Expense)

($000s)	Q4 2016	Q4 2015	Change	2016	2015	Change
Transaction costs arising on business acquisitions and dispositions [(1)]	95	(4,468)	4,563	(5,400)	(13,834)	8,434
Interest and other income [(1)]	823	911	(88)	3,266	3,584	(318)
Gain on remeasurement to fair value of existing interest	-	-	-	5,187	10,452	(5,265)
Gain/(loss) on sale of assets [(1)]	(78)	266	(344)	1,961	4,974	(3,013)
Reversal of impairment/(impairment) of PP&E	1,110	(3,000)	4,110	(6,390)	(3,755)	(2,635)
Property lease expense [(1)]	(77)	(98)	21	(396)	(400)	4
	1,873	(6,389)	8,262	(1,772)	1,021	(2,793)
Less: Share of other income/(expense) from joint ventures	25	(1,749)	1,774	213	(1,648)	1,861
Total other income/(expense)	1,848	(4,640)	6,488	(1,985)	2,669	(4,654)

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

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions.

Interest and other income primarily relates to interest on capital funding receivable.

As described in the "Significant Events" section of this MD&A, the Kamloops acquisition was completed in steps and we remeasured our original 50% interest in this property to fair value. This remeasurement resulted in an increase in value of $5.2 million which has been recognized as a gain in other income/expense in the consolidated statements of comprehensive income/loss.

Gain on sale of assets in 2016 includes $0.7 million related to the sale of three non-core properties in Quebec as described in the "Significant Events" section of this MD&A. Gain on sale of assets in 2015 includes $3.3 million related to the sale of one other non-core property in Quebec.

In 2016, we recorded an impairment provision of $7.5 million related to two of our properties in Ontario and Quebec. We also reversed a previously-recorded impairment provision of $1.1 million related to one property in Quebec that has shown significant operational improvement in recent years.

In 2015, we recorded an impairment provision of $5.4 million on four properties in Quebec and Ontario and reversed a previously-recorded impairment provision of $1.6 million on two other properties in Quebec which were subsequently sold.

Other Items

($000s)	Q4 2016	Q4 2015	Change	2016	2015	Change
Depreciation of PP&E [(1)]	(40,266)	(35,682)	(4,584)	(153,446)	(117,583)	(35,863)
Amortization of intangible assets [(1)]	(289)	(155)	(134)	(1,185)	(678)	(507)
Changes in fair value of financial instruments and foreign exchange (loss)/gain [(1)]	8,360	(6,417)	14,777	(14,601)	(2,331)	(12,270)
Current income tax (expense)/benefit	(27)	1,456	(1,483)	(27)	(1,340)	1,313
Deferred income tax (expense)/benefit	-	8,216	(8,216)	-	8,216	(8,216)

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

Depreciation of PP&E increased $35.9 million in 2016 and increased $4.6 million in Q4 2016, primarily due to depreciation of properties acquired in 2015 and 2016.

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

The increase in fair value adjustments in 2016 is primarily due to the increases in recorded liabilities for Trust Units acquired under the Executive Unit Purchase Plan ("EUPP"), Class B Units and DTUs, as a result of the increased trading prices of our Trust Units, as well as the increase in fair value of our convertible debentures which were redeemed in Q2 2016. The market price of our Trust Units on December 31, 2016, was $14.67 per unit compared to $12.76 per unit on December 31, 2015.

The current tax expense decreased $1.3 million in 2016. In 2015, we incurred $1.3 million of income taxes in one of our subsidiaries attributable to the capital gain on settlement of the foreign exchange swap arrangements entered into on the sale of the U.S. Portfolio. The current tax expense in 2016 relates to income in a corporate subsidiary acquired during the year.

The deferred tax benefit of $8.2 million in 2015 relates to recognition of previously unrecognized tax benefits from the acquisition of a property accounted for as a business combination.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in 2016 and Q4 2016.

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

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

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	90	771	9,147	425	124	483	10,950
50% owned	40	499	6,642	376	63	-	7,580
Total same property owned	130	1,270	15,789	801	187	483	18,530
Acquisitions, Development & Other							
100% owned – operating	19	-	2,235	301	50	-	2,586
Partially owned – operating (1)	6	73	464	83	17	-	637
Total acquisitions, development & other	25	73	2,699	384	67	-	3,223
Total	155	1,343	18,488	1,185	254	483	21,753

(1) We own an 85% interest in four of these properties (includes one medical office building) and a 50% interest in two properties.

In Q1 2016, we removed 45 LTC beds at one of our retirement communities from our available suite count. These beds were operated on an interim basis under a short-term government contract that has now expired. We are redeveloping this section of our property to offer ISL accommodations.

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

($000s, except occupancy rates)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Revenue						
Same property	122,991	118,901	4,090	484,571	462,893	21,678
Acquisitions, development and other	32,859	25,490	7,369	126,391	67,627	58,764
Total revenue	155,850	144,391	11,459	610,962	530,520	80,442
Direct Property Operating Expenses						
Same property	76,646	74,230	2,416	298,040	289,716	8,324
Acquisitions, development and other	19,843	15,663	4,180	75,214	48,385	26,829
Total direct property operating expenses	96,489	89,893	6,596	373,254	338,101	35,153
Net Operating Income						
Same property	46,345	44,671	1,674	186,531	173,177	13,354
Acquisitions, development and other	13,016	9,827	3,189	51,177	19,242	31,935
Total net operating income	59,361	54,498	4,863	237,708	192,419	45,289
Weighted average occupancy rate - same property	92.8%	92.6%	0.2pp	92.6%	91.2%	1.4pp
Weighted average occupancy rate – total portfolio	91.2%	90.6%	0.6pp	91.0%	89.3%	1.7pp

Same property revenue increased 4.7% in 2016, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 2.9% in 2016, primarily due to higher staffing costs incurred to support growing occupancies and to improve services delivered to our residents as well as higher food, supply, administrative and property tax expenses, partially offset by lower insurance and bad debt expenses.

Same property NOI increased $13.4 million or 7.7% in 2016 as follows:

- Our Ontario retirement platform same property NOI increased $5.2 million or 7.1%, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, utilities and administrative expenses.
- Our Western Canada platform same property NOI increased $3.5 million or 8.2%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, food and administrative expenses.
- Our Quebec platform same property NOI increased $4.6 million or 8.1%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by higher staffing, food and administrative expenses.

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

	2016	2015	Change
Ontario	88.8%	87.6%	1.2pp
Western Canada	95.6%	93.2%	2.4pp
Quebec	94.5%	93.5%	1.0pp
Total	92.6%	91.2%	1.4pp

In 2016, occupancies in our retirement same property portfolio were 92.6%, a 1.4 percentage point increase from 2015.

Fourth Quarter: Same property NOI increased $1.7 million or 3.7% in Q4 2016 as follows:

- Our Ontario retirement platform same property NOI increased $0.4 million or 1.9%, primarily due to regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, utilities and marketing expenses.
- Our Western Canada platform same property NOI increased $0.4 million or 3.9%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, utilities and marketing expenses.
- Our Quebec platform same property NOI increased $0.9 million or 6.0%, primarily due to regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing and administrative expenses.

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

	Q4 2016	Q4 2015	Change	Q3 2016	Change
Ontario	88.9%	89.2%	(0.3pp)	88.6%	0.3pp
Western Canada	96.9%	94.7%	2.2pp	95.8%	1.1pp
Quebec	94.5%	94.7%	(0.2pp)	94.6%	(0.1pp)
Total	92.8%	92.6%	0.2pp	92.5%	0.3pp

Long Term Care Operations

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

	Properties	Composition of Suites					
		IL	ISL	AL	MC	LTC	Total
Same property - 100% owned	24	-	133	-	-	3,000	3,133
Total	24	-	133	-	-	3,000	3,133

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

($000s, except occupancy rates)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Same property revenue	57,500	57,295	206	223,771	219,607	4,164
Same property direct operating expenses	51,143	50,397	746	196,142	191,913	4,229
Total net operating income	6,357	6,898	(540)	27,629	27,694	(65)
Weighted average occupancy rate – same property	98.0%	98.8%	(0.8pp)	98.4%	98.7%	(0.3pp)

Same property NOI decreased 0.2% in 2016, primarily due to lower ancillary services revenues and higher utilities expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancy in the same property portfolio was 98.4% in 2016 compared to 98.7% in 2015.

