

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST



ANNUAL INFORMATION FORM

March 30, 2009

TABLE OF CONTENTS

EXPLANATORY NOTES	1	INVESTMENT GUIDELINES AND OPERATING	54
CORPORATE STRUCTURE	3	POLICIES OF CHARTWELL	54
Name and Incorporation	3	Investment Restrictions	54
Intercompany Relationships	4	Operating Policies.....	56
GENERAL DEVELOPMENT OF THE BUSINESS	5	Amendments to Investment Restrictions and Operating	
History of the Business	5	Policies	58
Acquisitions and Divestitures	5	MATERIAL CONTRACTS	58
Canadian Joint Venture Arrangements	11	Long Term Incentive Plan	59
United States Operations.....	11	Deferred Unit Plan.....	59
Unit Offerings and Issuances	12	Restricted Unit Plan.....	61
Credit Facilities and Borrowing.....	13	Non-Competition Agreements.....	62
Interests of Management and Others in Material Transactions.....	14	Amended and Restated Credit Agreement.....	62
DESCRIPTION OF THE BUSINESS.....	15	DISTRIBUTION POLICY	62
Seniors Housing Industry in Canada and the United States	15	General	62
Growth Strategies of Chartwell.....	20	Amendments to the Declaration of Trust regarding the	
Management and Employees	25	Deletion of Distributable Income	63
Properties, Management Business and Development Properties		Computation of AFFO	63
.....	25	Distributions Made	63
CHARTWELL, CSH TRUST AND MASTER LP	39	RISK FACTORS	64
General.....	39	Risks Related to Chartwell and the Industry.....	64
Description of the Units	39	U.S./Canadian Exchange Rate Fluctuations	68
Special Voting Units	39	Government Regulation.....	68
Chartwell Trustees	40	Operations in United States	70
Meetings of Voting Unitholders	40	Joint Venture Interests	70
Rights of the Unitholders	41	Risks Related to the Structure of Chartwell.....	71
Purchases of Units	42	TAX MATTERS	73
Redemption Right.....	42	Canadian Tax Matters.....	73
Takeover Bids	43	United States Tax Matters	75
Issuance of Units.....	43	TRUSTEES, DIRECTORS AND EXECUTIVE	
Limitation on Ownership	44	OFFICERS.....	76
Information and Reports	44	Trustees and Directors	76
Amendments to Declaration of Trust.....	44	The Chartwell Trustees.....	78
Book-Based System.....	45	Governance of Chartwell	78
Transfer and Exchange of Units.....	46	Audit Review	78
Unitholder Rights Plan.....	46	CSH Trustees.....	79
Distribution Reinvestment Plan	47	Governance of Master LP	79
DESCRIPTION OF THE DEBENTURES	47	Conflicts of Interest	81
General.....	47	MANAGEMENT'S DISCUSSION AND ANALYSIS OF	
Subordination.....	48	FINANCIAL CONDITION AND RESULTS OF	
Conversion Rights.....	48	OPERATIONS.....	81
Redemption.....	49	MARKET FOR SECURITIES.....	82
Put Right Upon a Change of Control.....	49	EXPERTS.....	84
Method of Payment.....	49	TRANSFER AGENT AND REGISTRAR	84
Events of Default	50	ADDITIONAL INFORMATION.....	84
Modification.....	50	GLOSSARY	85
Book-Based System.....	50	AUDIT COMMITTEE CHARTER.....	1
Offers for Debentures	51		
Limitation on Non-Resident Ownership	51		
Transfer and Exchange of Debentures	51		
Exchange Agreement.....	52		
CSH Trust	52		
Master LP.....	53		

EXPLANATORY NOTES

The information in this Annual Information Form is stated as at March 30, 2009, unless otherwise indicated.

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

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

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

In March 2008, Chartwell’s management amended the types of seniors housing accommodations described in this Annual Information Form to correspond with standard industry definitions. Previously, Chartwell’s publicly available disclosure documents referred to five types of seniors housing facilities: (a) Long Term Care Facilities; (b) Assisted Living Facilities; (c) Full Care Retirement Homes; (d) Light Care Retirement Homes; and (e) Independent Living Facilities. By adopting standard industry definitions, Chartwell’s facilities are now comprised of three categories: (a) Long Term Care Facilities; (b) Assisted Living Facilities; and (c) Independent Supportive Living Facilities. Under the new definitions, facilities that were previously defined as Full Care Retirement Homes are now defined as Assisted Living Facilities, and facilities previously defined as Light Care Retirement Homes are now defined as Independent Supportive Living Facilities.

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

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

- (a) the expected market share of seniors housing as a choice for seniors living accommodations will continue in accordance with current trends, taking into account factors like affordability and the relative attractiveness of other living arrangements;
- (b) Chartwell will continue to receive financing on more favourable terms than many small operators, giving it a competitive advantage with respect to access to capital and financing;
- (c) there will be no shift in demand for seniors housing, due to changes in demographics or other reasons, that might have a material impact on the sustained demand in all sectors of the seniors industry in Canada and the United States;
- (d) Chartwell will be able to invest approximately 2% of gross revenues in capital expenditures and upgrades each year, because its operating performance will not be materially affected by occupancy levels dropping, labour and operating costs increasing, or other economic conditions resulting in increased costs of goods and services and management expenses;
- (e) Chartwell will maintain good relationships with its unionized employees because of its ability to meet salary requirements and employees' expectations;
- (f) the impact of the United States subprime mortgage crisis and the current global financial conditions on Chartwell's operations, including its financing capacity, will remain consistent with Chartwell's current expectations;
- (g) there will be no material changes to government and environmental regulations affecting Chartwell's operations;
- (h) there will be no significant disruptions affecting Chartwell's operations, whether due to labour disruptions, health or disease-related disruptions, competition or changes in neighbourhood or location conditions;
- (i) the exchange rate between the Canadian dollar and the U.S. dollar will be approximately consistent with current levels; and
- (j) the performance of Chartwell's investments in the United States will proceed on a basis consistent with Chartwell's current expectations.

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

Adjusted funds from operations ("AFFO") is not a measure recognized under GAAP, does not have a standardized meaning prescribed by GAAP and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. AFFO as presented in this Annual Information Form may not be comparable to similar measures presented by other issuers and is presented in this Annual Information Form because Chartwell's management and the Operator believe that this non-GAAP measure is useful in the assessment of the operating performance of Chartwell, for valuation purposes and is also a relevant measure of the ability of the Operator and Chartwell to earn and distribute cash to Unitholders. For a complete description of AFFO, see "Distribution Policy – Computation of AFFO".

CORPORATE STRUCTURE

Name and Incorporation

Chartwell is an unincorporated open-ended trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and now subsisting under the fifth amended and restated declaration of trust dated July 14, 2008 (the “Declaration of Trust”). Chartwell’s head office is located at 100 Milverton Drive, Suite 700, Mississauga, Ontario, L5R 4H1. Chartwell was created to indirectly acquire and hold 100% of the outstanding Class A Master LP Units and 100% of the shares of Chartwell Master Care Corporation (“CMCC”). Chartwell completed its initial public offering on November 14, 2003 (“IPO”) of units (“Units”).

CSH Trust is an unincorporated open-ended unit trust governed by the laws of the Province of Ontario and created as of September 8, 2003 and now subsisting under the fifth amended and restated declaration of trust dated as of July 14, 2008 (the “CSH Trust Declaration”). Chartwell owns all of the units of CSH Trust and the Series 1 Trust Notes issued by CSH Trust. CSH Trust was created to acquire 100% of the Class A Master LP Units and 100% of Chartwell Benco Inc. (“Benco”), a corporation formed under the laws of Ontario.

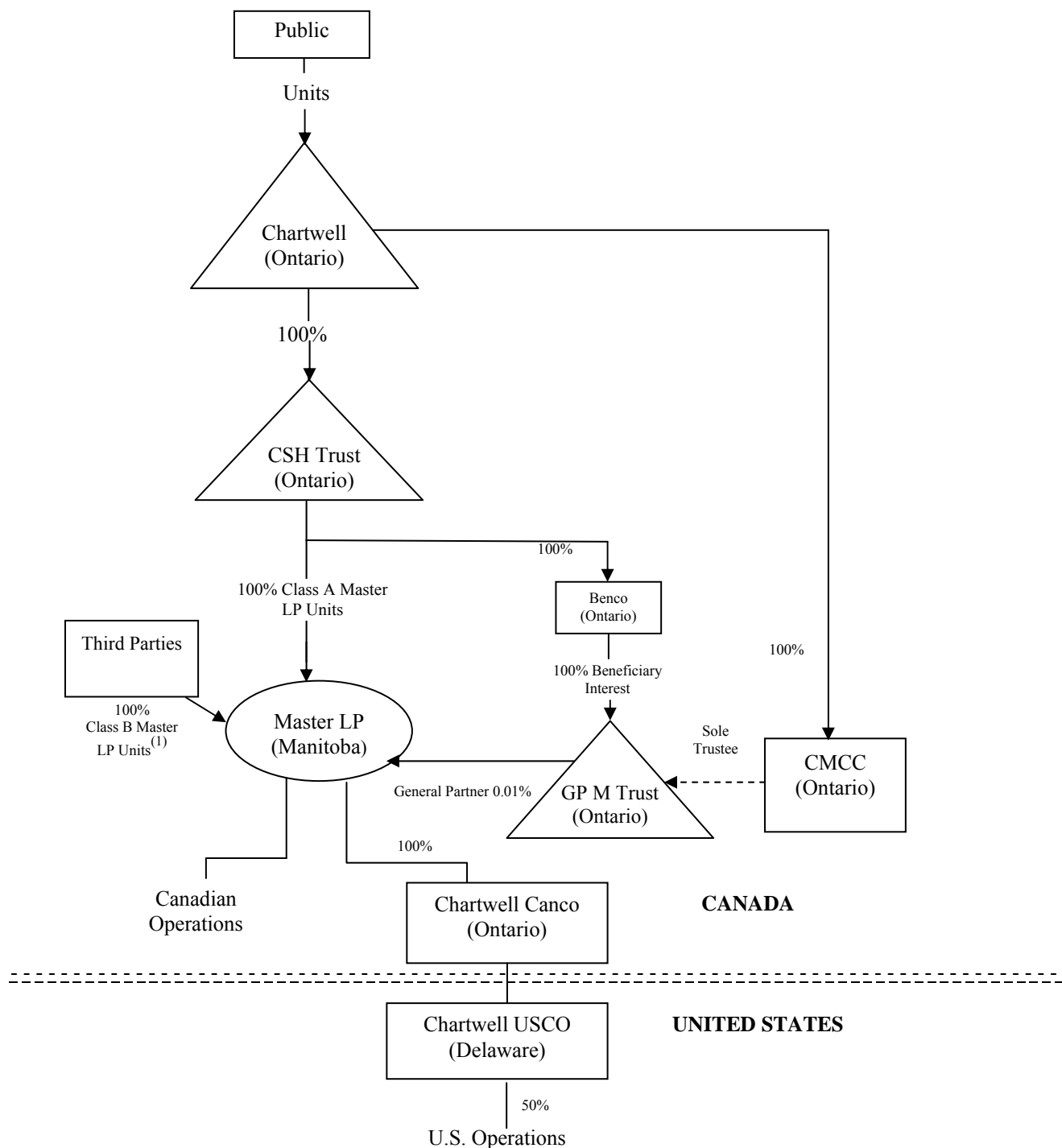
Chartwell Master Care LP (“Master LP”) is a limited partnership created under the laws of the Province of Manitoba as of September 30, 2003 and now subsisting under the fifth amended and restated limited partnership agreement dated July 14, 2008, as amended by the notice and amendment to the fifth amended and restated limited partnership agreement dated December 15, 2008 (the “Master LP Partnership Agreement”). Master LP, together with its subsidiaries and General Partner (collectively, together with entities in which Master LP directly or indirectly has a joint venture interest, the “Operator”), carries on the business of the operation of, and the development management of, seniors housing facilities.

The General Partner of Master LP is GP M Trust, a trust established under the laws of Ontario. GP M Trust’s sole trustee is CMCC, a corporation formed under the laws of Ontario and wholly owned by Chartwell. GP M Trust’s sole beneficiary is Benco, which is wholly owned by CSH Trust.

Master LP wholly owns CSH Master Care Canada Inc. (“Chartwell Canco”), a corporation formed under the laws of Ontario, which in turn wholly owns CSH Master Care USA Inc. (“Chartwell USCO”), a corporation formed under the laws of Delaware.

Intercorporate Relationships

The following chart illustrates, on a simplified basis, the intercorporate relationships of Chartwell as at March 30, 2009.



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

GENERAL DEVELOPMENT OF THE BUSINESS

History of the Business

Chartwell was created in November 2003 pursuant to the IPO.