Fourth Quarter: Same property NOI decreased 7.8% in Q4 2016, primarily due to lower ancillary services revenues and higher utilities expenses, partially offset by higher preferred accommodation revenues

Weighted average occupancy was 98.0% in Q4 2016 compared to 98.8% in Q4 2015.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for December 31, 2016 compared to December 31, 2015.

	Increase / (Decrease) ($millions)	Explanation
Total assets	**197.3**	Total assets increased primarily due to acquisitions and capital additions to properties, partially offset by depreciation and amortization charges and property dispositions.
Total liabilities	**101.9**	Total liabilities increased primarily due to liabilities related to newly-acquired properties, new mortgage financings and credit line draws, partially offset by redemption of convertible debentures.
Equity	**95.4**	The increase in equity is primarily due to conversion of convertible debentures, partially offset by distributions on Trust Units and net income in the period.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2016:

	Trust Units	Trust Units under EUPP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2015	176,401,201	1,553,634	1,641,323	823,166	180,419,324
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	1,418,778	-	-	-	1,418,778
Trust Units issued under the Executive Unit Purchase Plan ("EUPP")	-	79,454	-	-	79,454
Trust Units surrendered for cancellation under EUPP	-	(14,134)	-	-	(14,134)
Trust Units released on settlement of EUPP receivable	103,566	(103,566)	-	-	-
Issuance of Class B Units	-	-	-	-	-
Exchange of Class B Units into Trust Units	14,150	-	(14,150)	-	-
DTUs issued	-	-	-	71,573	71,573
DTU distributions	-	-	-	33,879	33,879
Trust Units issued on conversion of convertible debentures	12,157,779	-	-	-	12,157,779
Balance December 31, 2016	190,095,474	1,515,388	1,627,173	928,618	194,166,653

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to mortgages, contractual purchase obligations, obligations under operating leases as well as cash distributions to unitholders.

Our principal source of liquidity is cash flow from operations. At December 31, 2016, we had cash on hand in the amount of $38.3 million, including cash from Chartwell's Interest in equity-accounted investments of $8.2 million. In order to provide for our operating and capital requirements, we have put in place credit facilities and arranged mortgage debt financing. At times we may also raise funds through the capital markets. At December 31, 2016, the available borrowing capacity under our Credit Facilities was $73.8 million.

Our credit facility with a syndicate of Canadian chartered banks ("Credit Facility 1") has a maximum committed capacity of $200.0 million and matures on June 1, 2018. Based on the level of our debt to adjusted gross book value of assets ("D/GBV"), as defined in the related credit agreement, the amounts drawn on Credit Facility 1 bear interest ranging from the bank's prime rate ("Prime") plus 0.65% to 0.80%, or the applicable banker's acceptance rate ("BA") plus 1.65% to 1.80%. It is secured by first and second charges on certain of our properties and includes minimum equity requirements and covenants which include limitations on the amounts of distributions that can be paid to unitholders. At December 31, 2016, based on security provided, the maximum available borrowing capacity under Credit Facility 1 was $200.0 million, of which $4.2 million was utilized to support outstanding letters of credit and $130.0 million was drawn, leaving available borrowing capacity at $65.8 million. Based on our D/GBV as defined in the Credit Facility 1 agreement, as of December 31, 2016, the interest rate applicable to the amounts drawn on Credit Facility 1 in Q1 2017 will be equal to Prime plus 0.65% or BA plus 1.65%.

On June 17, 2016, we arranged a new $50.0 million credit facility with a Canadian chartered bank ("Credit Facility 2," and together with Credit Facility 1, the "Credit Facilities") maturing on June 1, 2018. Under the new terms, Credit Facility 2 bears interest ranging from Prime plus 0.60% to 0.75% or BA plus 1.60% to 1.75% depending on the level of our D/GBV, as defined in the related credit agreement. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. Credit Facility 2 is secured by second charges on specific properties. At December 31, 2016, $42.0 million had been drawn and the maximum available borrowing capacity under Credit Facility 2 was $50.0 million based on the security provided. Based on our D/GBV, as of December 31, 2016, the interest rate applicable to the amounts drawn on Credit Facility 2 in Q1 2017 will be equal to Prime plus 0.60% or BA plus 1.60%.

Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 65% of adjusted gross book value of assets ("GBV") (the "Indebtedness Ratio").

The following table presents the calculation of our Indebtedness Ratio at Chartwell's Interest:

($000s)	**December 31, 2016**	December 31, 2015
Mortgages payable (contractual amount) (1)	1,722,667	1,610,183
Credit Facilities	172,000	32,000
Convertible debentures (at face value)	-	134,851
Indebtedness	1,894,667	1,777,034
Total assets	2,878,609	2,680,917
Accumulated depreciation and amortization (2)	681,207	581,340
Cumulative transaction costs on business combinations	37,775	32,723
Change in GBV on transition to IFRS	276,153	278,581
GBV of assets	3,873,744	3,573,561
Less: Assets financed by deferred purchase consideration on acquisition of properties	1,506	1,506
GBV	3,872,238	3,572,055
Indebtedness Ratio (3) (4)	48.9%	49.7%

(1) Non-GAAP; refer to the "Non-GAAP Measures – Chartwell's Interest" section of this MD&A for a reconciliation of this amount.
(2) December 31, 2016 includes accumulated depreciation and amortization related to fully amortized assets of $179.1 million (December 31, 2015 – nil).
(3) Excludes assets held for sale and related liabilities.
(4) Non-GAAP; refer to the "Non-GAAP Measures – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we employ supplemental targets for managing our debt portfolio and monitor our Interest Coverage Ratio and Net Debt to Adjusted EBITDA Ratio.

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

The following table summarizes our Interest Coverage Ratio at Chartwell's Interest:

($000s, except Interest Coverage Ratio)	**Q4 2016**	Q4 2015	**2016**	2015
Interest expense including capitalized interest	17,329	18,332	71,388	72,748
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1)	62,428	58,245	250,687	206,511
Interest Coverage Ratio (2)	3.60	3.18	3.51	2.84
Target Interest Coverage Ratio		>1.65		

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA at Chartwell's Interest:

($000s)	**Q4 2016**	Q4 2015	**2016**	2015
Net income/(loss) for the period - continuing operations	12,826	(1,361)	(710)	12,139
Add (Subtract):				
Current income tax expense/(benefit)	27	(1,456)	27	1,340
Impairment provision	(1,110)	3,000	6,390	3,755
Gain on remeasure to fair value of existing interest	-	-	(5,187)	(10,452)
Deferred income tax	-	(8,216)	-	(8,216)
Transaction costs arising on business acquisitions and dispositions	(95)	4,468	5,400	13,834
Finance costs	17,139	18,542	71,207	73,465
Depreciation of PP&E	40,266	35,682	153,446	117,583
Amortization of intangible assets	289	155	1,185	678
(Gain)/loss on sale of assets	78	(266)	(1,961)	(4,974)
Changes in fair value of financial instruments and foreign exchange loss/(gain)	(8,360)	6,417	14,601	2,331
Principal portion of capital funding receivable from Health Authorities	1,368	1,280	6,289	5,028
Adjusted EBITDA [(1)]	62,428	58,245	250,687	206,511

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

Net Debt to Adjusted EBITDA Ratio:

In our calculation of Net Debt to Adjusted EBITDA, we define Net Debt as indebtedness less cash on hand at the end of the reporting period and use trailing 12-month Adjusted EBITDA including the annualized effect of acquisitions and dispositions completed during such 12-month period.

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at December 31, 2016 and 2015, at Chartwell's Interest:

($000s, except Net Debt to Adjusted EBITDA Ratio)	**December 31, 2016**	December 31, 2015
Trailing 12-month Adjusted EBITDA [(1)]	250,687	206,511
Add (Subtract):		
Adjustment for part-year acquisitions	6,345	23,780
Adjustment for part-year dispositions	(679)	1,207
Trailing12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	256,353	231,498
Indebtedness [(2)]	1,894,667	1,777,034
Less: Cash and cash equivalents	38,275	8,854
Net debt	1,856,392	1,768,180
Net Debt to Adjusted EBITDA Ratio [(3)]	7.2	7.6

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(2) Non-GAAP; refer to the "Indebtedness Ratio" discussion above for the calculation of this amount. Excludes indebtedness related to assets held for sale.
(3) Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.