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

Acquisitions and Divestitures

2006

During 2006, Chartwell acquired the Properties listed in the table below:

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
January 13, 2006	Chateau Cornwall	Cornwall, ON	AL	101*	Acquisition from Spectrum; purchase price of approximately \$6.8 million, satisfied by the assumption of a mortgage for approximately \$4.0 million, the set-off of an outstanding \$2.8 million mezzanine loan. In accordance with the purchase and sale agreement in 2008, an additional \$0.9 million was paid to Spectrum because the facility reached certain earnings targets.
February 23, 2006	Manoir Pierrefonds	Montreal, QC	LTC	127*	Purchase price of approximately \$11.9 million, satisfied by the assumption of a \$7.7 million existing mortgage and the remaining \$4.2 million in cash.
April 28, 2006	Castel Royale	Cote-Saint Luc, Montreal, QC	ISL	251*	Purchase price of approximately \$40.0 million, satisfied by cash of approximately \$10.4 million and the placement of new mortgage debt of approximately \$30.4 million (including a capital reserve of \$0.8 million not initially funded). An additional \$0.52 million is payable in respect of the conversion of 26 suites to be paid between the third and seventh anniversary of closing. This facility was subject to an NOI Guarantee that expired on April 30, 2008.
May 9, 2006	Mayfield Retirement Home	Prescott, ON	ISL	62*	Purchase price of approximately \$6.3 million, satisfied by the assumption of existing debt for approximately \$2.5 million, cash of approximately \$1.2 million and the issuance of 177,404 Class B Master LP Units at a price of \$14.79 per unit. Additional mortgage financing of approximately \$1.6 million (net of CMHC fees) was placed on the facilities.
	Wiser Hall	Prescott, ON	ISL	8	
May 11, 2006	Town Village Sterling Heights	Sterling Heights, MI	ISL	222	Through the Chartwell ING Joint Venture, Chartwell's portion of the purchase price of approximately \$71.0 million was satisfied by approximately \$20.0 million of cash and mortgage debt of approximately \$51.0 million.
	Town Village Audubon Park	Memphis, TN	ISL	178	
	Town Village Vestavia Hills	Vestavia, AL	ISL	225*	
	Town Village Tulsa	Tulsa, OK	ISL	198	
May 15, 2006	Bella Vita	Venice, FL	ISL/AL	116	Through the Chartwell ING Joint Venture, Chartwell's portion of the purchase price of approximately \$100.2 million was satisfied by approximately \$27.7 million of cash and approximately \$72.5 million of mortgage debt.
	Willow Wood	Fort Lauderdale, FL	ISL/AL	281	

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
	Wyndham Lakes	Jacksonville, FL	ISL/AL	250	
	Gayton Terrace	Richmond, VA	ISL/AL	101	
	Village at Lowry	Denver, CO	ISL/AL	171	
	Amber Park	Cincinnati, OH	ISL	128	
	Waterford	Dayton, OH	ISL	110	
	Woodside Village	Bedford, OH	ISL/AL	222	
June 1, 2006	Residence le Riverain	Granby, QC	ISL	119*	Purchase price of approximately \$6.3 million, satisfied by cash of approximately \$4.1 million and the assumption of a \$2.2 million hypothec. Subsequent to the closing of the acquisition, an additional pari passu mortgage in the amount of \$2.1 million was placed on the facility.
August 1, 2006	Chateau Gardens London	London, ON	LTC	95	Purchase price of approximately \$32.4 million satisfied by approximately \$9.2 million of cash and the assumption of approximately \$23.2 million of debt.
	Chateau Gardens Parkhill	Parkhill, ON	LTC	59	
	Chateau Gardens Lancaster	Lancaster, ON	LTC	60	
	Chateau Gardens Niagara	Niagara-on-the-Lake, ON	LTC	124	
	Chateau Gardens Aylmer	Aylmer, ON	LTC	60	
	Chateau Gardens Elmira – Long Term Care	Elmira, ON	LTC	48	
August 1, 2006	Elizabeth Towers	St. John's, NF	AL	104	Purchase price of approximately \$24.7 million, satisfied by cash of approximately \$8.0 million and by the placement of new mortgage debt of \$15.5 million (excluding CMHC fee of \$0.5 million) on the facility and a vendor-take-back mortgage of \$1.2 million.
August 15, 2006	Lake Worth Gardens	Lake Worth, FL	ISL	170*	Through the Chartwell ING Joint Venture, Chartwell's portion of the purchase price of approximately \$11.0 million (U.S. \$9.7 million) was satisfied by cash of approximately \$3.3 million (U.S. \$2.9 million) and new mortgage debt of approximately \$7.7 million (U.S. \$6.8 million).
September 15, 2006	Manoir Kirkland	Kirkland, QC	ISL	191*	Purchase price of \$15.0 million satisfied by \$15.0 in cash. Subsequent to the closing of the acquisition, mortgage financing of approximately \$10.2 million was placed on the facility.

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
November 1, 2006	Heritage Glen	Mississauga, ON	ISL	323	Purchase price of approximately \$52.4 million, satisfied by approximately \$5.5 million of cash, the assumption of \$23.4 of debt and deferred purchase consideration of \$23.5 million. The deferred purchase price is to be satisfied by the payment of \$5.5 million on the first anniversary of closing (paid on November 1, 2007); \$4.5 million on the second anniversary of closing (paid on November 3, 2008); \$3.5 million on the third anniversary of closing; \$2.5 million on the fourth anniversary of closing; \$2.5 million on the fifth anniversary of closing; and \$5.0 million on the sixth anniversary of closing.
November 9, 2006	Domaine Bellerive	Laval, QC	ISL	810	Purchase price of \$71.3 million, satisfied by approximately \$66 million in cash and a deferred purchase payment of approximately \$5.3 million to be paid upon the completion of the conversion of units to seniors housing suites. Subsequent to the closing of the acquisition, mortgage financing in the amount of \$50.8 million was placed on the facility.
November 16, 2006	Van Horne Manor	Smiths Falls, ON	ISL/AL	58	Purchase price of approximately \$5.9 million, satisfied by approximately \$5.85 million in cash and \$0.05 million of deferred consideration payable on the first anniversary of closing, which was paid.
November 16, 2006	Empress Kanata	Ottawa, ON	ISL/AL	90	Purchase price of approximately \$19.6 million, satisfied by approximately \$4.6 million of cash and the placement of new mortgage debt on the facility in the amount of \$15.0 million.
November 26, 2006	Southwind Retirement Residence	Sudbury, ON	ISL/AL	79	Acquisition from Spectrum and its joint venture partner for a purchase price of \$14.0 million, satisfied by cash of approximately \$2.5 million, the assumption of construction financing of \$9.0 million, retirement of a mezzanine loan of approximately \$1.4 million, and the issuance of 78,108 Class B Master LP Units at \$14.07 per unit. Subsequent to closing, the Operator secured new mortgage financing of approximately \$9.9 million.
December 14, 2006	Oak Park LaSalle	LaSalle, ON	AL	113	Acquisition from Spectrum and its joint venture partner; purchase price of approximately \$22.0 million, satisfied by cash of approximately \$15.5 million, the set-off of a \$1.1 million mezzanine loan and the issuance of 391,195 Class B Master LP Units at a price of \$13.72 per unit.
December 14, 2006	Hampton House	Chilliwack, BC	ISL	97	Purchase price of \$17.4 million, satisfied by cash. In addition, Chartwell received the maximum NOI Guarantee under the agreement of \$1.5 million from the vendor in 2007 and 2008. Subsequent to closing the Operator secured new mortgage financing of approximately \$13.2 million.
December 27, 2006	Treemont	Dallas, TX	ISL	256	Purchase price of \$20.3 million (U.S. \$17.4 million) satisfied by cash of approximately \$6.1 million (U.S. \$5.1 million) and mortgage debt of approximately \$14.2 million (U.S. \$12.3 million).

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
December 28, 2006	The Peninsula	South Surrey, BC	ISL	127	Acquisition of Spectrum's 50% interest for \$14.6 million, satisfied by the set-off of a mezzanine loan of approximately \$1.0 million, the issuance of 149,142 Class B Master LP Units at \$13.41 per unit, the assumption of mortgage financing of approximately \$10.7 million and the remainder in cash. Subsequent to closing the Operator secured its share of the second draw of mortgage financing of approximately \$1.9 million.

* These facilities underwent suite modifications following the completion of the subject acquisition.

In addition to the foregoing, on July 10, 2006 the Operator completed its acquisition of the remaining 50% interest in the joint venture owning Langley Gardens, a 155-suite multi-care facility, and Langley Gardens at Village Square, a 93-suite multi-care facility situated on land adjacent to Langley Gardens, in Langley, British Columbia from its joint venture partner for approximately \$26.9 million. The purchase price was satisfied by approximately \$15.4 million in cash and by the assumption of a mortgage of approximately \$11.5 million. Immediately prior to the acquisition of such interest, the former joint venture sold its 100% interest in the related commercial retail space to Chartwell's former joint venture partner for approximately \$2.6 million, satisfied by cash of approximately \$1.0 million and assumption by the former joint venture partner of the remainder of the mortgage of approximately \$1.6 million.

2007

On January 1, 2007, CSH Master Care LLC ("CSH Master Care"), an indirect, wholly owned subsidiary of Chartwell acquired from certain investment partnerships and certain individuals, a 49% interest in WHSLH Realty, L.L.C., the owner of 100% of the seniors housing management company, Horizon Bay Management L.L.C. ("HBM"), which managed a portfolio of 25 seniors housing facilities in the United States comprising approximately 5,740 suites and has a 50% interest in Horizon Bay Chartwell L.L.C. ("HBC") (the "HBM Acquisition"). The HBM Acquisition has resulted in Chartwell acquiring a leased interest in 25 properties owned by Health Care Properties Investors Inc., an interest in management contracts pertaining to HBM's management of these 25 leased properties and an increased ownership interest in HBC to effectively 74.5%. The purchase price for the acquisition of the WHSLH Realty, L.L.C. interest was approximately \$32.6 million (U.S. \$28.0 million), which was satisfied with approximately \$28.5 million (U.S. \$24.5 million) in cash and a holdback of approximately \$4.1 million (U.S. \$3.5 million) to offset any shortfall under the lease arrangements in the first two years following the closing. The holdback was used to offset the shortfall under leases in 2007 and 2008.

In the second quarter of 2007, Chartwell also acquired a 100% interest in 22 seniors housing facilities in the United States and a 100% leased interest in two other facilities (collectively, the "Merrill Gardens Portfolio") totalling 2,238 suites. The total purchase price for the Merrill Gardens Portfolio was approximately \$385.0 million (U.S. \$346.9 million).

On February 21, 2007, CSH-INGRE LLC, a joint venture between Chartwell and ING, acquired five seniors housing properties in the United States (the "Bristol Portfolio") for an aggregate purchase price of approximately \$337.2 million (U.S. \$290.6 million). Chartwell's portion of the aggregate purchase price of the Bristol Portfolio was \$168.6 million (U.S. \$145.3). Approximately \$130.2 million (U.S. \$112.3 million) was paid at closing, satisfied by new mortgage financing of approximately \$100.6 million (U.S. \$86.7 million) and cash of \$29.6 million (U.S. \$25.6 million), with additional payments of approximately \$4.1 million (U.S. \$3.5 million), \$5.2 million (U.S. \$4.5 million) and \$7 million (U.S. \$6 million) payable by the purchasers on the first, second and third anniversaries of the acquisition date, respectively. Additionally, with respect to the facility located in Massapequa, New York (the "Massapequa Facility"), the vendor of such facility (the "Massapequa Seller") received (a) approximately \$9.9 million (U.S. \$8.5 million) of Class A preferred units (the "Massapequa Class A Preferred Units") in the purchaser of such facility (the "Massapequa Purchaser") and \$0.6 million (U.S. \$0.5 million) of Class B common units in the Massapequa Purchaser (the "Massapequa Class B Common Units"), which units provided the Massapequa Seller with the option to require CSH-INGRE LLC to purchase during the period from August 1, 2007 to October 30, 2007, (i) the Massapequa Class A Preferred Units, for a price equal to the face amount of the preferred units, and (ii) the Massapequa Class B Common Units, for a price of \$0.6 million (U.S. \$0.5 million) multiplied by the positive or negative percentage change in the volume-weighted average of the daily closing price

of the Units on the TSX during a 20-day period prior to the exercise of the put right with respect to such units; and (b) \$11.6 million (U.S. \$10 million) in Class B preferred units in the Massapequa Purchaser (the “Massapequa Class B Preferred Units”), which units provide the Massapequa Seller with the option to require CSH-INGRE LLC to purchase in three separate tranches of 25%, 25% and 50% of such units, respectively, for an amount equal to the face amount of such Massapequa Class B Preferred Units, during the ninety day period commencing on the earlier of (i) the date two years following the acquisition of the Massapequa Facility by the Massapequa Purchaser and (ii) the date on which the Massapequa Facility achieves applicable occupancy milestones related to a particular tranche (but not earlier than August 1, 2007).

During the year ended December 31, 2007, pursuant to the put options exercised by the Massapequa Vendor, CSH-INGRE LLC acquired the first tranche (50,000 units) and second tranche (50,000 units) of the outstanding Massapequa Class B Preferred Units. Chartwell’s portion of the consideration was \$5.02 million (U.S. \$5.0 million) plus accrued and unpaid dividends. On January 8, 2008, CSH-INGRE LLC paid \$4.96 million (U.S. \$5.0 million) for the third tranche (100,000 units) of the Massapequa Class B Preferred Units.

On June 30, 2007, Chartwell completed the acquisition of the Regency portfolio, consisting of eight LTC Facilities (1,384 suites) and management contracts for six other facilities for a purchase price of approximately \$96.58 million and \$13.01 million, respectively. In addition, Chartwell assumed total mortgages payable on the acquisition of the eight properties in an aggregate amount of \$148.47 million. Under the participation agreement between Chartwell and ING, at June 30, 2007, ING was committed to participate as a 50% partner in the acquisition of the eight LTC Facilities and funded its share of equity in the amount of approximately \$42.4 million. As certain legal and structuring steps remained incomplete at June 30, 2007, ING became the 50% owner effective August 1, 2007 of these eight LTC Facilities. Chartwell and ING agreed that ING would participate in the earnings of the Regency portfolio effective June 30, 2007.

In addition, Chartwell acquired the Properties listed in the table below in 2007:

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
February 1, 2007	Bankside Terrace	Kitchener, ON	AL	91	Purchase price of \$50.0 million, satisfied by cash of \$30.9 million and the assumption of mortgage debt at three of the facilities for a total of \$19.1 million. Following closing, the Operator paid \$2.3 million to buy down the interest rate of the three assumed mortgages.
	Queen’s Square Terrace	Cambridge, ON	AL	83	
	Terrace on the Square	Waterloo, ON	AL	92	
	Wellington Park Terrace	Guelph, ON	AL	116	
February 23, 2007	Trilogy Long-Term Care Residence	Scarborough, ON	LTC	197	Purchase price of \$27.7 million, satisfied by the issuance of 696,758 Class B Master LP Units at \$14.56 per unit and the assumption of mortgage financing of approximately \$17.6 million.
March 29, 2007	Conservatory Pond Retirement Residence	Kingston, ON	ISL	85	Acquisition from Spectrum and its joint venture partner; purchase price of approximately \$17.6 million, satisfied by cash of approximately \$3.5 million, the set-off of a \$1.7 million mezzanine loan and assumption of debt of \$12.4 million.
April 27, 2007	Les Jardins de la Gare	Saint-Hyacinthe, QC	LTC/ISL	296	Purchase price of \$21.0 million satisfied by \$5.5 million in cash and assumption of debt of \$1.5 million. The remaining purchase consideration was satisfied through mortgage financing of approximately \$14.0 million.
July 23, 2007	Chateau Vincent D’Indy	Montreal, QC	ISL/AL	96	Purchase price of \$15.2 million satisfied by \$15.2 million in cash. Subsequent to the closing of the acquisition, mortgage financing of approximately \$10.8 million was placed on the facility.
July 31, 2007	Rouge Valley Retirement Residence	Markham, ON	ISL	88	Acquisition from Spectrum and its joint venture partner; purchase price of approximately \$19.7 million, satisfied by cash of approximately \$18.9 million and the set-off of a \$0.79 million mezzanine loan.

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
November 15, 2007	Constantia Retirement Residence	Thornhill, ON	ISL/AL	121	Acquisition of Spectrum's 50% interest for \$17.3 million, satisfied by \$5.4 million in cash, the set-off of a mezzanine loan of approximately \$1.3 million and assumption of existing bridge financing of \$10.6 million. The acquisition is subject to an NOI Guarantee.

2008

On January 9, 2008, Chartwell acquired a 100% interest in the Cite-jardin Phase III A seniors housing facility (173 suites) from Spectrum and its joint venture partner for a purchase price equal to approximately \$29.2 million. The purchase price was settled by the payment of cash equal to \$23.3 million and the set-off of \$5.9 million of mezzanine loans.

On June 30, 2008, Chartwell disposed of its 100% interest in the Wiser Hall facility, an eight-suite facility located in Prescott, Ontario, for proceeds equal to \$890,000.

On August 1, 2008, Chartwell disposed of its 39% interest in its Aurora Retirement Centre facility, a 53-suite facility located in Aurora, Ontario, for proceeds equal to \$3.98 million.

On October 27, 2008, Chartwell acquired Le Groupe Melior Inc.'s ("Melior") 50% interest in seven retirement properties in the Province of Québec (1,226 suites), as well as in the joint venture property management company managing all of Chartwell's Québec properties, pursuant to a put exercised by Melior. The total purchase price for the acquisitions was approximately \$63.3 million, as determined by independent appraisers. The purchase price was settled by the payment in cash of \$14 million, the assumption of mortgages totalling \$46.6 million and the discharge of \$2.7 million of mezzanine loans (the "Melior Purchase").

In addition, Chartwell acquired the Properties listed in the table below in 2008:

Date	Name of Facility	Location	Type of Facility	No. of Suites	Description
April 24, 2008	Chateau Gardens Elmira	Elmira, ON	ISL	64	Purchase price of \$6.7 million, satisfied by \$1.9 million in cash and assumption of debt of \$4.8 million.
May 29, 2008	Brookeside Manor	Kanata, ON	AL	80	Acquisition of remaining 50% interest at a purchase price of \$4.6 million, satisfied by approximately \$1.6 million of cash and assumption of existing debt of \$3.0 million. Subsequent to the closing of the acquisition, Chartwell secured new mortgage financing in the amount of \$6.7 million and discharged the assumed mortgage.

Recently Completed Acquisitions

On February 17, 2009, Chartwell acquired a 50% interest from Spectrum in the 97-suite Chartwell Select Churchill House situated in North Vancouver, British Columbia, and in the 103-suite Chatsworth Retirement Suites and Bungalows situated in Kelowna, British Columbia. The aggregate purchase price for the two properties, including Chartwell's 5% discount pursuant to the Development Agreement, was approximately \$21.5 million, payment for which consisted of the assumption of \$15.4 million in mortgages, the repayment of \$2.4 million in related mezzanine loans, and \$0.7 million of working capital adjustments, with the balance applied to reduce outstanding accounts receivable from Spectrum.

Chartwell also purchased Spectrum's 50% interest in two Ontario properties in March 2009. The two properties consist of the 138-suite Chartwell Select Riverside Retirement Residence situated in London, Ontario, and the 117-suite Chartwell Select Pickering City Centre situated in Pickering, Ontario. Subject to working capital adjustments, the aggregate purchase price for the two properties, including Chartwell's 5% discount pursuant to the Development Agreement, was approximately \$28.6 million, which was settled by the assumption of \$20.3 million in existing mortgages, the repayment of \$3.2 million of related mezzanine loans, a cash payment to Spectrum of \$0.7 million with the balance applied to reduce outstanding accounts receivable owing from Spectrum.

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

Canadian Joint Venture Arrangements

Arrangement with Melior

Pursuant to the Melior Purchase, all joint venture arrangements with Melior have terminated, with the following exceptions:

- (a) Chartwell has the right to purchase Melior's interest in properties that may be developed by Melior. Melior and its joint venture partners can require Chartwell to acquire their interests in these properties at their appraised value subject to the satisfaction of certain conditions, including an accretiveness test;
- (b) for a period of ten years, expiring February 5, 2016, Chartwell has agreed to pay to Melior a referral and due diligence fee of 2.5% of the purchase amount of properties acquired by Chartwell in the Province of Québec whether or not such acquisition is introduced, presented or referred to Chartwell by Melior and 2% of the purchase amount of every acquisition by Chartwell of properties in Canada, excluding the Province of Québec, which is introduced, presented or referred to Chartwell by Melior, in each case if Chartwell specifically requests that Melior provide the services contemplated under the due diligence agreement; and
- (c) with respect to legal fees incurred by Melior in connection with mezzanine financings for development projects, to the extent that such fees exceed the lesser of (i) \$50,000 and (ii) 3% of total budgeted development costs for the related project, Chartwell will pay the excess amount.

United States Operations

Horizon Bay – Chartwell Joint Venture

As part of Chartwell's United States expansion, Chartwell entered into a joint venture with HBM on July 15, 2005 (the "Management Agreement") to provide operations management services to seniors housing facilities in the United States in which Chartwell has an interest.

HBC is a wholly owned subsidiary of HBM. Chartwell USCO, an indirect wholly owned subsidiary of the Operator, owns a 50% interest in HBC. On January 1, 2007, Chartwell USCO acquired a 49% interest in the entity that wholly owns HBM.

HBM is a seniors housing facility management company headquartered in Tampa, Florida. HBM and its affiliates currently manage 84 seniors housing facilities (including 26 facilities with 4,752 suites owned by the Chartwell ING Joint Venture, 23 facilities with 2,294 suites owned 100% by Chartwell, 25 facilities with 5,622 suites in which Chartwell holds a 49% leased interest and two facilities with 237 suites in which Chartwell holds a 100% leased interest) located in Florida, Georgia, Texas, Arizona, Colorado, California, Illinois, Alabama, Louisiana, Tennessee, Oklahoma, Michigan, Ohio, Virginia and Rhode Island, representing approximately 15,331 suites which offer a complete spectrum of care.

HBC is entitled to manage and to receive monthly management fees in the amount of 4% to 5% of the prior month's gross revenues in respect of any existing or future seniors housing facilities in the United States in which Chartwell USCO has an interest. Based on financial performance and occupancy of the facilities, HBC is also eligible to receive certain incentive fees. Upon a sale by the Chartwell ING Joint Venture of its interest in any facilities managed by HBC, the Chartwell ING Joint Venture has the right to terminate the management agreement in respect of such facility. The management agreements in respect of the facilities owned by the Chartwell ING Joint Venture have a term of 20 years.

Chartwell USCO and HBM each have rights of first offer, "bring-along," "tag-along" and "shot-gun" buy-sell rights in relation to each other's interests in HBC. Chartwell USCO also has the option to purchase HBM's interest in HBC in the event HBM is sold to a third party, at an option price based on the appraised value for HBC. In the event certain shareholders of HBM decide to sell their interests in HBM, then Chartwell USCO also has certain rights to acquire those interests.

If Chartwell USCO or HBM become aware of opportunities to acquire Stabilized seniors housing facilities in the United States, such opportunities must be brought to the attention of the Operator, ING and the related entities which own a majority interest in HBM, who have the first opportunity to participate together in the acquisition of such facilities.

Chartwell – ING Joint Venture

On July 2, 2005, the Operator created Chartwell Canco, a wholly owned subsidiary, in order to be the shareholder of Chartwell USCO, which in turn indirectly owns 50% of the outstanding Series A membership interests and 50% of the outstanding Series B membership interests of CSH-INGRE LLC. The Chartwell ING Joint Venture was entered into to focus on the acquisition and ownership of seniors housing facilities in the United States. ING Real Estate owns 50% of the Series A membership interests of CSH-INGRE LLC and ING Community Living indirectly owns 50% of the outstanding Series B membership interests of CSH-INGRE LLC. The Series A membership interests represent 2% of the aggregate equity of CSH-INGRE LLC and 100% of the voting power of all membership interests. The Series B membership interests represent 98% of the equity of CSH-INGRE LLC and do not carry the right to vote. CSH-INGRE LLC has been established to purchase seniors housing facilities in the United States in which Chartwell and ING wish to invest.

Chartwell USCO and ING Real Estate each have the right to appoint two managers to the board of managers of CSH-INGRE LLC, which manages CSH-INGRE LLC's day-to-day affairs. Profits and losses are distributed to the members in proportion to their respective equity interests, as described above.

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

Pursuant to the joint venture arrangements, ING is required to pay to the Operator an annual asset management fee equal to a percentage of ING's proportionate share of the total gross asset value of each joint venture project. In the first year, the percentage was 0.30%, in the second and third years the percentage was 0.20%, and in the fourth year and each year thereafter that the joint venture is in effect the percentage will be 0.10%. The total gross asset value is defined as an appraised value of the retirement properties or the value based on the capitalization of net operating income of the immediately preceding calendar year.

Chartwell and ING Real Estate are 50/50 joint venture partners with respect to the Regency portfolio, consisting of eight LTC Facilities (See "General Development of the Business – Acquisitions and Divestitures – 2007").

New York Operations

On February 21, 2007, CSH-INGRE LLC acquired five seniors housing properties in New York State constituting the Bristol Portfolio. CSH-INGRE LLC has entered into arrangements with affiliates of the sellers of the Bristol Portfolio to lease and manage the Bristol Portfolio. HBC provides financial management services to CSH-INGRE LLC for the Bristol Portfolio.

Unit Offerings and Issuances

2006

On May 9, 2006, Chartwell completed an offering of 13,310,000 Units at a price of \$13.90 per Unit for net proceeds, after underwriters' fees and offering expenses, of approximately \$176,108,640. Chartwell used the proceeds of the offering to indirectly acquire additional interests in the Operator, which in turn used the proceeds of the issuance of such additional interests to fund certain acquisitions, mezzanine loans and facility expansion projects and to reduce indebtedness as described in Chartwell's prospectus dated May 1, 2006.

On November 28, 2006, Chartwell completed an offering of 3,676,475 Units at a price of \$13.60 per Unit and \$125,000,000 aggregate principal amount of 6% convertible unsecured subordinated debentures due December 1, 2011 (the "Initial Debentures"), for net proceeds, after underwriters' fees and offering expenses, of approximately \$165,812,558. In addition, on November 30, 2006, pursuant to the exercise of the over-allotment offering in connection with the foregoing

offering, Chartwell issued an additional 551,470 Units at a price of \$13.60 per Unit for aggregate net proceeds of \$7,499,992. In connection with the offering, Chartwell also completed a private placement of 7,352,941 Units at a price of \$13.60 per Unit for aggregate proceeds of approximately \$100 million to an arm's length institutional investor. Chartwell used the proceeds of the offering, the over-allotment option and the private placement to indirectly acquire additional interests in the Operator, which in turn used the proceeds of the issuance of such additional interests to fund certain acquisitions, mezzanine loans and facility expansion projects and to reduce indebtedness as described in Chartwell's amended and restated prospectus dated November 16, 2006.

In 2006, Chartwell issued 657,875 Units pursuant to its LTIP.

2007

On April 20, 2007, Chartwell completed an offering of 14,100,000 Units at a price of \$14.25 per Unit and \$75,000,000 aggregate principal amount of 5.9% convertible unsecured subordinated debentures due May 1, 2012 (the "Series 2007-1 Debentures"), for net proceeds, after underwriters' fees and offering expenses, of approximately \$265,075,500. In addition, on May 17, 2007, pursuant to the exercise of the over-allotment offering in connection with the foregoing offering, Chartwell issued an additional 2,115,000 Units at a price of \$14.25 per Unit for aggregate net proceeds of \$28,933,200. Chartwell used the proceeds of the offering and the over-allotment option to indirectly acquire additional interests in the Operator, which in turn used the proceeds of the issuance of such additional interests to fund certain acquisitions, mezzanine loans and facility expansion projects and to fund capital expenditures as described in Chartwell's prospectus dated April 13, 2007.

During 2007, Chartwell issued an additional 557,875 Units pursuant to its LTIP.

2008

During 2008, Chartwell issued an additional 656,667 Units pursuant to its LTIP and an additional 34,273 Deferred Units pursuant to its Deferred Unit Plan.

Credit Facilities and Borrowing

2006

The operating facility originally matured on June 30, 2006. Further to amendments in the second quarter of 2005, in the third quarter of 2006 the Operator extended the operating facility's maturity to June 29, 2007 and increased the maximum amount that the Operator was authorized to borrow under the operating facility from \$70 million to \$90 million. The Operator also obtained a waiver from the lenders in respect of the limitation of Distributions to 100% of Distributable Income on an annual basis for the 2006 financial year.