Debt Strategy

Our debt portfolio currently consists of property-specific secured mortgages and secured and unsecured credit facilities. Our debt management objectives are to:

- Access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- Manage interest rate risk by spreading debt maturities over time with the target of having no more

than approximately 10% of our total debt maturing in any year; and

- Proactively manage our short-term maturities and where appropriate, refinance maturing mortgages early with long-term debt.

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest.

The following table summarizes the changes in our mortgage portfolio in 2016:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Balance at December 31, 2015	1,610,183	7.7	4.13%	58%
Matured in the period	(115,309)	-	4.41%	37%
Assumed by purchasers on property dispositions	(17,872)	6.2	3.99%	100%
Assumed on acquisition of properties	80,510	4.8	4.39%	27%
New mortgage financing	218,035	5.3	2.56%	63%
Regular amortizing principal repayments	(52,880)	n/a	n/a	n/a
Balance at December 31, 2016	1,722,667	6.9	3.84%	59%

New mortgage financing includes CMHC-insured mortgages totalling $122.1 million with a weighted average interest rate of 2.42% and weighted average term to maturity of 7.8 years, bridge loans on certain non-stabilized properties totalling $50.9 million with a weighted average interest rate of 2.99% and weighted average term to maturity of 1.8 years and conventional mortgages of $45.0 million with a weighted average interest rate of 2.43% and weighted average term to maturity of 2.5 years.

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

	At December 31, 2016			At December 31, 2015
	Fixed Rate	Variable Rate	Total	Total
Amount ($000s)	1,690,192	32,475	1,722,667	1,610,183
Weighted average interest rate	3.86%	2.89%	3.84%	4.13%
Average term to maturity (years)	6.9	4.6	6.9	7.7

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of December 31, 2016, approximately 59% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal. On December 5, 2015, we entered into a large borrower agreement ("LBA") with CMHC. We expect the LBA will allow continued access to CMHC-insured financing and will streamline the CMHC approval process of new mortgages. The LBA provides for, among other things, the cross-collateralization of mortgage loans for our largest CMHC-insured lenders, and contains certain financial and operating covenants.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at December 31, 2016:

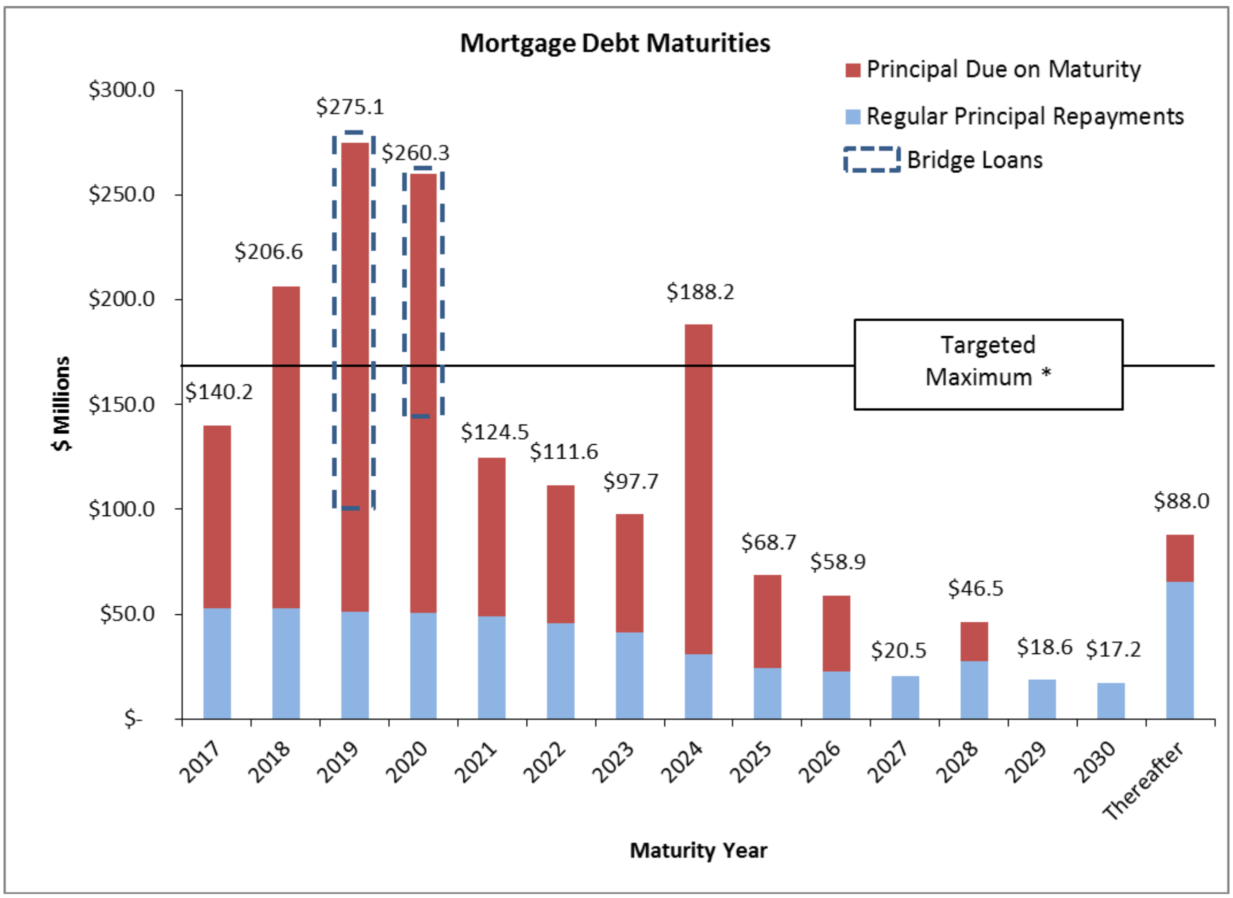
($000s, except number of properties)	Number of Properties	**December 31, 2016**	Number of Properties	**December 31, 2015**
Mortgages on non-stabilized properties	2	11,085	9	162,835
Mortgages on stabilized properties	4	21,390	6	60,221
Total	6	32,475	15	223,056

In 2016, we continued the implementation of our strategies to mitigate interest rate risks in our mortgage portfolio by refinancing properties with long-term, fixed-rate debt and employing interest rate swap arrangements on loans with shorter term maturities.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at December 31, 2016:

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
2017	52,964	87,233	140,197	8%	4.24%
2018	52,601	154,021	206,622	12%	3.54%
2019	51,410	223,726	275,136	16%	2.74%
2020	50,893	209,398	260,291	15%	3.09%
2021	48,843	75,687	124,530	7%	4.36%
2022	45,513	66,075	111,588	6%	3.47%
2023	41,401	56,326	97,727	6%	4.20%
2024	30,786	157,445	188,231	11%	3.96%
2025	24,349	44,335	68,684	4%	2.87%
2026	22,488	36,391	58,879	3%	2.43%
2027	20,503	-	20,503	1%	0.00%
2028	27,610	18,925	46,535	3%	4.20%
2029	18,580	-	18,580	1%	0.00%
2030	17,225	-	17,225	1%	3.78%
Thereafter	65,686	22,253	87,939	6%	4.18%
Total	570,852	1,151,815	1,722,667	100%	
Mark-to-market adjustments arising on acquisition			19,907		
Less: Financing costs			(23,001)		
Total Mortgage Debt			1,719,573		

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



** 10% of total mortgage debt = $172.3 million*

Included in 2019 and 2020 maturities are $175.9 million and $120.8 million, respectively, of loans bearing interest at variable rates or at rates fixed through the use of interest rate swaps of various durations. These loans are expected to be refinanced with CMHC-insured, long-term debt upon the properties achieving stabilized occupancy at or prior to maturity of these loans.

Subsequent to December 31, 2016, we arranged additional CMHC-insured, top-up financings on eight properties totalling $40.7 million with maturities co-terminous with the existing mortgages on these properties. The average term to maturity of these top-up financings is 13 years bearing a weighted average interest rate of 2.9%.

Convertible Debentures

On April 12, 2016, we issued a redemption notice to the holders of our 5.7% convertible debentures with an outstanding principal balance of $131.9 million. Under the terms of the trust indentures governing these debentures, before May 16, 2016 (the “Redemption Date”) the holders had the right to convert their debentures into Trust Units at a conversion price of $11.00 per unit. We elected to satisfy our redemption obligations for any unconverted convertible debentures by issuing Trust Units at 95% of the market price on the Redemption Date, as provided for in the trust indentures.

Capital Investments

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

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

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price.

The following table summarizes our capital investments in 2016 and 2015 at Chartwell’s Interest:

($000s)	**2016**	2015 (1)	Change
Building improvements	20,105	21,071	(966)
Mechanical and electrical (“M&E”)	11,491	11,415	76
Suite improvements and upgrades	13,669	11,956	1,713
Interior improvements and upgrades	4,876	3,473	1,403
Furniture, fixtures and equipment (“FF&E”)	7,429	6,555	874
Communications and information systems	6,034	4,896	1,138
Total – same property	63,604	59,366	4,238
Add: Acquisitions and other	10,504	5,172	5,332
Total capital investments	74,108	64,538	9,570

(1) Excludes results of discontinued operations.

Building Improvements:

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

In 2016, we completed 80 major building improvement projects valued over $50,000 each, totalling $10.6 million (79 projects in 2015 for a total of $17.0 million).

In addition, this category includes the acquisitions of 13 condominium suites in two of our properties in British Columbia totalling $3.4 million (10 condominium suites in 2015 for a total of $2.7 million).

Mechanical and Electrical:

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

In 2016, we completed 52 major M&E projects valued over $50,000 each, totalling $9.3 million (53 projects in 2015 for a total of $9.6 million).

Suite Improvements and Upgrades:

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

In 2016, 67 properties were subject to strategic suite upgrade programs (73 properties in 2015).

Interior Improvements and Upgrades:

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

In 2016, 67 properties were subject to strategic common area upgrade programs (35 properties in 2015).

FF&E:

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

Communication and Information Services:

This category includes investments in telecom systems, including emergency call systems, computer hardware and software and the implementation costs of major new information systems.

Contractual Obligations and Guarantees

Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at December 31, 2016, excluding discontinued operations:

($000s)	Total	2017	2018	2019	2020	2021	Thereafter
Mortgages payable	1,722,667	140,197	206,622	275,136	260,291	124,530	715,891
Accounts payable and other liabilities	125,970	125,970	-	-	-	-	-
Distributions payable	9,046	9,046	-	-	-	-	-
Credit Facilities	172,000	-	172,000	-	-	-	-
Purchase obligations	106,490	53,042	53,448	-	-	-	-
Other operating leases	8,135	1,416	1,416	1,360	1,265	1,268	1,410
Land leases	14,085	395	395	395	395	395	12,110
Total contractual obligations	2,158,393	330,066	433,881	276,891	261,951	126,193	729,411

Purchase obligations relate to various construction contracts on our development projects.

Other operating leases relate to the agreements for office space in Mississauga, Montreal and Vancouver.

Land leases relate to three properties and expire between 2044 and 2061.

Guarantees

We remain a guarantor of mortgages on six properties sold in 2014, 2015 and 2016 with the aggregate outstanding balance as of December 31, 2016 of $25.3 million. The purchasers of these properties have indemnified us with respect to these guarantees.

As of December 31, 2016, together with our partners, we have jointly and severally guaranteed loans on certain co-owned properties to an aggregate maximum amount of $73.6 million. As at December 31, 2016, outstanding balances on these loans were $63.7 million.

Other Contracts

Pursuant to our agreements with Batimo, upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, provided mezzanine loans, at 99% of fair market value ("FMV") as defined in the agreements (the "Batimo Option"). The Batimo Option is for a five-year period commencing on the opening of the related facility. Upon expiry of the Batimo Option, we have a two-year option to acquire an 85% interest in the property at FMV. As of the date of this MD&A, there are six projects with 1,487 suites that are subject to this arrangement, of which two are in lease-up, three are in construction and one is in pre-development.

Cash Flow Analysis

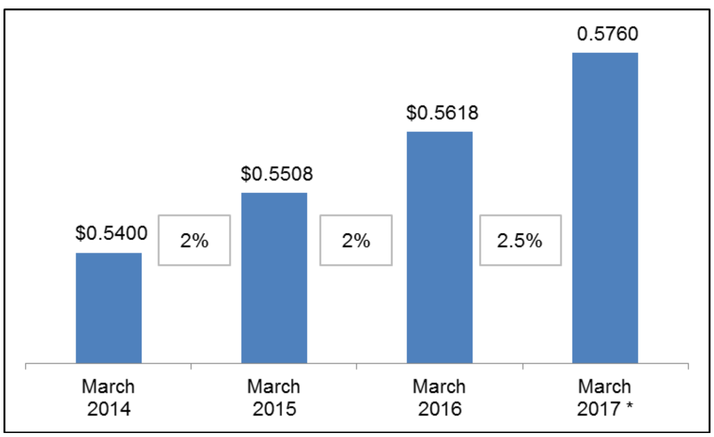
The following table summarizes the significant changes in our operating, financing and investing cash flows between 2016 and 2015 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	42.6	Change in cash flows from operating activities is primarily due to higher NOI, lower interest payments and changes in working capital balances.
Financing activities	152.2	Change in cash flows from financing activities is primarily due to higher utilization of our Credit Facilities and lower mortgage repayments, partially offset by lower mortgage financing proceeds.
Investing activities	(159.4)	Change in cash flows from investing activities is primarily due to the proceeds of the sale of the U.S. Portfolio in 2015 and higher capital investments in our existing properties in 2016, partially offset by fewer acquisitions and net loan receivables.

Distributions

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

The following chart summarizes increases in our annualized per unit distributions over the past three years:



** Effective for the March 31, 2017 distribution payable on April 15, 2017.*

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2016, our average DRIP participation was 19.1% compared to 19.4% participation in 2015.

The following table summarizes distributions made in Q4 2016, 2016, 2015 and 2014:

($000s)	**Q4 2016**	**2016**	2015	2014
Distributions declared on Trust Units	26,865	104,701	96,553	94,103
Distributions on Class B Units	229	904	956	889
Distributions reinvested under DRIP	(5,100)	(19,725)	(18,574)	(17,408)
Distributions applied against EUPP receivable	(216)	(874)	(889)	(1,009)
Distributions paid or payable in cash	21,778	85,006	78,046	76,575

The following table summarizes distributions declared on Trust Units in Q4 2016, 2016, 2015 and 2014 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

($000s)	**Q4 2016**	**2016**	2015	2014
Cash flows from operating activities	58,530	158,373	115,821	123,375
Net income/(loss) from continuing operations	12,826	(710)	12,139	(26,030)
Excess of cash flows from operating activities over distributions declared on Trust Units	31,665	53,672	19,268	29,272
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(14,039)	(105,411)	(84,414)	(120,133)

We distributed cash to our unitholders while recording a net loss from continuing operations in 2016 and 2014. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.

Summary of Select Financial Information

Selected Annual Financial Information

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

($000s, except per unit amounts)	2016	2015	2014
Property revenues	714,380	643,914	824,693
Total revenues	758,212	685,871	865,341
Direct property operating expenses	495,227	463,535	592,498
Net income/(loss) – continuing operations	(710)	12,139	(8,279)
Net income/(loss)	4,796	362,233	(8,279)
Total assets	2,796,707	2,599,389	2,705,249
Total non-current financial liabilities	1,695,595	1,555,891	1,715,706
Total liabilities	1,971,724	1,869,869	2,271,651
Distributions declared per unit	0.55998	0.5490	0.5400