2007

In the second quarter of 2007, the Operator extended the operating facility's maturity to June 28, 2008. The Operator obtained a waiver from the lenders in respect of the limitation of Distributions to 100% of Distributable Income on an annual basis for the 2007 financial year.

2008

In the third quarter of 2008, the Operator extended the operating facility's maturity to June 28, 2009 and amended certain terms and conditions of the operating facility. Under the amended terms and conditions of the operating facility the amounts outstanding under the operating facility bear interest at the lender's prime rate plus 1% or at the applicable bankers acceptance rate plus 2.25%. The amended terms include minimum equity requirements and covenants requiring limitations on the amount of cash Distributions that can be paid to Unitholders to 100% of Chartwell's AFFO (as defined in the amending agreement to the Amended and Restated Credit Agreement), for each fiscal year, and in the case of the 2008 fiscal year, from April 1, 2008 to December 31, 2008 (see "Material Contracts – Amended and Restated Credit Agreement").

Recently Completing Financings

On February 17, 2009, Chartwell completed financings for new and maturing mortgages totalling approximately \$63.6 million for seven properties located in Québec, Ontario, Alberta and British Columbia. The new mortgages were each insured by CMHC and will bear a weighted average interest rate of approximately 3.39%. In addition, the financings also raised approximately \$9.6 million in cash through new and top-up mortgages.

Interests of Management and Others in Material Transactions

During 2006, Chartwell acquired, in accordance with the Development Agreement, four seniors housing facilities from Spectrum representing approximately 420 suites (see General Development of the Business – Acquisitions and Divestitures – 2006). The total aggregate purchase price of these facilities was approximately \$57.4 million. The purchase of each facility was determined in accordance with the terms of the Development Agreement (“Description of the Business – Growth Strategies of Chartwell”, see “Alliance with Spectrum” and “Development Agreement”).

During 2007, Chartwell acquired, in accordance with the Development Agreement, interests in three seniors housing facilities from Spectrum and its joint venture partners, where applicable, representing approximately 294 suites (see “General Development of the Business – Acquisitions and Divestitures – 2007”). The total aggregate purchase price of these facilities was approximately \$55.7 million and the purchase of each facility was determined in accordance with the terms of the Development Agreement (“Description of the Business – Growth Strategies of Chartwell”, see “Alliance with Spectrum” and “Development Agreement”).

During 2008, Chartwell acquired, in accordance with the Development Agreement, interests in three seniors housing facilities from Spectrum and its joint venture partners, where applicable, representing approximately 294 suites (see “General Development of the Business – Acquisitions and Divestitures – 2008”). The total aggregate purchase price of these facilities was approximately \$55.7 million and the purchase of each facility was determined in accordance with the terms of the Development Agreement (“Description of the Business – Growth Strategies of Chartwell”, see “Alliance with Spectrum” and “Development Agreement”).

From January 1, 2009 to the date of this Annual Information Form, Chartwell acquired, in accordance with the Development Agreement, interests in four seniors housing facilities from Spectrum representing 455 suites (see “General Development of the Business – Acquisitions and Divestitures – Recently Completed Acquisitions”).

DESCRIPTION OF THE BUSINESS

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

Seniors Housing Industry in Canada and the United States

Types of Facilities

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

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

Industry Participants in Canada

The seniors housing market continues to be fragmented with the three largest participants (at December 31, 2008) accounting for approximately 15% of the suites in Canada. The leading industry participants in Canada are:

	Total Facilities 2008	Total Suites 2008	% of Total Suites in Canada*
Operators			
Chartwell Seniors Housing REIT	220	23,319	6.1%
Revera Inc.	175	21,856	5.7%
Extendicare (Canada) Inc.	<u>79</u>	<u>11,517</u>	<u>3.0%</u>
Total from Top 3 Operators	474	56,692	14.8%

*Note: Total suites in Canada in 2008 is estimated to be approximately 380,000.

Source: Management estimate, based on publicly available information as of December 31, 2008. All figures are approximate. Certain of these participants may own, manage, or have facilities in development. Figures include, in the case of Chartwell and where otherwise known, facilities or projects which are being managed for third parties, under construction or in various stages of development. In the case of Chartwell, figures also include suites jointly owned or managed and under development by Melior and joint venture partners which Chartwell may acquire, and suites owned by Spectrum and intended to be developed by Spectrum and its joint venture partners in respect of which Chartwell provides management services.

Nationally, the major participant in the ISL Facility sector is Holiday Retirement Corp., with an estimated 4,109 suites in 33 facilities; other large participants have begun to target this type of facility. In the AL Facility sector, Chartwell faces competition from the various brands operating such as Revera Inc. (formerly Retirement Residences Real Estate Investment Trust), Amica Mature Lifestyles Inc., Allegro Residences (a division of Caisse de dépôt et placement du Québec) and Sunrise Senior Living Inc.

The largest national participants in LTC Facilities are Extendicare (Canada) Inc. and Revera Inc. Extendicare (Canada) Inc. operates approximately 11,100 LTC beds in 78 LTC Facilities in Canada. Based on publicly available information, management estimates that Revera Inc. owns approximately 10,200 LTC beds in Canada.

Industry Participants in the United States

The United States seniors housing sector is equally fragmented, with the top three managers accounting for approximately 8.1% of the total suites and the top three owners accounting for only 5.7% of total suites.

	Total Facilities 2008	Total Suites 2008	% of Total Suites in the United States*
Managers			
Brookdale Senior Living Inc.	550	51,857	3.2%
Sunrise Senior Living Inc.	400	46,077	2.9%
Professional Community Management (PCM)	<u>30</u>	<u>31,644</u>	<u>2.0%</u>
Total from Top 3 Managers	980	129,578	8.1%

*Note: Total suites in the United States in 2008 is estimated to be approximately 1,600,000.

	Total Facilities 2008	Total Suites 2008	% of Total Suites in the United States*
Owners			
Health Care Property Investors Inc.	269	31,875	2.0%
Holiday Retirement	261	30,777	1.9%
Boston Capital	<u>590</u>	<u>28,517</u>	<u>1.8%</u>
Total from Top 3 Owners	1,120	91,169	5.7%

*Note: Total suites in the United States in 2008 is estimated to be approximately 1,600,000.

Characteristics of Industry

Fragmentation and Consolidation

Historically, in Canada and the United States, most seniors housing has been provided by small independent operators. This is reflected by the fact that, among the top Canadian industry participants, no participant has more than a 6.1% market share of suites in Canada. While the industry remains fragmented, recent years have seen the entrance or expansion of larger owner-operators that have begun to consolidate ownership and that, through professional management, cost efficiencies and access to capital, have significantly increased the quality of services and choices available in the industry. While similar consolidation trends appear in the United States, the United States market also remains fragmented with no one top player managing or owning more than 3.2% of total suites.

Evolving Needs

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

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

Barriers to Entry

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

Stability and Nature of Income

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

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

Risks and Rewards

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

Profit margins for ISL Facilities and AL Facilities are generally higher than for LTC Facilities. The ownership and operation of LTC Facilities tend to involve lower risk but generate smaller profit margins than other types of seniors housing facilities because of government regulation and higher levels of care and costs. The greatest risks for all types of seniors housing facilities are in the development phase, which includes land assembly, zoning approvals, construction and Lease-Up. Chartwell is not directly engaged in the development of seniors housing facilities, although it has provided secured mezzanine financing to Spectrum, Melior and Spectrum's joint venture partners (see "Description of the Business – Growth Strategies of Chartwell – Alliance with Spectrum" and "Description of the Business – Properties, Management Business and Development Property – Mezzanine Financing").

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

Regulation in Canada

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

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

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

Currently, LTC Facilities in Ontario are operated pursuant to the *Nursing Homes Act* (Ontario), the *Charitable Institutions Act* (Ontario) or the *Homes for the Aged and Rest Homes Act* (Ontario). On October 3, 2006, the Government of Ontario introduced Bill 140, now known as the *Long Term Care Homes Act, 2007* (the "LTC Act 2007"), which will consolidate the three pieces of legislation currently governing LTC Facilities. Aspects of the LTC Act 2007 which will affect Chartwell's LTC Facilities include: new licensing procedures based on more rigorous standards for licence review; the granting of licences for fixed terms of up to 25 years, depending on bed classifications; the granting of replacement licences to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in facilities, including the requirement that a registered nurse be on site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of facility staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of facilities. In addition, there will be a notice given three years before the end of a licence term as to whether a new licence will be issued.

The LTC Act 2007 received third reading on June 4, 2007 but has not yet been fully proclaimed into force. The LTC Act 2007 cannot be fully proclaimed into force until regulations are drafted. It is not anticipated that the LTC Act 2007 will be fully in force until the fall of 2009.

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

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

There is no specific provincial regulation governing either publicly funded or private ISL Facilities or AL Facilities in Alberta. Such facilities are, however, subject to general regulations and standards with respect to housing, health and safety. In British Columbia, the *Community Care and Assisted Living Act* provides consumer protection and regulation of all ISL Facilities and AL Facilities. All types of seniors housing providing personal support must be registered with the Assisted Living Registry. Specified health and safety standards, currently being implemented, will apply to all registered facilities.

While Ontario has elements of regulation of ISL Facilities and AL Facilities, these are focused on tenant and consumer protection and are typically complaint-driven. The Ontario Residential Communities Association (whose members comprise 60% of ISL Facilities and AL Facilities in the province) has implemented a standards and accreditation system with which members must comply. The Ontario Ministry of Health and Long-Term Care has been working with the Ontario Residential Communities Association to explore regulatory programs for all ISL Facilities and AL Facilities which, if implemented, are anticipated to be similar to such standards.

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

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

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

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

Regulation in the United States

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

LTC Facilities and AL Facilities generally require state licensing. To the extent that a seniors housing facility is licensed, it may be subject to periodic surveys or inspections by governmental authorities to assess and assure compliance with regulatory requirements. Surveys occur on a regular (often annual or bi-annual) schedule and special surveys may result from a specific complaint filed by a resident, a family member or a competitor. Although requirements vary from state to state and community to community depending on the level of care provided, in general, these requirements include or address: personnel and education; training and records; facility services (including quality of care, administration and supervision of medication, the provision of nursing services, admission and discharge criteria, and documentation and reporting requirements); staffing requirements; monitoring of resident wellness; physical plant specifications; furnishing of resident suites; food and housekeeping services; emergency evacuation plans; and resident rights and responsibilities, infection control and waste disposal. Seniors housing facilities are also subject to state or local building codes, fire codes, food service licensing or certification requirements and various health and safety standards. In general, most states do not currently license ISL Facilities. However, in some states, insurance or consumer protection agencies regulate ISL Facilities in which residents pay entrance fees or prepay for services.

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

Growth Strategies of Chartwell

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

Internal Growth

Management intends to deliver internal growth through increased occupancies, potential operational improvements and efficiencies, the addition of suites at some facilities and the addition of revenue producing services to residents. Management also believes that economies of scale can yield positive internal growth through enhanced efficiencies in administration, purchasing power, cost control and the sharing of key managers and professionals as well as coordinated marketing campaigns. Certain properties may be also renovated or expanded to include additional suites if market conditions warrant.

Management believes that internal growth can be achieved by identifying and implementing enhancement opportunities within facilities. All facilities are reviewed for potential improvement through program changes and suite reconfigurations or expansions to maximize market success and operating results.

By bringing together a broad range of experience and expertise in all aspects of seniors housing, Chartwell will pursue expansion of existing facilities, project reconfigurations and added programming opportunities in each market and facility cluster.

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

Acquisition Strategy

Chartwell's acquisition strategy emphasizes diversity of geographic location and facility types. Chartwell will pursue investments at a measured pace in attractive markets across Canada and the United States and seeks to operate facilities in both large and smaller urban centres. In each selected local Canadian market, Chartwell aims to have at least one facility of each type or level of care to meet the range of local needs. Management believes this strategy not only reduces risk by decreasing Chartwell's dependence on any one type of seniors housing facility, but also offers consumers a range of care choices in each market, under the direction of one known and trusted service provider. In the United States, Chartwell, either independently or through the Chartwell ING Joint Venture or other joint venture partners, focuses on acquisitions of ISL Facilities and private pay AL Facilities.

As much as possible, Chartwell targets acquisition and development opportunities that will not only be accretive, but will add to local market strength and potential for coordinating marketing efforts and offering a continuum of care in a market area. Thus, where "aging in place" may not be achievable within a facility (because of design or consumer preferences or service availability), the local Chartwell facilities will assist in a smooth transfer to a more appropriate alternative setting. In the short term, Chartwell will generally only consider opportunistic or highly strategic acquisitions.

Alliance with Spectrum

Spectrum

The Operator has entered into the Development Agreement with Spectrum which provides for, among other terms, potential future acquisitions by Chartwell (while reducing Chartwell's exposure to the inherent risks of development). This allows Chartwell to access newly developed facilities which are expected to be complementary to Chartwell's existing portfolio of Properties. Although the Operator's arrangement with Spectrum provides Chartwell with a pipeline of potential acquisitions, the arrangement is not exclusive and the Operator could enter into similar arrangements with other parties. A change of control of Spectrum, without the Operator's prior consent, will trigger certain rights in Chartwell's favour. Spectrum is required by Chartwell to maintain a certain level of equity to be eligible for mezzanine financing from Chartwell and construction financing from third party lenders. Spectrum is subject to restrictions on pledging such equity as security for loans. Chartwell may only guarantee Spectrum's debts in accordance with the provisions of the Declaration of Trust.