Our annual results for the past three years have been primarily affected by the contribution of acquisitions and dispositions, particularly by the sale of the U.S. Portfolio in 2015 and the reinvestment of the net proceeds in debt reduction and in acquisitions of properties in Canada.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	**2016**				2015			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	194,003	190,646	188,668	184,895	184,050	173,088	165,545	163,188
Direct property operating expenses	(128,177)	(122,883)	(122,959)	(121,208)	(122,502)	(115,562)	(112,836)	(112,635)
Depreciation and amortization	(38,534)	(37,955)	(35,021)	(35,245)	(34,396)	(28,164)	(23,621)	(28,236)
Share of net income/(loss) from joint ventures	1,829	1,759	931	172	(1,445)	966	197	96
G&A expenses	(8,227)	(8,264)	(9,126)	(8,221)	(7,581)	(7,003)	(7,519)	(8,668)
Other income/(expense)	1,848	(4,426)	4,082	(3,489)	(4,640)	(7,379)	13,649	1,039
Finance costs	(16,582)	(16,630)	(17,440)	(18,126)	(18,068)	(17,386)	(18,510)	(18,118)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	6,693	178	(5,546)	(18,328)	(6,451)	(863)	12,840	(7,817)
Current income tax (expense)/benefit	(27)	-	-	-	1,456	(2,796)	-	-
Deferred income tax (expense)/benefit	-	-	-	-	8,216	789	(789)	-
Net income/(loss) for the period – continuing operations	12,826	2,425	3,589	(19,550)	(1,361)	(4,310)	28,956	(11,151)
Net income/(loss) for the period	15,053	2,430	7,185	(19,872)	562	(4,768)	355,310	11,128
FFO – continuing operations (1)	43,767	46,222	42,304	40,344	38,484	35,559	28,477	25,778
Diluted FFO – continuing operations (1)	43,767	46,222	43,005	42,254	40,422	37,497	30,394	27,675
FFO per unit diluted – continuing operations (1)	0.23	0.24	0.22	0.22	0.21	0.20	0.16	0.15
Total FFO (1)	43,767	46,222	42,304	40,344	38,484	35,559	37,679	34,596
Total Diluted FFO (1)	43,767	46,222	43,005	42,254	40,422	37,497	39,596	36,493
Total FFO per unit diluted(1)	0.23	0.24	0.22	0.22	0.21	0.20	0.21	0.19
AFFO – continuing operations (1)	40,660	43,260	39,809	38,477	36,252	33,047	25,903	23,282
Diluted AFFO – continuing operations (1)	40,660	43,260	40,510	40,387	38,190	34,985	27,820	25,179
AFFO per unit diluted – continuing operations (1)	0.21	0.22	0.21	0.21	0.20	0.18	0.15	0.13
Total AFFO (1)	40,660	43,260	39,809	38,477	36,252	33,047	34,152	31,337
Total Diluted AFFO (1)	40,660	43,260	40,510	40,387	38,190	34,985	36,069	33,234
Total AFFO per unit diluted (1)	0.21	0.22	0.21	0.21	0.20	0.18	0.19	0.17

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

Our results for the past eight quarters have primarily been affected by acquisitions and dispositions; refer to the "Significant Events" section of this MD&A and in our 2015 MD&A for details and changes in fair value of financial instruments and foreign exchange gains and losses.

Discontinued Operations

On June 30, 2015, we completed the sale of the remainder of the U.S. Portfolio. The results of the U.S. Portfolio are presented as discontinued operations in this MD&A.

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

(U.S.$000s, except as noted otherwise)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Revenue	-	-	-	-	92,395	(92,395)
Operating expenses	-	-	-	-	65,366	(65,366)
NOI	-	-	-	-	27,029	(27,029)
Foreign exchange in CDN	-	-	-	-	6,262	(6,262)
Total NOI in CDN	-	-	-	-	33,291	(33,291)

The operating results for the U.S. operating segment in Canadian dollars were also affected by fluctuations in foreign exchange rates. The average exchange rates for the periods noted below were as follows:

	Q4 2016	Q4 2015	Change	**2016**	2015	Change
Weighted average exchange rate for U.S.$1.00 to CDN	1.33	1.34	(0.01)	1.33	1.28	0.05

Other Items Related to Discontinued Operations

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Finance costs	-	-	-	-	(16,939)	16,939
Other income/(expense)	1,583	202	1,381	1,721	430,870	(429,119)
Depreciation of PP&E	-	-	-	-	(13,870)	13,870
Amortization of intangible assets	-	-	-	-	(255)	255
Changes in fair value of financial instruments and foreign exchange (loss)/gain and adjustment on mortgages	-	-	-	-	(26,827)	26,827
Current income tax (expense)/benefit	644	1,721	(1,077)	3,785	(56,176)	59,961

In 2016, we recorded a current income tax recovery of $3.8 million which is primarily related to changes in our estimate of the U.S taxes payable on the disposition and the settlement of certain liabilities of the U.S. Portfolio.

In Q4 2016, we agreed to settle certain liabilities for which estimates were made on closing of the sale of the U.S. Portfolio. As the actual settlement amounts were lower than previously estimated, we recorded other income of $1.6 million.

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

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Net income/(loss) for the period	2,227	1,923	304	5,506	350,094	(344,588)
Add (Subtract):						
Depreciation of PP&E (1)	-	-	-	-	13,870	(13,870)
Amortization of limited life intangible assets (1)	-	-	-	-	255	(255)
(Gain)/loss on sale of assets (1)	(1,583)	(1,183)	(400)	(1,721)	(446,504)	444,783
Transaction costs arising on business acquisitions and dispositions (1)	-	-	-	-	13,285	(13,285)
Tax on gains/losses on disposal of properties	(644)	(740)	96	(3,785)	56,989	(60,744)
Deferred income tax	-	-	-	-	-	-
Adjustment for property tax accounted for under IFRIC 21	-	-	-	-	3,198	(3,198)
Changes in fair value of financial instruments and foreign exchange gains/losses	-	-	-	-	26,827	(26,827)
FFO (1)(2)	-	-	-	-	18,014	(18,014)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

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

($000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
FFO (1)	-	-	-	-	18,014	(18,014)
Add (Subtract):						
Amortization of financing costs and debt mark-to-market adjustments (2)(3)	-	-	-	-	772	(772)
Financing cost reserve (4)	-	-	-	-	(206)	206
AFFO before capital maintenance reserve	-	-	-	-	18,580	(18,580)
Capital maintenance reserve - 2% of property revenue (5)	-	-	-	-	(2,282)	2,282
AFFO (6)	-	-	-	-	16,298	(16,298)

(1) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.
(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.
(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Investments" section of this MD&A for details of actual capital expenditures.
(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

Non-GAAP Measures

We use a number of Non-GAAP Measures for monitoring and analyzing our financial results as outlined in this section. These measures do not have any standardized meaning prescribed by IFRS and therefore, are unlikely to be comparable to similar measures presented by other income trusts or other companies.

Funds from Operations

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of the following:

- Transaction costs related to the disposition of properties are added back in our FFO calculation.
- Realized foreign exchange gains resulting from conversion of the net proceeds of the sale of the U.S. Portfolio are deducted in our FFO calculation.

According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

A. Unrealized changes in the fair value of investment properties.
B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
C. Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
F. Tax on profits or losses on disposals of properties.
G. Deferred taxes.
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
L. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
M. Gain or loss on the sale of an investment in a foreign operation.
N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
O. Bargain purchase or goodwill impairment.
P. Effects of redeemable units classified as financial liabilities.
Q. Results of discontinued operations.
R. Adjustments for equity accounted entities.
S. Non-controlling interests in respect of the above.

T. Incremental leasing costs.

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

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

To the extent that our convertible debentures were dilutive to FFO per unit, convertible debenture interest was added back to calculate a diluted FFO for the sole purpose of calculating the FFO per unit diluted.

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

($000s, except per unit amounts)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Net income/(loss) from continuing operations	12,826	(1,361)	14,187	(710)	12,139	(12,849)
Add (Subtract):						
Depreciation of PP&E [(1)]	40,266	35,682	4,584	153,446	117,583	35,863
Amortization of limited life intangible assets [(1)]	289	155	134	1,185	678	507
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above [(1)]	(356)	(218)	(138)	(1,431)	(669)	(762)
Loss/(gain) on sale of assets [(1)]	78	(266)	344	(1,961)	(4,974)	3,013
Gain on remeasure to fair value of existing interest	-	-	-	(5,187)	(10,452)	5,265
Transaction costs arising on business acquisitions and dispositions [(1)]	(95)	4,468	(4,563)	5,400	13,834	(8,434)
Tax on gains or losses on disposal of properties	-	(1,458)	1,458	-	1,338	(1,338)
Deferred income tax	-	(8,216)	8,216	-	(8,216)	8,216
Distributions on Class B Units recorded as interest expense	229	281	(52)	904	956	(52)
Changes in fair value of financial instruments and foreign exchange gain/loss	(8,360)	6,417	(14,777)	14,601	2,331	12,270
Impairment provision/(reversal)	(1,110)	3,000	(4,110)	6,390	3,755	2,635
FFO - continuing operations [(1)(2)]	43,767	38,484	5,283	172,637	128,303	44,334
FFO - discontinued operations	-	-	-	-	18,014	(18,014)
Total FFO [(1)(2)]	43,767	38,484	5,283	172,637	146,317	26,320
FFO - continuing operations [(1)(2)]	43,767	38,484	5,283	172,637	128,303	44,334
Interest expense on 5.7% convertible debentures	-	1,938	(1,938)	2,611	7,690	(5,079)
Diluted FFO - continuing operations [(3)]	43,767	40,422	3,345	175,248	135,993	39,255
FFO - discontinued operations	-	-	-	-	18,014	(18,014)
Total diluted FFO [(3)]	43,767	40,422	3,345	175,248	154,007	21,241
FFO per unit – continuing operations [(4)]						
Basic	0.23	0.21	0.02	0.91	0.72	0.19
Diluted	0.23	0.21	0.02	0.91	0.71	0.20
Total FFO per unit [(4)]						
Basic	0.23	0.21	0.02	0.91	0.82	0.09
Diluted	0.23	0.21	0.02	0.91	0.81	0.10

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

(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.

Adjusted Funds from Operations

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

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

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

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

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

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

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

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

To the extent that our convertible debentures were dilutive to AFFO per unit, convertible debenture interest was added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted.

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
FFO - continuing operations [1]	43,767	38,484	5,283	172,637	128,303	44,334
Add (Subtract):						
Principal portion of capital subsidy receivable from Health Authorities	1,368	1,280	88	6,289	5,028	1,261
Amounts receivable under income guarantees	514	969	(455)	2,868	1,935	933
Amortization of financing costs and debt mark-to-market adjustments [2][3]	(377)	(142)	(235)	(1,564)	(540)	(1,024)
Financing cost reserve [4]	(345)	(306)	(39)	(1,329)	(1,241)	(88)
AFFO before capital maintenance reserve	44,927	40,285	4,642	178,901	133,485	45,416
Capital maintenance reserve - 2% of property revenue - continuing operations [5]	(4,267)	(4,033)	(234)	(16,695)	(15,002)	(1,693)
AFFO - continuing operations [6]	40,660	36,252	4,408	162,206	118,483	43,723
AFFO - discontinued operations	-	-	-	-	16,298	(16,298)
Total AFFO [6]	40,660	36,252	4,408	162,206	134,781	27,425
AFFO - continuing operations [6]	40,660	36,252	4,408	162,206	118,483	43,723
Interest expense on 5.7% convertible debentures	-	1,938	(1,938)	2,611	7,690	(5,079)
Diluted AFFO - continuing operations [7]	40,660	38,190	2,470	164,817	126,173	38,644
AFFO - discontinued operations	-	-	-	-	16,298	(16,298)
Total diluted AFFO	40,660	38,190	2,470	164,817	142,471	22,346
AFFO per unit - continuing operations [8]						
Basic	0.21	0.20	0.01	0.86	0.66	0.20
Diluted	0.21	0.20	0.01	0.85	0.66	0.19
Total AFFO per unit [8]						
Basic	0.21	0.20	0.01	0.86	0.76	0.10
Diluted	0.21	0.20	0.01	0.85	0.75	0.10

(1) Non-GAAP; refer to the “Non-GAAP Measures – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; reported at Chartwell’s Interest.
(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.
(4) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the financing cost reserve.
(5) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the “Capital Investments” section of this MD&A for details of actual capital expenditures.
(6) Non-GAAP; refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.
(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.
(8) Non-GAAP; refer to the “Non-GAAP Measures – Per Unit Amounts” section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

Per Unit Amounts

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

Weighted Average Number of Units

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

(000s)	**Q4 2016**	Q4 2015	Change	**2016**	2015	Change
Weighted average number of units [1]	193,971	179,687	14,284	189,222	178,515	10,707
Dilutive impact of 5.7% convertible debentures [2]	-	12,261	(12,261)	4,211	12,264	(8,053)
Weighted average number of units, diluted	193,971	191,948	2,023	193,433	190,779	2,654

(1) Includes Class B Units, units issued under EUPP and DTUs.
(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2016.

Property Revenue

Property Revenue should not be construed as an alternative to other IFRS metrics. Property Revenue is measured at Chartwell's Interest and includes revenue derived from rents and services provided to our residents, commercial tenants and from contracts with various health authorities, government agencies and other third parties that are specific to operations of our properties. We believe that the use of Property Revenue combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Direct Property Operating Expenses

Direct Property Operating Expenses should not be construed as an alternative to other IFRS metrics. Direct Property Operating Expenses is measured at Chartwell's Interest and includes expenses directly incurred in operation of our properties as well as an allocation of corporate overhead costs attributable to such property operations.

Net Operating Income

NOI should not be construed as an alternative to other IFRS metrics. We define NOI as the difference between Property Revenue and Direct Property Operating Expenses, measured at Chartwell's Interest. We believe that the use of NOI combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Same Property Performance

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

The following table summarizes the same property portfolio as at December 31, 2016:

	Properties	**Suites/Beds**	**Suites/Beds at Chartwell's Share of Ownership**
Retirement Operations	130	18,530	14,740
Long Term Care Operations	24	3,133	3,133
Total same property portfolio	154	21,663	17,873

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

Key metrics used to evaluate same property performance are same property revenue, direct property operating expenses and NOI. These metrics are measured at Chartwell's Interest.

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We believe that the use of these metrics combined with primary IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

Refer to the "Consolidated Results of Operations – Summary of Net Operating Income" section of this MD&A for a reconciliation of these items.

G&A Expenses as a Percentage of Revenue

G&A as a percentage of revenue should not be construed as an alternative to other IFRS metrics. We believe that G&A as a percentage of revenue is useful as a benchmark to evaluate the required resource level to support our operating business. This percentage is calculated as total G&A expenses divided by the sum of Property Revenue, management and other fee revenue and mezzanine loan and other interest income at Chartwell's Interest.

The following table presents a reconciliation of revenue used in the calculation of G&A expenses as a percentage of revenue to our Financial Statements:

($000s)	**Q4 2016**	Q4 2015	**2016**	2015
Revenue	194,003	184,050	758,212	685,871
Equity-accounted investments	22,170	19,974	86,550	73,213
Chartwell's Interest	216,173	204,024	844,762	759,084
Interest income	798	889	3,175	3,486
Equity-accounted investments	25	22	91	98
Chartwell's Interest	823	911	3,266	3,584
Total revenue at Chartwell's Interest	216,996	204,935	848,028	762,668

Interest Coverage Ratio

The interest coverage guideline provides an indication of an entity's ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity's ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. The Interest Coverage Ratio is measured at Chartwell's Interest.

Indebtedness Ratio

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 65% of GBV. This metric is commonly used by the investment community together with the interest coverage ratio and net debt to adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell's Interest.

Adjusted EBITDA

Adjusted EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity's assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, foreign exchange gains/losses, the portion of property tax expense that is not recognized pro-rata under IFRIC 21 and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell's Interest.

Net Debt to Adjusted EBITDA Ratio

Net Debt to Adjusted EBITDA should not be construed as an alternative to other IFRS metrics. The Net Debt to Adjusted EBITDA Ratio provides an approximation of the number of years required for current cash flows to cover or repay all indebtedness and is commonly used by investors to evaluate the level of an entity's debt in relation to its operating cash flows. Net debt and Adjusted EBITDA are not susceptible to short-term changes in market values and are not prone to subjective assessments surrounding asset valuations. Net Debt to Adjusted EBITDA is measured at Chartwell's Interest.

Distributions Declared as a Percentage of Total AFFO

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

Estimated Development Costs

Estimated development costs should not be construed as an alternative to other IFRS metrics. Estimated development costs are measured at Chartwell's Interest and normally include land costs, hard and soft development costs, costs of furniture, fixtures and equipment, imputed cost of capital and lease-up losses incurred during pre-opening and initial property operations.

Expected Unlevered Yield

Expected unlevered yield should not be construed as an alternative to other IFRS metrics. Expected unlevered yield is defined as the ratio of the expected NOI of a development property in the first year it achieves a stabilized occupancy level, divided by total estimated development costs.

Chartwell's Interest

We account for certain investments in joint arrangements using the equity method of accounting. All references to "Chartwell's Interest" refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio excluding discontinued operations, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the "Joint Arrangements" section of this MD&A for a discussion of the usefulness of this measure and to the following tables for a reconciliation of Chartwell's results of operations and statement of financial position.