As described below, Chartwell oversees the development process for Spectrum, in return for a management fee paid by Spectrum to Chartwell. Aside from limited circumstances, Chartwell will not acquire such facilities until they have been Stabilized. Accordingly, under this arrangement, Chartwell is able to reduce the business and market risks associated with development. These risks include site selection and acquisition, development approvals, changing market demands, project financing, cost overruns and other construction risks, and Lease-Up risks. In particular, Chartwell is in a position to limit its exposure to any particular project to the amount of mezzanine financing it commits. As of December 31, 2008, Chartwell had outstanding approximately \$51.1 million in principal amount of mezzanine loans to Spectrum.

The Development Properties under development by Spectrum may eventually be acquired by Chartwell when developed and Stabilized, if such facilities are of the preferred product type in strategic markets. Since these projects entail development and/or Lease-Up risk before Stabilization, they will be candidates for acquisition by Chartwell generally upon Stabilization. Upon acquisition, the properties add new Stabilized facilities to the Operator's portfolio, and enable Chartwell to pursue its target of being able to offer a range of product options in each local market. Chartwell benefits from this arrangement because it does not pay commissions to agents, there are no competing bidders for the properties, and Chartwell may choose to acquire properties that are subject to mezzanine loans at a discount to their fair market value.

Spectrum has pursued joint venture arrangements with development partners in several markets across Canada to enable it to source, exploit and successfully complete the development of seniors housing facilities in a range of markets. In these projects and in certain circumstances, Chartwell has the option to offer mezzanine funds to Spectrum's joint venture partners and, generally, the right to acquire such joint venture partner's interest in the project on terms similar to those applicable to the acquisition of Spectrum's interest in the projects or upon alternative terms, subject to approval by the independent Directors (see "Description of the Business – Growth Strategies of Chartwell – Development Agreement").

It is Chartwell's understanding that Spectrum's current plan calls for reduced development activity while it is pursuing sales opportunities on a number of its assets. In light of current market conditions, Chartwell is reviewing the size and scale of its development management activities.

Development Agreement

The Development Agreement, which was initially entered into on November 14, 2003, was amended in May 2004, December 2004 and February 2009. The Development Agreement, as amended, is described below.

The Development Agreement had an initial term that expired on December 31, 2008. It renewed automatically at the end of the initial term and renews at the end of each renewal term for successive five year periods. Either the Operator or Spectrum may terminate the Development Agreement at any time upon six months' prior written notice to the other party.

Notwithstanding the termination of the Development Agreement, its provisions regarding first rights to purchase, options to purchase, rights to provide management services and to be paid management fees and provisions relating to representations and warranties and the other related provisions will continue, with respect to the Development Properties for which the Operator has issued and Spectrum has accepted commitment letters for mezzanine loans, until such Development Properties have been sold in accordance with the terms of the Development Agreement.

Mezzanine loans made by the Operator are with full recourse to Spectrum. Mezzanine loans provided pursuant to the Development Agreement are fully due and payable on the earliest of: (a) five years from the date of the first advance under the mezzanine loan; (b) the sale of the Development Property by Spectrum; (c) two years from the date of Stabilization; or (d) acceleration of the mezzanine loan by the Operator pursuant to default by Spectrum, in which event Spectrum shall pay the Operator a yield maintenance amount based on a formula as set out in the Development Agreement.

Each mezzanine loan in respect of a Development Property wholly owned by Spectrum is secured by a second mortgage on the applicable Development Property, subject to prior construction financing, and in the case of joint venture interests, by a second mortgage on the applicable Development Property or such other security as the independent Directors may approve. Such other security in the case of joint venture interests may include a covenant by Spectrum in favour of the Operator not to further encumber the Development Property which would materially adversely affect the Operator's rights under the Development Agreement, other than construction loans; registered and beneficial second mortgage of Spectrum's joint venture interest in the Development Property; and an assignment or pledge of Spectrum's joint venture interest. In

each case such security shall be subordinate to conventional first mortgage financing, shall be assignable by the Operator to any lender or lenders of the Operator from time to time, and shall contain cross-default provisions as between the Development Properties.

The interest rate payable on each mezzanine loan is determined at the time that the mezzanine loan is committed and will be equal to the greater of: (a) the yield on five year Canada bonds plus 5% per annum; and (b) the annualized cash Distribution yield for the most recent fiscal quarter on the Units at the time measured by annualizing the current monthly cash Distribution per Unit and dividing by the volume weighted average price of the Units over the immediately preceding 30 trading days, subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum.

In addition, Spectrum has covenanted not to allow further encumbrances to be placed on a Development Property, subject to the right of the independent Directors to review structures involving joint ventures to determine whether this covenant should remain applicable to such structures.

In the event that Spectrum proposes to sell a Development Property or a Spectrum joint venture interest in a Development Property, Spectrum must first give written notice of such proposed sale to the Operator and set out in such notice all terms of the proposed sale including a full description of the Development Property or the Spectrum joint venture interest, the sale price and all other terms and conditions which shall be based upon normal fair market terms and conditions for similar transactions. The Operator then has the right to purchase the Development Property or the Spectrum joint venture interest in the Development Property, as the case may be, on the terms set out in the notice, or upon the terms set out in the notice, save and except that the sale price shall be 80% of the sale price otherwise determined in the event the notice was delivered prior to Stabilization.

In addition to the Operator's first right to purchase, set out above, Spectrum has provided in the Development Agreement a first option to purchase, a second option to purchase and a third option to purchase in the Operator's favour.

With respect to the first option to purchase, Spectrum shall deliver to the Operator a written notice of the Operator's first option to purchase not earlier than the date of Stabilization and not later than the first anniversary of the date of Stabilization, and the Operator has a period of time to determine whether it wishes to exercise such option to purchase.

The Operator also has a second option to purchase exercisable at any time on or after the date of enhanced Stabilization (essentially Stabilization at an average Resident Occupancy Rate of over 95% as opposed to 90%) until such time as the Development Property or the Spectrum joint venture interest has been sold by Spectrum to a third party in compliance with the terms and conditions contained in the Development Agreement.

In addition the Operator shall have a third option to purchase a Development Property or a Spectrum joint venture interest at any time within 90 days following the earlier of: (a) the fifth anniversary of the date upon which Spectrum commenced development of a Development Property; and (b) the expiration of the term of the mezzanine loan.

The option price pursuant to the exercise of the Operator's option to purchase, where the Operator has provided a mezzanine loan to Spectrum, is equal to a percentage of the fair market value at the relevant time, and more particularly is equal to 95% of the fair market value if the mezzanine financing was equal to less than 25% of the development costs; 92.5% of fair market value if the mezzanine financing was equal to or more than 25% and less than 30% of the development costs; 90% of the fair market value if the mezzanine financing was equal to or more than 30% of the development costs; and 100% of the fair market value if the Operator did not provide mezzanine financing in respect of the specified Development Property.

The appraised fair market value of a Development Property will be based upon an appraisal conducted by an appraiser chosen by the independent Directors. If Spectrum disagrees with the appraised value determined by such appraiser, it will notify the Operator and the independent Directors will obtain a second appraisal and the appraised value shall then be the average of the appraised values determined by both appraisers. If either Spectrum or the Operator disputes such average of the appraised values, the two appraisers shall select a third appraiser to determine the appraised fair market value and the average of the three appraisals shall become the appraised fair market value.

The purchase price of a Development Property shall be payable by: (a) at the Operator's option, the assumption of or refinancing of a first mortgage on terms consistent with the Operator's borrowing guidelines, if any; (b) discharging the mezzanine loan, if any; and (c) as to the balance, at the option of the Operator, in cash or by issuance of Units or Class B Master LP Units, which will be subject to certain escrow provisions. The price of the Units or the Class B Master LP Units shall be equal to the 20 day volume weighted average price of such Units or Class B Master LP Units ending immediately prior to the date the Investment and Environmental Committee of the General Partner approves the acquisition of the Development Property.

Spectrum may hold its interest in a Development Property through a joint venture with a third party provided that (a) Spectrum has the right to manage or designate the management of the project; and (b) Spectrum shall have a right of first refusal and an option to acquire the joint venture partner's interest in the project. Spectrum is also obliged to use its best efforts to ensure that each joint venture agreement shall provide that Spectrum's right of first refusal and option to acquire is freely assignable to the Operator and that the Operator has the option to provide mezzanine financing to the joint venture partner.

The Development Agreement provides the Operator with various rights on a default by Spectrum under the Development Agreement, including the right to terminate the Development Agreement, the right to accelerate any of the options to purchase granted to the Operator and to receive a further discount of 5% of the purchase price otherwise determined, the right to withhold payment of monthly Distributions or distributions from the Operator upon Units or units of the Operator held by Spectrum, the right to accelerate and demand payment upon one or more of the mezzanine loans without terminating the Development Agreement, the right to commence any action or proceeding against Spectrum, and the right to cease making any further advances in respect of the mezzanine loans, as well as other rights generally available to creditors.

On the date that is the earlier of the commencement of construction on a Development Property and the date on which necessary building permits are issued for the development of a Development Property, Spectrum shall pay to the Operator 65% of the Project Management Fees (the "Construction Date Payment"). For the period from the construction date of a Development Property, until such time (the "Occupancy Date") as the first tenant of that Development Property is in occupation and paying, or obligated for the payment of rent under a binding lease agreement, Spectrum shall pay to the Operator monthly, on or before the 15th day of the following month, an amount equal to 2.5% of the development costs incurred by Spectrum in respect of the Development Property during each month as calculated by the quantity surveyor (the "Post-Construction Date Payment") to compensate for time spent by the Operator's management on development projects of Spectrum. On the Occupancy Date, Spectrum will pay to the Operator the balance of the Project Management Fee that it has not already been paid. In the event that the Construction Date Payment and the Post-Construction Date Payment exceed the Project Management Fee, the Operator will reimburse Spectrum for such excess amounts.

If the Operator has provided management services to Spectrum in respect of a Development Property, where the construction date has not occurred for any reason, or where the Development Agreement terminates prior to the construction date of such Development Property, Spectrum shall pay the Operator the sum of \$25,000 plus applicable taxes in settlement of: (a) reimbursement of costs incurred by the Operator in connection with the provision of management services relating to the Development Property; and (b) compensation for the amount of time expended by or on behalf of the Operator in connection with the provision of management services for such Development Property.

From the time that the first tenant is in occupation and paying or obligated to pay rent under a binding lease agreement until the Development Property is sold in accordance with the terms of the Development Agreement, Spectrum shall pay to the Operator monthly in arrears on the first day of the following month an amount equal to 4% of the monthly gross revenue of the Development Property operating as an ISL Facility or an AL Facility, or 3% of the monthly gross revenue of a Development Property operating as a LTC Facility, and Spectrum and the Operator shall enter into a management agreement similar in all material respects to management contracts entered into between the Operator and third party owners of seniors housing facilities.

In February 2009, Chartwell agreed to a limited waiver of its option to purchase additional seniors housing facilities from Spectrum under the Development Agreement in order to facilitate the potential sale of such facilities by Spectrum to other third parties. Pursuant to the waiver, Chartwell is entitled to 5% of the purchase price, net of transaction costs, of any such properties that are sold to third parties pursuant to Chartwell's limited waiver.

Management and Development of Facilities for Third Party Clients

Chartwell also manages facilities for third party clients. With the considerable experience of management in the seniors housing industry, management believes that Chartwell's operations and development management expertise is in demand by many clients. In addition, with the active involvement of members of senior management in several industry associations, Chartwell's expertise in this area is well known in the industry. The management business not only generates management fees for Chartwell, but also provides Chartwell with insight into other markets and possible acquisition candidates.

Management and Employees

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

The management team at each of Chartwell's seniors housing facilities is responsible for overseeing inspections, monitoring staffing, implementing policies and reporting on the facility's performance. The staff in each facility are employed by that particular facility, although they are subject to Chartwell's policies and procedures. Chartwell, through the Operator and its subsidiaries, and also through HBM, directly and indirectly employs more than 15,000 people, of whom approximately 40% are represented by labour unions. There is minimal unionization in respect of Chartwell's United States operations. Generally, the collective bargaining unit representing employees in any one facility does not currently represent employees in any other facility. There are many different unions representing different facilities that Chartwell owns or manages. Chartwell's seniors housing facilities, which have unionized employees, have enjoyed good relationships with the applicable unions, and Chartwell expects to continue these positive relationships. The facilities that Chartwell operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services.

Properties, Management Business and Development Properties

The following table sets out the number and occupancy of seniors housing facilities owned or managed by Chartwell, including projects in which Spectrum has an interest and including projects being developed by Melior on which Chartwell has purchase rights and/or has advanced mezzanine loans.

The distribution of the seniors housing facilities owned by Chartwell and under development by Spectrum and/or Melior by geographic location and by level of care is as follows (as measured by number of suites):

Summary of Seniors Housing Facilities Owned, Managed and Under Development

		Number of Facilities	Number of Suites ⁽¹⁾	Average Resident Occupancy Rate ⁽²⁾
Seniors Housing Facilities Owned by Chartwell	Owned	ISL Facilities	116	13,858
		AL Facilities	31	4,402
		LTC Facilities	29	4,345
		Total Owned by Chartwell	176 ^{(3), (4)}	22,605 ⁽⁴⁾
				90%
Seniors Housing Facilities Managed by Chartwell for Third Parties & Leased	Stabilized , Lease-Up & Leased	ISL Facilities	36	7,427
		AL Facilities	4	981
		LTC Facilities	8	1,232
		<i>Subtotal</i>	<i>48 ^{(4), (5)}</i>	<i>9,640 ⁽⁴⁾</i>
		Under Development		
	Under Development	ISL Facilities	2	237
		AL Facilities	0	0
		LTC Facilities	0	0
		<i>Subtotal</i>	<i>2 ⁽⁴⁾</i>	<i>237 ⁽⁴⁾</i>
		Total Managed for Third Parties	50	9,877
Seniors Housing Facilities Owned by Spectrum ^{(6),(7)} and Managed by Chartwell and Seniors Housing Facilities Under Development by Melior ⁽⁸⁾	Lease-Up ⁽⁶⁾	ISL Facilities	29	3,744
		AL Facilities	1	276
		LTC Facilities	1	256
		<i>Subtotal</i>	<i>31 ⁽⁴⁾</i>	<i>4,276 ⁽⁴⁾</i>
		Under Development		
	Under Development	ISL Facilities	13	1,735 ⁽⁹⁾
		AL Facilities	0	157
		LTC Facilities	0	0
		<i>Subtotal</i>	<i>13 ^{(4), (10)}</i>	<i>1,892 ⁽⁴⁾</i>
		Total Spectrum	44	6,168
		Total Owned or Managed by Chartwell	270	38,650

(1) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.

(2) The average Resident Occupancy Rate is only provided for facilities owned by Chartwell. Refers to the weighted average of the Resident Occupancy Rate of each facility as of December 29, 2008 based on the number of suites housed at each facility with the same type of care.

(3) Seventy-two of these facilities provide more than one type of care. Thirty-nine of these facilities are 50% owned by Chartwell and the remaining 137 facilities are 100% owned by Chartwell. The land on which one of the facilities is located is held through a long-term leasehold interest.

(4) Where the facility provides more than one level of care, the facility has been designated according to the predominant level of care provided in that facility and the suites in such facility have been designated according to the actual level of care provided in such suites.

(5) Two facilities provide more than one type of care.

(6) Spectrum's percentage interest in these properties varies from property to property.

(7) Includes planned suites at facilities under construction or at various stages of development where construction has not commenced and where Spectrum's interest may be under a letter of intent or purchase and sale agreement that is conditional upon re-zoning, marketing studies or other approvals.

(8) Melior, either solely or with its joint venture partner(s), is currently developing and managing twelve projects in Québec with an intended 2,006 suites. Chartwell provided mezzanine financing in respect of these projects and has an option to acquire these facilities upon Stabilization.

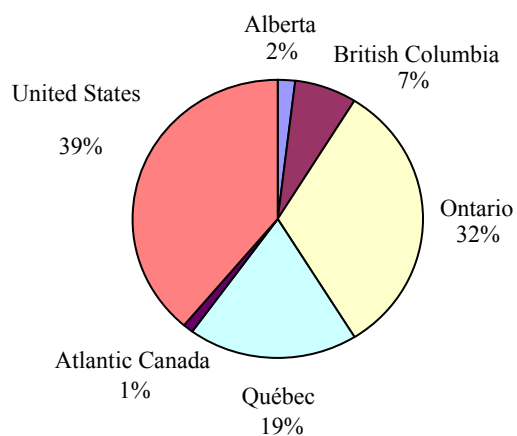
(9) Ninety-five suites are in respect of additions being made to one facility owned by Chartwell.

(10) Three facilities provide more than one type of care.

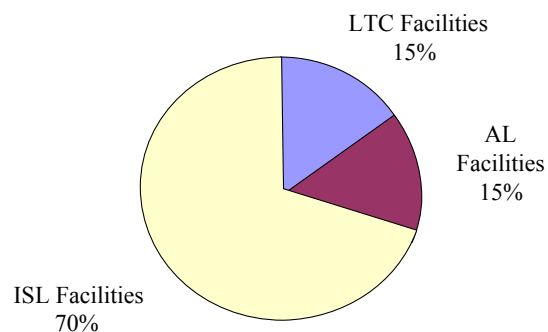
Distribution of Seniors Housing Facilities Owned, Managed and Under Development

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

Distribution by Geographical Location



Distribution by Level of Care



The following table summarizes the number of seniors housing facilities owned by Chartwell and their locations.

Summary of Number of Suites Housed at the Properties Owned by Chartwell

Location	Number of Suites & Facilities ^{(1), (4)}								Average Resident Occupancy Rate ⁽²⁾		
	<u>LTC</u>		<u>Assisted Living</u>		<u>Independent Supportive Living</u>		<u>Total</u>		<u>LTC</u>	<u>AL</u>	<u>ISL</u>
	<u>Suites</u>	<u>Facilities</u>	<u>Suites</u>	<u>Facilities</u>	<u>Suites</u>	<u>Facilities</u>	<u>Suites</u>	<u>Facilities</u>			
Ontario											
Greater Toronto Area	1,775	11	400	4	1,117	10	3,292	25	98.0%	92.9%	74.5%
West – Ontario	1,051	9	855	8	608	10	2,514	27	99.0%	93.4%	77.0%
East – Ontario	175	3	567	6	768	11	1,510	20	97.1%	93.6%	91.5%
North – Ontario	<u>0</u>	<u>0</u>	<u>108</u>	<u>2</u>	<u>868</u>	<u>11</u>	<u>976</u>	<u>13</u>	N/A	96.3%	94.9%
Sub-total – Ontario	<u>3,001</u>	<u>23</u>	<u>1,930</u>	<u>20</u>	<u>3,361</u>	<u>42</u>	<u>8,292</u>	<u>85</u>			
Atlantic Canada	0	0	104	1	0	0	104	1	N/A	98.1%	N/A
British Columbia	479	3	41	1	911	8	1,431	12	96.3%	98.9%	83.7%
Alberta	0	0	172	2	485	4	657	6	N/A	98.2%	99.0%
Québec	675	3	113	0	4,287	20	5,075	23	75.5%	81.0%	85.3%
United States	<u>190</u>	<u>0</u>	<u>2,042</u>	<u>7</u>	<u>4,814</u>	<u>42</u>	<u>7,046</u>	<u>49</u>	<u>91.9%</u>	<u>92.7%</u>	<u>90.4%</u>
TOTAL	<u>4,345</u>	<u>29</u>	<u>4,402</u>	<u>31</u>	<u>13,858</u>	<u>116</u>	<u>22,605</u>	<u>176</u> ⁽³⁾	<u>94.3%</u>	<u>93.2%</u>	<u>87.1%</u>

(1) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.

(2) Refers to the weighted average of the Resident Occupancy Rate of each facility as of December 29, 2008 based on the number of suites housed at each facility with the same type of care.

(3) Seventy-two of these facilities provide more than one type of care. Thirty-nine of these facilities are 50% owned by Chartwell and the remaining 137 facilities are 100% owned by Chartwell. The land on which one of the facilities is located is held through a long-term leasehold interest.

(4) Where the facility provides more than one level of care, the facility has been designated according to the predominant level of care provided in that facility and the suites in such facility have been designated according to the actual level of care provided in such suites.

Description of the Properties Owned by Chartwell

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

Although ISL Facilities and AL Facilities generally have Resident Occupancy Rates greater than 90%, it is typical from time to time to have such rates fall below 90% for brief periods. This is mainly the result of long-time residents aging in place and moving into LTC Facilities or because the facility may be undergoing renovations and improvements. It is management's expectation that the average Resident Occupancy Rates of those facilities currently below 90% will return to Stabilized levels during the normal course with respect to most facilities. In the event that any facility is not expected to reach Stabilized levels during the normal course, management will evaluate the facility and take appropriate measures with respect to such facility. Such measures may include implementing specific marketing initiatives, addressing management deficiencies at the facility level and considering a disposition of the facility.

Since the date of Chartwell's last Annual Information Form, Chartwell has acquired interests in 13 seniors housing facilities with a total of 1,809 suites.

NUMBER OF SUITES HOUSED AT THE PROPERTIES OWNED BY CHARTWELL

				Suites ⁽¹⁾				
Name of Facility	Location	Year Built	Date Acquired	LTC Facility	Retirement Homes		Total	Resident Occupancy Rate ⁽²⁾
					Assisted Living Facility	Independent Supportive Living Facility		
Greater Toronto Area								
Ballycliffe Lodge- Long term care	Ajax	1972 & 1980	11-Feb-04	100	0	0	100	97%
- Retirement	Ajax	1972 & 1980		0	50	0	50	98%
Aurora Resthaven	Aurora	1975 & 2003	11-Feb-04	240	0	0	240	97%
Constantia Retirement Residence ⁽³⁾	Thornhill	2006	15-Nov-07	0	0	121	121	84%
Park Place Manor Retirement Residence	Aurora	1991	13-Nov-03	0	93	0	93	100%
Barton Retirement Residence	Newmarket	2000	13-Nov-03	0	0	82	82	90%
Gibson LTC Centre	North York	1972	11-Feb-04	202	0	0	202	98%
Gibson Retirement Community	North York	1982	11-Feb-04	0	69	0	69	87%
Parkway Retirement Residence	Pickering	1997	13-Nov-03	0	0	81	81	88%
White Eagle Residence	Toronto	1972	11-Feb-04	56	0	0	56	98%
4 Teddington	Toronto	1986	1-Oct-04	0	52	0	52	100%
921 Millwood	Toronto	1987	1-Oct-04	0	0	57	57	95%
Colonial Retirement Residence	Whitby	1996	13-Nov-03	0	96	0	96	88%
Pine Grove Lodge- Long term care	Woodbridge	1996	11-Feb-04	100	0	0	100	99%
- Retirement	Woodbridge	1996		0	40	0	40	83%
Heritage Glen	Mississauga	1980	1-Nov-06	0	0	323	323	95%
Regency Retirement Residence	Mississauga	2003	14-Sep-05	0	0	82	82	89%
Regency Care - The WaterFord - LTC ⁽³⁾	Oakville	2002	30-Jun-07	168	0	0	168	99%
Regency Care - The WenLeigh ⁽³⁾	Mississauga	2001	30-Jun-07	161	0	0	161	98%
Regency Care - The WestBury ⁽³⁾	Etobicoke	2004	30-Jun-07	187	0	0	187	98%
Regency Care - The WoodHaven - LTC ⁽³⁾	Markham	2003	30-Jun-07	192	0	0	192	98%
Regency Care - The WoodHaven - Internal Growth ⁽³⁾	Markham	2010		0	0	103	103	N/A
Regency Care - The WynField - LTC ⁽³⁾	Oshawa	2003	30-Jun-07	172	0	0	172	98%
Regency Care - The WynField - Internal Growth ⁽³⁾	Oshawa	2010		0	0	107	107	N/A
Rouge Valley Retirement Residence	Markham	2004	31-Jul-07	0	0	88	88	93%
Trilogy Long-Term Care Residence	Scarborough	2003	23-Feb-07	197	0	0	197	99%
Centennial Retirement Residence	Oshawa	2002	15-Aug-05	0	0	73	73	96%
West – Ontario								
Martha's Landing	Burlington	2000	13-Nov-03	0	0	57	57	98%
Georgian Retirement Residence	Dundas	1995	28-Feb-05	0	0	60	60	98%
Atrium Villa	Hamilton	1997	13-Nov-03	0	67	0	67	97%
Oxford Manor Retirement Residence	Ingersoll	1987 & 1996	13-Nov-03	0	0	46	46	98%
Willoughby Manor	Niagara Falls	1995	13-Nov-03	0	0	52	52	67%
Anne Hathaway Residence	Stratford	1998	13-Nov-03	0	0	67	67	97%
Tillsonburg Retirement Centre	Tillsonburg	1986 & 1994	13-Nov-03	0	0	51	51	100%
Maple Court Villa	Walkerton	1990	13-Nov-03	0	0	48	48	92%
Devonshire Seniors' Residence	Windsor	1970	13-Nov-03	0	195	0	195	84%
Park Place Retirement Centre	Woodstock	1996	13-Nov-03	0	0	58	58	86%
Chateau Gardens Parkhill	Parkhill	1975	1-Aug-06	59	0	0	59	100%
Chateau Gardens London	London	2003	1-Aug-06	95	0	0	95	99%
Chateau Gardens Niagara	Niagara	1973	1-Aug-06	124	0	0	124	99%

Suites ⁽¹⁾								
Retirement Homes								
Name of Facility	Location	Year Built	Date Acquired	LTC Facility	Assisted	Independent	Total	Resident Occupancy Rate ⁽²⁾
					Living Facility	Supportive Living Facility		
Chateau Gardens Aylmer	Aylmer	1983	1-Aug-06	60	0	0	60	98%
Chateau Gardens Elmira - Long Term Care	Elmira	2002	1-Aug-06	48	0	0	48	100%
Chateau Gardens Elmira - Retirement	Elmira	2002	1-Aug-06	0	0	64	64	98%
Royal Oak	Kingsville	2004	1-Apr-05	160	0	0	160	99%
Regency Care - The WestMount - LTC ⁽³⁾	Kitchener	2002	30-Jun-07	161	0	0	161	98%
Regency Care - The WestMount - Internal Growth ⁽³⁾	Kitchener	2010		0	0	105	105	N/A
Regency Care - The WillowGrove ⁽³⁾	Ancaster	2004	30-Jun-07	169	0	0	169	99%
Regency Care - The Brant Centre ⁽³⁾	Burlington	2002	30-Jun-07	175	0	0	175	99%
Bankside Terrace	Kitchener	1996	1-Feb-07	0	86	0	86	86%
Terrace on the Square	Waterloo	1999	1-Feb-07	0	89	0	89	94%
Queen's Square Terrace	Cambridge	2000	1-Feb-07	0	80	0	80	100%
Wellington Park Terrace	Guelph	2006	1-Feb-07	0	113	0	113	97%
Oak Park LaSalle	LaSalle, Windsor	2005	14-Dec-06	0	113	0	113	98%
Oak Park Terrace	Windsor	1998	10-Sep-04	0	112	0	112	99%
East – Ontario								
Bayview Retirement Residence	Belleville	1997	13-Nov-03	0	0	60	60	95%
Chateau Gardens Lancaster	Lancaster	1978	1-Aug-06	60	0	0	60	98%
Rosedale Retirement Centre	Brockville	1997	13-Nov-03	0	0	69	69	93%
Bon Air Residence- Retirement	Cannington	1974	11-Feb-04	0	9	0	9	100%
- Long term care	Cannington	1974		55	0	0	55	100%
Cobourg Retirement Residence	Cobourg	1988	13-Nov-03	0	47	0	47	89%
Chateau Cornwall	Cornwall	2005	13-Jan-06	0	96	0	96	95%
Residence Champlain	L'Orignal	1973	11-Feb-04	60	0	0	60	93%
Hartford Retirement Centre	Morrisburg	1988 & 2007	13-Nov-03	0	0	90	90	99%
New Edinburgh Square	Ottawa	1994	29-Apr-04	0	111	0	111	96%
Jackson Creek Retirement Residence	Peterborough	2002	1-Nov-05	0	0	69	69	90%
Peterborough Manor	Peterborough	1982 & 1986 & 1999	13-Nov-03	0	100	0	100	96%
Quail Creek Retirement Centre	Renfrew	1988	13-Nov-03	0	0	58	58	100%
Quail Creek Retirement Centre & Internal Growth	Renfrew	2009		0	0	34	34	N/A
Chartwell Kanata (Brookside Manor)	Kanata	1998	13-Nov-03	0	80	0	80	96%
Empress Kanata	Kanata	2001	29-Nov-06	0	26	64	90	90%
Mayfield Retirement Home	Prescott	1998	1-May-06	0	0	60	60	100%
Willowdale Retirement Centre	Smiths Falls	1988	13-Nov-03	0	0	59	59	98%
Van Horne Manor	Smiths Falls	1998	16-Nov-06	0	0	58	58	97%
Bridlewood Retirement Residence	Gloucester	2002	2-May-05	0	0	62	62	93%
Conservatory Pond	Kingston	2005	29-Mar-07	0	0	85	85	98%
Rideau Place	Ottawa	1988	14-Sep-04	0	98	0	98	87%
North – Ontario								
The Westmount	Sudbury	1988	28-Feb-05	0	0	84	84	100%
Collegiate Heights Retirement Residence	Sault Ste. Marie	2002	29-Jun-05	0	0	103	103	73%
Chateau Georgian	Timmins	1988	13-Nov-03	0	63	0	63	100%
The Barclay House	North Bay	1987	28-Feb-05	0	0	64	64	100%
The Pinewood	Pembroke	1984	28-Feb-05	0	45	0	45	91%