The following table provides a reconciliation of the Q4 2016 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q4 2016 IFRS basis	Equity Accounted Investments (1)	Q4 2016 Chartwell's Interests (2)
Revenue			
Resident	182,652	30,698	213,350
Management and other fees	2,541	-	2,541
Lease revenue from joint ventures	8,528	(8,528)	-
Interest on loans receivable	282	-	282
	194,003	22,170	216,173
Expenses			
Direct property operating	128,177	19,455	147,632
G&A	8,227	-	8,227
	136,404	19,455	155,859
Income before the undernoted	57,599	2,715	60,314
Finance costs	(16,582)	(557)	(17,139)
Other income/(expense)	1,848	25	1,873
Depreciation of PP&E	(38,249)	(2,017)	(40,266)
Amortization of intangible assets	(285)	(4)	(289)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	6,693	1,667	8,360
Share of net income from joint ventures	1,829	(1,829)	-
	12,853	-	12,853
Income tax (expense)/benefit:			
Current	(27)	-	(27)
Net income from continuing operations	12,826	-	12,826
Net income from discontinued operations	2,227	-	2,227
Total comprehensive income	15,053	-	15,053

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the Q4 2015 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q4 2015 IFRS basis	Equity Accounted Investments (1)	Q4 2015 Chartwell's Interests (2)
Revenue			
Resident	173,413	28,273	201,686
Management and other fees	1,977	-	1,977
Lease revenue from joint ventures	8,299	(8,299)	-
Interest on loans receivable	361	-	361
	184,050	19,974	204,024
Expenses			
Direct property operating	122,502	17,789	140,291
G&A	7,581	-	7,581
	130,083	17,789	147,872
Income before the undernoted	53,967	2,185	56,152
Finance costs	(18,068)	(474)	(18,542)
Other income/(expense)	(4,640)	(1,749)	(6,389)
Depreciation of PP&E	(34,245)	(1,437)	(35,682)
Amortization of intangible assets	(151)	(4)	(155)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(6,451)	34	(6,417)
Share of net loss from joint ventures	(1,445)	1,445	-
Loss before income taxes	(11,033)	-	(11,033)
Income tax (expense)/benefit:			
Current	1,456	-	1,456
Deferred	8,216	-	8,216
	9,672	-	9,672
Net loss from continuing operations	(1,361)	-	(1,361)
Net income from discontinued operations	1,923	-	1,923
Total comprehensive income	562	-	562

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2016 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2016 IFRS basis	Equity Accounted Investments (1)	2016 Chartwell's Interests (2)
Revenue			
Resident	714,380	120,353	834,733
Management and other fees	8,777	-	8,777
Lease revenue from joint ventures	33,803	(33,803)	-
Interest on loans receivable	1,252	-	1,252
	758,212	86,550	844,762
Expenses			
Direct property operating	495,227	74,169	569,396
G&A	33,838	-	33,838
	529,065	74,169	603,234
Income before the undernoted	229,147	12,381	241,528
Finance costs	(68,778)	(2,429)	(71,207)
Other income/(expense)	(1,985)	213	(1,772)
Depreciation of PP&E	(145,586)	(7,860)	(153,446)
Amortization of intangible assets	(1,169)	(16)	(1,185)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(17,003)	2,402	(14,601)
Share of net income from joint ventures	4,691	(4,691)	-
Loss before income taxes	(683)	-	(683)
Income tax (expense)/benefit:			
Current	(27)	-	(27)
Net loss from continuing operations	(710)	-	(710)
Net income from discontinued operations	5,506	-	5,506
Total comprehensive income	4,796	-	4,796

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2015 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2015 IFRS basis	Equity Accounted Investments (1)	2015 Chartwell's Interests (2)
Revenue			
Resident	643,914	106,213	750,127
Management and other fees	7,815	-	7,815
Lease revenue from joint ventures	33,000	(33,000)	-
Interest on loans receivable	1,142	-	1,142
	685,871	73,213	759,084
Expenses			
Direct property operating	463,535	66,479	530,014
G&A	30,771	-	30,771
	494,306	66,479	560,785
Income before the undernoted	191,565	6,734	198,299
Finance costs	(72,077)	(1,388)	(73,465)
Other income/(expense)	2,669	(1,648)	1,021
Depreciation of PP&E	(113,756)	(3,827)	(117,583)
Amortization of intangible assets	(661)	(17)	(678)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(2,291)	(40)	(2,331)
Share of net loss from joint ventures	(186)	186	-
Income before income taxes	5,263	-	5,263
Income tax (expense)/benefit:			
Current	(1,340)	-	(1,340)
Deferred	8,216	-	8,216
	6,876	-	6,876
Net income from continuing operations	12,139	-	12,139
Net income from discontinued operations	350,094	-	350,094
Other comprehensive income/(loss):			
Unrealized foreign currency gain on translation of foreign operations	5,945	-	5,945
Foreign currency translation reclassified to net income/(loss) on disposition of discontinued operations	(10,599)	-	(10,599)
Total comprehensive income	357,579	-	357,579

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the December 31, 2016 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s)	December 31, 2016 IFRS basis	Equity Accounted Investments (1)	December 31, 2016 Chartwell's Interests (2)
Assets			
Current assets:			
Cash and cash equivalents	30,050	8,238	38,288
Trade and other receivables	18,339	179	18,518
Capital funding receivable	5,663	-	5,663
Other assets	14,900	3,880	18,780
Total current assets	68,952	12,297	81,249
Non-current assets:			
Other assets	3,449	-	3,449
Loans receivable	10,528	-	10,528
Capital funding receivable	54,510	-	54,510
Investment in joint ventures	30,822	(30,822)	-
Intangible assets	57,598	28	57,626
PP&E	2,570,848	100,399	2,671,247
Total non-current assets	2,727,755	69,605	2,797,360
Total assets	2,796,707	81,902	2,878,609
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	121,870	4,100	125,970
Distributions payable	9,046	-	9,046
Mortgages payable	143,695	320	144,015
Total current liabilities	274,611	4,420	279,031
Non-current liabilities:			
Mortgages payable	1,498,077	77,482	1,575,559
Credit Facilities	172,000	-	172,000
Class B Units	23,871	-	23,871
Deferred tax liabilities	1,518	-	1,518
Deferred consideration on business combinations	1,647	-	1,647
Total non-current liabilities	1,697,113	77,482	1,774,595
Total liabilities	1,971,724	81,902	2,053,626
Unitholders' equity	824,983	-	824,983
Total liabilities and unitholders' equity	2,796,707	81,902	2,878,609

(1) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the December 31, 2015 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s)	December 31, 2015 IFRS basis	Equity Accounted Investments (1)	December 31, 2015 Chartwell's Interests (2)
Assets			
Current assets:			
Cash and cash equivalents	3,002	5,852	8,854
Trade and other receivables	7,948	471	8,419
Capital funding receivable	5,243	-	5,243
Other assets	16,938	3,251	20,189
Total current assets	33,131	9,574	42,705
Non-current assets:			
Other assets	3,733	-	3,733
Loans receivable	15,764	-	15,764
Capital funding receivable	56,198	-	56,198
Investment in joint ventures	33,993	(33,993)	-
Intangible assets	57,202	27	57,229
PP&E	2,399,368	105,920	2,505,288
Total non-current assets	2,566,258	71,954	2,638,212
Total assets	2,599,389	81,528	2,680,917
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	32,000	-	32,000
Accounts payable and other liabilities	114,036	3,498	117,534
Distributions payable	8,243	-	8,243
Mortgages payable	159,699	12,802	172,501
Total current liabilities	313,978	16,300	330,278
Non-current liabilities:			
Mortgages payable	1,371,659	65,228	1,436,887
Convertible debentures	161,754	-	161,754
Class B Units	20,943	-	20,943
Deferred consideration on business combinations	1,535	-	1,535
Total non-current liabilities	1,555,891	65,228	1,621,119
Total liabilities	1,869,869	81,528	1,951,397
Unitholders' equity	729,520	-	729,520
Total liabilities and unitholders' equity	2,599,389	81,528	2,680,917

(1) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

Critical Accounting Policies and Estimates

Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Management's estimates are based on past experience and other factors that it believes are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Valuation of PP&E

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

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

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

Income taxes

In accordance with IFRS, we use the asset and liability method of accounting for deferred income taxes and provide for deferred income taxes for all significant temporary differences between the carrying amounts of associated liabilities for financial reporting purposes and the amounts used for taxation purposes.