Suites ⁽¹⁾								
Name of Facility	Location	Year Built	Date Acquired	LTC Facility	Retirement Homes		Total	Resident Occupancy Rate ⁽²⁾
					Assisted Living Facility	Independent Supportive Living Facility		
Glacier Ridge Retirement Residence	Thunder Bay	2002	30-Mar-05	0	0	80	80	86%
Barrington Retirement Residence	Barrie	1999	13-Nov-03	0	0	72	72	96%
James Street Place	Bracebridge	1990 & 2003	13-Nov-03	0	0	73	73	100%
Gravenhurst Manor	Gravenhurst		1987	13-Nov-03	0	0	45	45
Rogers Cove Retirement Residence	Huntsville	1995	13-Nov-03	0	0	55	55	100%
Atrium Retirement Residence	Orillia	1997	13-Nov-03	0	0	50	50	96%
Southwind Retirement Residence	Sudbury	2004	22-Nov-06	0	0	80	80	100%
Meadowbrook Retirement Village - Retirement	Sudbury	2000	13-Nov-03	0	0	90	90	100%
- ISL	Sudbury	2000		0	0	72	72	100%
Ontario Sub-total				3,001	1,930	3,361	8,292	
Atlantic Canada								
Elizabeth Towers	St. John's	1968 & 1991	1-Aug-06	0	104	0	104	98%
Atlantic Canada Sub-total				0	104	0	104	
British Columbia								
Birchwood Retirement Residence	Chilliwack	1987	13-Nov-03	0	0	80	80	90%
Lynnwood Retirement Home	Chilliwack	1998	1-Mar-04	0	0	121	121	92%
Hampton House	Chilliwack	2006	14-Dec-06	0	0	97	97	68%
The Peninsula ⁽³⁾	South Surrey	2005	28-Dec-06	0	0	127	127	92%
Willow Manor IL	Maple Ridge	2002	29-Jul-04	0	0	100	100	92%
Willow Manor Care	Maple Ridge	2002		35	0	0	35	100%
Carrington House	Mission	2003	1-Sep-04	0	0	70	70	97%
Carrington Place	Vernon	2003	31-May-05	0	5	67	72	100%
Carrington Place and Internal Growth	Vernon			0	0	71	71	N/A
Carlton Gardens	Burnaby	1966	11-Jul-05	142	0	0	142	96%
Malaspina Gardens	Nanaimo	1942 & 1992	11-Jul-05	135	0	0	135	99%
Crescent Gardens	South Surrey		1997	11-Jul-05	75	0	57	132
Langley Gardens	Langley	2000	11-Jul-05	92	0	119	211	98%
Langley Gardens at Village Square	Langley	2002	11-Jul-05	0	36	2	38	99%
British Columbia Sub-total				479	41	911	1,431	
Alberta								
Colonel Belcher ⁽⁴⁾	Calgary	2001	13-Nov-03	0	30	145	175	100%
Eau Clair	Calgary	2002	1-Oct-05	0	90	57	147	97%
Country Cottage	Sherwood Park	1999	13-Nov-03	0	26	22	48	100%
Harbours of Newport	Calgary	2002	13-Nov-03	0	0	116	116	99%
Royal Park Retirement Residence	Calgary	1998	13-Nov-03	0	0	105	105	98%
Wild Rose Retirement Residence	Edmonton	2000	13-Nov-03	0	26	40	66	100%
Alberta Sub-total				0	172	485	657	
Québec								
Le Strathmore Residence (Maison Herron)	Dorval	1991	13-Nov-03	80	0	0	80	75%
Le Strathmore Residence (Maison Herron) Internal	Dorval	2009		72	0	0	72	0%
Manoir Pierrefonds – Includes Internal Growth	Montreal	1964 & 1987	23-Feb-06	189	0	0	189	84%
Villa Val des Arbres	Laval	1997 & 2001	1-May-05	113	0	51	164	84%

Suites ⁽¹⁾								
Name of Facility	Location	Year Built	Date Acquired	LTC Facility	Retirement Homes		Total	Resident Occupancy Rate ⁽²⁾
					Assisted Living Facility	Independent Supportive Living Facility		
L'Oasis St. Jean	St. Jean Sur Richelieu	1988 & 2003	1-Dec-04	35	0	287	322	93%
Domaine Cascade	Shawinigan	1988	1-Dec-04	0	0	200	200	99%
Monastere d'Aylmer	Gatineau	1999	21-Jun-04	0	57	195	252	77%
Cite-jardin Phase I & II	Gatineau	2001 & 2004	1-Jul-04	0	0	284	284	73%
Cite-jardin Phase III A	Gatineau	2006		0	0	173	173	73%
Notre Dame de Hull	Gatineau	2000	21-Jun-04	43	0	181	224	89%
Marquis de Tracy I	Sorel-Tracy	1996 & 2004	21-Jun-04	25	0	100	125	97%
Marquis de Tracy II	Sorel-Tracy	2002	21-Jun-04	0	0	137	137	94%
Domaine du Chateau de Bordeaux	Québec City	2003	21-Jun-04	0	26	127	153	86%
Residence Principale	Cowansville	1997 & 2002	21-Jun-04	0	0	198	198	80%
La Residence St-Pierre	Rouyn-Noranda	2003 & 2005	21-Jun-04	0	0	121	121	95%
Residence Le Duplessis	Trois Rivières	1989 & 2003	31-Aug-04	0	0	223	223	99%
Residence Le Riverain	Granby	1986	1-Jun-06	43	17	69	129	92%
Castel Royale	Côte St-Luc	1975	28-Apr-06	0	0	249	249	79%
Manoir Kirkland	Kirkland	1977	15-Sep-06	0	0	189	189	90%
Residence Ste. Genevieve	Québec City	1987	31-Aug-04	0	0	201	201	87%
Domaine Bellerive	Laval	1967	9-Nov-06	0	0	809	809	88%
Les Jardins de la Gare	Ste. Hyacinthe	1942 & 1995	27-Apr-07	75	0	219	294	81%
Chateau Vincent D'Indy	Montreal	1986	23-Jul-07	0	13	80	93	72%
Residence Ste. Marthe – Includes Internal Growth	Ste. Hyacinthe	2004	1-Dec-05	0	0	194	194	64%
Québec Sub-total				675	113	4,287	5,075	
United States								
Amber Park ⁽⁵⁾	Cincinnati, OH	1983	15-May-06	0	0	128	128	89%
Arvada Meridian ⁽⁵⁾	Arvada, CO	1988	19-Aug-05	0	0	128	128	100%
Bella Vita ⁽⁵⁾	Venice, FL	1988	15-May-06	0	52	64	116	84%
Boulder Meridian ⁽⁵⁾	Boulder, CO	1986	19-Aug-05	0	0	98	98	89%
Englewood Meridian ⁽⁵⁾	Englewood, CO	1985	19-Aug-05	72	0	197	269	90%
Gayton Terrace ⁽⁵⁾	Richmond, VA	1987	15-May-06	0	35	63	98	94%
Gayton Terrace & Internal Growth Project ⁽⁵⁾	Richmond, VA	2009		0	0	98	98	N/A
Lake Worth Gardens ⁽⁵⁾	Lake Worth, FL	1985	15-Aug-06	0	0	171	171	98%
Lakewood Meridian ⁽⁵⁾	Lakewood, CO	1985	19-Aug-05	58	0	116	174	95%
Pocasset Bay Manor ⁽⁵⁾	Providence, RI	2005	1-Oct-05	0	0	170	170	96%
Temple Meridian ⁽⁵⁾	Temple, TX	1984	19-Aug-05	60	0	173	233	91%
The Park at Trowbridge ⁽⁵⁾	South Field, MC	2005	1-Oct-05	0	0	302	302	88%
Town Village Audubon Park ⁽⁵⁾	Memphis, TN	2001	11-May-06	0	0	178	178	98%
Town Village Sterling Heights ⁽⁵⁾	Sterling Heights, MI	2002	11-May-06	0	0	225	225	94%
Town Village Tulsa ⁽⁵⁾	Tulsa, OK	2001	11-May-06	0	0	198	198	91%
Town Village Vestavia Hills ⁽⁵⁾	Birmingham, AL	2001	11-May-06	0	0	226	226	94%
Village at Lowry ⁽⁵⁾	Denver, CO	1995	15-May-06	0	65	95	160	96%
Waterford ⁽⁵⁾	Dayton, OH	1987	15-May-06	0	0	111	111	75%
Westland Meridian ⁽⁵⁾	Lakewood, CO	1988	19-Aug-05	0	0	155	155	92%
Willow Wood ⁽⁵⁾	Fort Lauderdale, FL	1987/1995	15-May-06	0	78	208	286	88%
Woodside Village ⁽⁵⁾	Bedford, OH	1988	15-May-06	0	135	87	222	91%
Wyndham Lakes ⁽⁵⁾	Jacksonville, FL	1986	15-May-06	0	145	96	241	92%

				Suites ⁽¹⁾				Resident Occupancy Rate ⁽²⁾
				Retirement Homes				
				LTC Facility	Assisted Living Facility	Independent Supportive Living Facility	Total	
Name of Facility	Location	Year Built	Date Acquired					
East Meadows ⁽⁵⁾	Long Island, NY	2000	21-Feb-07	0	132	0	132	93%
Massapequa ⁽⁵⁾	Long Island, NY	2006	21-Feb-07	0	156	0	156	97%
North Hills ⁽⁵⁾	Long Island, NY	2004	21-Feb-07	0	165	0	165	98%
North Woodmere ⁽⁵⁾	Long Island, NY	2003	21-Feb-07	0	139	0	139	90%
Westbury ⁽⁵⁾	Long Island, NY	2001	21-Feb-07	0	173	0	173	84%
Treemont	Dallas, TX	1978	27-Dec-06	0	0	260	260	87%
Horizon Bay at Northport	Northport, AL	1999	30-Apr-07	0	34	44	78	89%
Horizon Bay at Apache Junction	Apache Junction, AZ	1999	30-Apr-07	0	43	81	124	97%
Horizon Bay at Chandler	Chandler, AZ	1999	30-Apr-07	0	31	58	89	99%
Horizon Bay at Altamonte Springs	Altamonte Springs, FL	1991	30-Apr-07	0	33	64	97	99%
Horizon Bay at Lutz	Lutz, FL	2000	30-Apr-07	0	30	57	87	95%
Horizon Bay at Orange City	Orange City, FL	1997	30-Apr-07	0	29	57	86	101%
Horizon Bay at Port St. Lucie	Port St. Lucie, FL	1999	30-Apr-07	0	33	43	76	93%
Horizon Bay at Sarasota	Sarasota, FL	1994	30-Apr-07	0	51	99	150	85%
Horizon Bay at Tamarac	Tamarac, FL	2000	30-Apr-07	0	33	64	97	89%
Horizon Bay at Vero Beach	Vero Beach, FL	2001	30-Apr-07	0	36	70	106	99%
Horizon Bay at Carrollton	Carrollton, GA	1999	30-Apr-07	0	24	45	69	101%
Horizon Bay at Rome	Rome, GA	1999	30-Apr-07	0	24	46	70	101%
Horizon Bay at Bossier City	Bossier City, LA	1999	30-Apr-07	0	37	48	85	99%
Horizon Bay at Ten Oaks	Lawton, OK	1989	30-Apr-07	0	47	59	106	91%
Horizon Bay at The Parkview	Memphis, TN	1924 & 2002	30-Apr-07	0	45	85	130	85%
Horizon Bay at Graham	Graham, TX	1997	30-Apr-07	0	31	41	72	92%
Horizon Bay at Grand Prairie	Grand Prairie, TX	1998	30-Apr-07	0	30	56	86	83%
Horizon Bay at N. Richland Hills	N. Richland Hills, TX	1999	30-Apr-07	0	37	68	105	92%
Horizon Bay at Round Rock	Austin, TX	1999	30-Apr-07	0	31	38	69	101%
Horizon Bay at San Antonio	San Antonio, TX	1997	30-Apr-07	0	53	60	113	98%
Horizon Bay at San Marcos	San Marcos, TX	1998	30-Apr-07	0	31	38	69	101%
Horizon Bay at Wichita Falls	Wichita Falls, TX	1998	30-Apr-07	0	24	46	70	96%
United States Sub-Total				190	2,042	4,814	7,046	
TOTAL				4,345	4,402	13,858	22,605	

(1) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.