Preparation of the financial statements requires an estimate of income taxes in the jurisdictions in which we operate. The process involves an estimate of our actual current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation and amortization, for tax and accounting purposes along with the expected reversal pattern of these temporary differences. These differences result in deferred tax assets and liabilities which are included in our balance sheet, calculated based on the estimated tax rate in effect at the time these differences reverse.

Judgement is required to assess tax interpretations, regulations and legislation, which are continually changing to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could potentially be material.

An assessment must also be made to determine the likelihood that the Trust's deferred tax assets will be recovered from future taxable income. To the extent that recovery is considered less rather than more likely, deferred tax assets are not recognized. Judgement is required in determining the provision for income taxes, and deferred income tax assets and liabilities. To the extent the recognition of deferred tax assets is revised, current period earnings would be affected.

Fair value

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

The techniques used to estimate future cash flows will vary from one situation to another depending on the circumstances surrounding the asset or liability in question. We assess fair value based on estimated discounted cash flow projections and available market information. Cash flow estimates incorporate assumptions that marketplace participants would use in their estimates (including the historical operating results and anticipated trends, local markets and economic conditions).

Our financial statements are affected by fair value measures. The most significant areas affected are as follows:

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

Changes in Accounting Estimates and Changes in Accounting Policies

Our significant accounting policies are described in Note 2 of our Financial Statements. Notes 2 (n) and (o) outline 2016 accounting policy change and future accounting policy changes.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

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

As of December 31, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the President & Chief Executive Officer and Chief Financial Officer & Chief Investment Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the President & Chief Executive Officer and Chief Financial Officer & Chief Investment Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2016.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President & Chief Executive Officer and the Chief Financial Officer & Chief Investment Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2016, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

During the period beginning October 1, 2016 and ending December 31, 2016, we completed the first phase of implementation of our new Human Capital Management System. We have considered the corresponding control risks and have performed procedures to obtain reasonable assurance on the design and operation of internal controls over financial reporting that are new or are significantly modified.

Other than the above-mentioned item, there were no changes in our internal controls over financial reporting that occurred during the year ended December 31, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

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

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

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC; and
- our ability to realize benefits on technology investments.

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

Risks and Uncertainties ♦

(a) **Business Risks**: We are subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economically viable residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs, 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 outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in

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

the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to Chartwell.

(b) **Real Property Ownership and Lack of Diversity**: Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market.

(c) **Geographic Concentration**: Our business and operations are conducted within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the "Business Overview" section of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.

(d) **Maintenance of Assets**: We are committed to keep our communities in a good state of repair. We fundamentally believe that by investing back into our communities we increase resident and staff satisfaction which ultimately results in better profitability of the business. We estimate that based on the average age, market position and state of repairs of our existing portfolio, the annual capital maintenance requirements are approximately 2% of annual gross property revenues. In addition to recurring maintenance capital projects, we invest 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. We take into account the recurring maintenance capital requirements of our communities in our determination of future cash flows available for distributions to Unitholders. A significant increase in recurring maintenance capital requirements of our communities could adversely impact cash available to us. The details of our actual capital asset spending for 2016 can be found in the "Capital Expenditures" section of this MD&A.

(e) **Competition:** Numerous other owners, managers and developers of seniors housing communities compete with us in seeking residents. The existence of competing owners, managers and developers and competition for our residents could have an adverse effect on the Trust's ability to find residents for its seniors housing communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we own seniors housing may have an impact on the demand for retirement community suites.

(f) **Government Regulation**: Healthcare in Canada is subject to extensive regulation and regulatory changes. As a result, there can be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing industry, will not adversely affect us. In Ontario, LTC Residence licences are issued for a fixed term which shall not exceed 30 years, after which the operators of a LTC Residence may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. Under the Ontario Long Term Care Homes Act, the licence term for Class B and C long term care residences in Ontario has been set to expire in 2025 unless these homes are redeveloped to the new design standards. Chartwell has nine LTC Class B and C residences with 876 beds. The province has introduced a revised redevelopment program with some additional funding, however, the funding is not sufficient to allow most Class B and C long term care homes to redevelop and very few redevelopment projects are proceeding at this time. Chartwell, along with the Ontario Long Term Care Association, continues to discuss improvements to the program with the government. There is no assurance that required funding levels from the government will be obtained. The provincial regulation of LTC Residences includes the control of long-term care fees and the subsidization of LTC residents. There can be no assurance that the current level of such fees and subsidies will be continued or that such fees will increase commensurate with expenses.

(g) **Personnel Costs**: We compete with other healthcare providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require the Trust to enhance its wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.

(h) **Labour Relations**: We employ or supervise over 13,500 persons, of whom approximately 70% 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 we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

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

(i) **Growth:** The ability to grow may require the issuance of additional units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. Additionally, growth may be limited by the properties being owned in a different structure (i.e., a real estate investment trust compared with a corporation) and possibly a different economic environment. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.

(j) **Acquisition, Development**: Our external growth prospects depend in part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating the seniors housing communities acquired by the Trust. If we are unable to manage our growth, integrate our acquisitions effectively and achieve expected returns on acquisitions and development projects, our business, operating results and financial condition could be adversely affected.

(k) **Dispositions**: From time to time we may dispose of certain assets which are considered non-strategic or non-core to our portfolio. Failure to dispose of such assets at a reasonable price may negatively impact our ability to deliver on our corporate strategies.

(l) **Debt Financing**: We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of mortgages on our retirement and LTC communities and credit facilities.

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

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

(m) **Taxation**: We currently qualify as a mutual fund trust for Canadian income tax purposes.

With the enactment of the SIFT Rules and the issuance of equity capital in excess of the normal growth guidelines established by the Department of Finance, we were subject to SIFT tax effective January 1, 2007.

Under the SIFT Rules, distributions paid by a SIFT as returns of capital are not subject to the tax. Such distributions are not currently taxable to unitholders but serve to reduce the adjusted cost base of a unitholder's units. Due to the sale of the U.S. Portfolio in 2015, a portion of our distribution was classified as non-eligible dividend which is taxable as dividend income for unitholders, and as capital dividend which is non-taxable to unitholders. In 2016, 5.1% of our distributions were classified as non-eligible dividend, 58.2% as capital dividend, and 36.7% as return of capital. In 2016, we recorded a current tax recovery of $3.8 million related to the prior-year disposition of shares of our U.S. subsidiary. There were no SIFT taxes paid in 2016. We expect to have sufficient deductions and losses carried forward to eliminate any SIFT taxes in 2017.

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.

Although we are of the view that all our claimed expenses will be reasonable and deductible, and that our tax filing positions taken are reasonable, there can be no assurance that the CRA will agree. If the CRA successfully challenges us in any of these respects, our taxable income will change.

(n) **Liability and Insurance**: The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. Management expects that from time to time we may be subject to lawsuits as a result of the nature of such businesses. The Trust 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 us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.

(o) **Environmental Liabilities**: Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations sometimes regardless of whether or not we knew of or were responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. Notwithstanding the above, our management is not aware of any material non-compliance, liability or other claim in connection with any of our owned properties and properties in respect of which mezzanine or vendor take back 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 Trust. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

Environmental laws and regulation may change and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation and distributions.

(p) **Economic and Financial Conditions**: Adverse changes to the economic and financial conditions in Canada, the U.S. and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position.

(q) **Joint-Venture Interests**: We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing properties including those risks described above. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint-venture partner may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venture partner's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.

(r) **Loans Receivable:** The mezzanine and vendor take back financing that has been provided by us is secured by subordinated charges of the borrowers' interests in related projects and ranks behind other financing. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all facilities that we are entitled or required to acquire from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.

(s) **Distributions:** Our distributions are made at the discretion of the Trustees based on forward-looking cash flow information, including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. Items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of our Credit Facilities, distributions to unitholders are limited to 100% of our AFFO.

(t) **Management Contracts:** We earn management fees from non-owned residences that we manage for others. We will not earn this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of management agreements on the Welltower properties and management agreements on properties with mezzanine loans advanced by us.

(u) **Cyber Security**: Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Chartwell and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use, or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. As a result, Chartwell continually monitors for malicious threats and adapts accordingly in an effort to ensure we maintain high privacy and security standards. Chartwell invests in cyber defense technologies to support our business model and to protect our systems, residents and employees by employing industry best practices. Our investments continue to manage the risks we face today and position Chartwell for the evolving threat landscape.