(2) LTC occupancies are on average between 97% to 100% during the year.

(3) This facility is 50% owned by Chartwell.

(4) The land on which this facility is located is held through a long-term leasehold interest.

(5) Chartwell owns a 50% undivided interest in the seniors housing facilities located in the United States through the Chartwell ING Joint Venture.

Operations and Development Management of Facilities for Third Party Clients

The seniors housing operations portion of the business involves undertaking on behalf of owners all aspects of the management of a seniors housing facility. Such management includes hiring of administrators and staff on behalf of the facility's owner, marketing, purchasing, financial administration, record-keeping and regulatory compliance. Fees payable for such services generally are based on a percentage of facility revenue. While most management contracts provide for a term of five years, the term can range from 18 months to 20 years. Based on management's experience, a high percentage of clients who have decided to retain outside operations expertise, rather than develop an in-house management team, will continue such arrangements for the full term of the management contract and will typically renew the contract. Notwithstanding the expressed term, however, some management contracts also provide that they may be terminated upon 90 days' notice. Generally, any change in the manager of a facility requires CMHC's consent where mortgage debt is CMHC-insured; this reduces the likelihood that an owner will terminate a management arrangement.

The development management portion of the business involves providing consulting services to clients from the initial concept stage of a seniors housing facility to its opening, including: (a) site selection; (b) determination of the type of care to be offered based on the local demographic needs; (c) design of the facility; (d) hiring and training of staff; and (e) pre-opening marketing and promotions. It has been management's experience that, where it has been retained to provide development management services in respect of a facility, it is generally then retained to provide seniors housing operations services. Management is not aware of any other Canadian entities that specialize in providing these types of development management services to third parties to the same extent as Chartwell. In development projects for third party clients, fees are typically based on an agreed fixed price to provide some cost certainty for developers. Depending on the nature and complexity of the project, and the experience and expertise provided by the client, these fees may range from 1% to 3% of total project cost.

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

The following table provides information regarding the location and number of suites housed or proposed in each such facility (allocated to the type of care provided in respect of such facility) in respect of the seniors housing facilities that are Stabilized or in Lease-Up and which are managed by Chartwell. Chartwell currently has only one development project that it manages for third parties.

**Number of Suites Housed at Third Party Managed Properties
- Stabilized & Lease Up & Leased**

Suites ⁽¹⁾					
Location	Commencement Year ⁽²⁾	LTC Facility	Retirement Homes		Total
			Assisted Living Facility	Independent Supportive Living Facility	
Greater Toronto Area	2001	480	0	0	480
West - Ontario	1999	416	70	114	600
East - Ontario	2000	75	0	44	119
North - Ontario	2007	110	0	0	110
Subtotal Ontario		<u>1,081</u>	<u>70</u>	<u>158</u>	<u>1,309</u>
British Columbia	2003	<u>0</u>	<u>46</u>	<u>0</u>	<u>46</u>
United States					
California	2006	0	122	231	353
Florida	2006	33	444	2,730	3,207
Rhode Island	2006	118	220	652	990
Texas	2006	0	0	2,482	2,482
Arizona	2006	0	26	185	211
Illinois	2006	0	53	727	780
Texas	2008	0	0	262	262
Subtotal United States		<u>151</u>	<u>865</u>	<u>7,269</u>	<u>8,285</u>
Total		<u>1,232</u>	<u>981</u>	<u>7,427</u>	<u>9,640</u>

- (1) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.
- (2) Indicates year in which Chartwell or a predecessor commenced management.

Number of Suites Housed at Third Party Managed Properties – Under Development

<u>Location</u>	<u>Commencement Year</u> ⁽²⁾	<u>Suites⁽¹⁾</u>			<u>Total</u>
		<u>LTC Facility</u>	<u>Retirement Homes</u>		
			<u>Assisted Living Facility</u>	<u>Independent Supportive Living Facility</u>	
British Columbia	2006	<u>0</u>	<u>0</u>	<u>237</u>	<u>237</u>
Total		<u>0</u>	<u>0</u>	<u>237</u>	<u>237</u>

- (1) As of December 29, 2008. Includes projects under construction or in various stages of development. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.
- (2) Indicates year in which Chartwell or a predecessor commenced management.

Development Properties

Spectrum owns its interests in the Development Properties on which mezzanine financing has been provided to it and has a variety of interests in the other projects including letters of intent, agreements of purchase and sale and agreements to form joint ventures which are subject to conditions, such as re-zoning and other approvals. Accordingly, if conditions are not met, the project may not proceed. Certain of the interests in the Development Properties are held by Spectrum through joint ventures with third parties. Pursuant to the Development Agreement, any mezzanine financing provided by Chartwell in respect of such properties will be based only on Spectrum's interests in such properties and such loans may be secured by Spectrum pledging or hypothecating its interest in the Development Property, or in the joint venture vehicle holding such property. Any acquisition related to such Development Properties by Chartwell pursuant to the Development Agreement will be an acquisition of Spectrum's interest in such properties. Chartwell may also provide

mezzanine financing to Spectrum's joint venture partner in certain circumstances (see "Description of the Business – Growth Strategies of Chartwell – Alliance with Spectrum").

In addition to the development projects owned by Spectrum, Melior, either solely or with certain joint venture partners, owns certain Development Properties in Québec. The development management of these projects is conducted by Melior (together with its joint venture partners in certain cases). Where Chartwell provides mezzanine financing in respect of such projects, it typically receives one or more of the following fees: debt placement; structuring; consulting and/or service fees.

The following tables provide information regarding the name and the intended number of suites housed in each Development Property (allocated to the type of care provided in respect of such suite) in respect of the interests in seniors housing facility projects that are (a) under Lease-Up and (b) under various stages of development, and which Chartwell may acquire from Spectrum, Melior and/or their joint venture partners once the facilities, if developed, reach Stabilization.

Summary of the Development Properties – Stabilized and Lease-Up

Name of Facility	Location	Year Built	Suites ⁽¹⁾				Estimated Stabilization
			LTC Facility	Retirement Homes		Total	
				Assisted Living Facility	Independent Supportive Living Facility		
Ontario							
Greater Toronto Area							
Chartwell Select Pickering ^{(2),(5)}	Pickering	2007	0	0	117	117	2nd Quarter 2009
Chartwell Select Scarlett Heights ⁽²⁾	Etobicoke	2007	0	0	206	206	4th Quarter 2010
Chartwell Classic Robert Speck Parkway ⁽²⁾	Mississauga	2008	0	0	113	113	1st Quarter 2011
Chartwell Classic Oakville ⁽²⁾	Oakville	2008	0	0	147	147	2nd Quarter 2012
East – Ontario							
Madonna LTC	Orleans	2007	160	0	0	160	Stabilized
North – Ontario							
Chartwell Select Georgian Traditions ⁽²⁾	Collingwood	2007	0	0	106	106	1st Quarter 2010
Chartwell Select Owen Sound	Owen Sound	2008	0	0	121	121	2nd Quarter 2011
Chartwell Select Muskoka Traditions ⁽²⁾	Huntsville	2008	0	0	106	106	4th Quarter 2010
Chartwell Select Thunder Bay Townhomes	Thunder Bay	2008	0	0	7	7	2nd Quarter 2010
Chartwell Select Thunder Bay	Thunder Bay	2006	0	0	102	102	2nd Quarter 2010
West – Ontario							
The Royal on Gordon ⁽²⁾	Guelph	2006	0	0	98	98	1st Quarter 2009
Chartwell Select Royal Oak Village ⁽²⁾	LaSalle	2006	0	0	117	117	2nd Quarter 2011
Riverside Retirement Village ^{(2),(5)}	London	2006	0	0	138	138	Stabilized
Chartwell Classic Amherstburg ⁽²⁾	Amherstburg	2007	0	0	123	123	4th Quarter 2011
Chartwell Select First Avenue	Welland	2008	0	0	135	135	2nd Quarter 2011
Chartwell Select Oak Park Lakeshore ⁽²⁾	Lakeshore	2006	0	93	0	93	Stabilized
Québec							
Cite Jardins Phase IV ⁽⁴⁾	Gatineau	2008	0	0	173	173	4th Quarter 2010
Manoir Cowan (Maison Melior)	Cowansville	2007	0	0	51	51	4th Quarter 2009
Le Seigneuries du Carrefour	Sherbrooke	2007	0	0	279	279	3rd Quarter 2010
Le Domaine Des Forges Phase I	Laval	2007	0	0	221	221	Stabilized
Le Domaine Des Forges Phase II	Laval	2007	0	81	90	171	2nd Quarter 2010
Appartements du Chateau de Bordeaux	Bordeaux	2007	0	0	152	152	3rd Quarter 2009
Les Belvederes de Lachine	Lachine	2007	0	35	231	266	3rd Quarter 2009
Cite Jardins Phase V	Gatineau	2007	0	0	171	171	2nd Quarter 2011
Residence Notre Dame de Hull Apartments	Gatineau	2007	0	0	167	167	4th Quarter 2011
Saskatchewan							
Renaissance Retirement Residence ⁽²⁾	Regina	2006	0	0	157	157	2nd Quarter 2009
British Columbia							
Gardens at Qualicum Beach ⁽³⁾	Qualicum Beach	2007	96	30	101	227	Stabilized
Renaissance Retirement Residence ⁽²⁾	Kamloops	2006	0	0	97	97	Stabilized
The Chatsworth ^{(2),(5)}	Kelowna	2006	0	0	103	103	Stabilized
Churchill House ^{(2),(5)}	North Vancouver	2007	0	37	60	97	Stabilized
Chartwell House Expansion ⁽²⁾	Mission	2007	0	0	55	55	3rd Quarter 2009
TOTAL			256	276	3,744	4,276	

(1) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.

(2) Owned by Spectrum and Spectrum's joint venture partners.

(3) Was originally Arranglen Gardens; this facility was closed and its 85 LTC beds transferred upon the completion of the construction of the Gardens at Qualicum Beach facility located in Qualicum Beach, British Columbia.

(4) These projects are to be constructed on a parcel of vacant lands on which existing facilities in which Chartwell has an interest are currently situated. Upon stabilization, Chartwell may acquire the new facility. Upon acquisition of the facility, Chartwell will integrate the new facility with Chartwell's existing facility.

(5) Spectrum's interest in these properties has been acquired by Chartwell.

Summary of the Development Properties⁽¹⁾ – Under Development

Property	Location	Suites ⁽²⁾				Status ⁽³⁾	Estimated Opening
		LTC Facility	Retirement Homes		Total		
			Assisted Living Facility	Independent Supportive Living Facility			
Ontario							
Greater Toronto Area							
Chartwell Select Greenway Retirement Village ⁽⁴⁾	Brampton	0	113	129	242	Under construction	2009
Village Park ⁽⁴⁾	Toronto	0	0	62	62	Under construction	2010
Chartwell Classic Valley Vista	Vaughan	0	0	140	140	Under construction	2009
Chartwell Classic Clarkson Village	Mississauga	0	0	149	149	Awaiting Approvals	2010
West – Ontario							
Bell Lane Retirement Village	Brantford	0	0	120	120	Under construction	2009
East – Ontario							
Madonna Retirement	Orleans	0	0	95	95	Under construction	2010
Chartwell Select Dufferin Centre	Trenton	0	0	125	125	Awaiting Approvals	2010
Subtotal Ontario		0	113	820	933		
British Columbia							
Maple Ridge Expansion (Willow Manor) ⁽⁴⁾	Maple Ridge	0	44	51	95	Under Construction	2009
Chartwell Select Port Coquitlam ⁽⁴⁾ (Astoria)	Port Coquitlam	0	0	135	135	Under Construction	2009
Subtotal BC		0	44	186	230		
Atlantic Canada							
Chartwell Classic Tiffany Lane	St. John’s	0	0	212	212	Under Construction	2009
Subtotal Atlantic Canada		0	0	212	212		
Québec							
Les Coteaux du Marais Phase I	Magog	0	0	164	164	Construction not commenced	On Hold
Le Redemptoriste	Gatineau (Aylmer)	0	0	289	289	Under Construction	On Hold
Maison familiale de Coaticook	Coaticook	0	0	64	64	Construction not commenced	On Hold
Subtotal Québec		0	0	453	453		
TOTAL		0	157	1,735	1,892		

- (1) Spectrum's interests in projects in development are in various stages of acquisition such as letters of intent, agreements of purchase and sale and agreements to enter into joint ventures in respect of a project and may not currently be owned by Spectrum but will be owned by Spectrum prior to the advance of mezzanine financing.
- (2) As of December 29, 2008. The number of suites within a facility may vary from time to time as suites may be reconfigured to meet residents' needs.
- (3) Re-zoning a seniors housing facility involves the application for, and approval of, construction and operation, the details of which depend on the facility's size and use. Applying for subdivision approval, site clearing and a building permit are all post-zoning development steps.
- (4) Owned by Spectrum and a joint venture partner.

Mezzanine Financing

Chartwell's aggregate investment in mezzanine financings as of December 31, 2008 was \$108.1 million, which is equal to approximately 3.8% of its Adjusted Gross Book Value. Chartwell's aggregate investment in mezzanine financings is limited to 20% of its Adjusted Gross Book Value.

During the course of 2008, four mezzanine loans representing approximately \$12.4 million were repaid following the acquisition by Chartwell of interests in the communities for which the mezzanine loans were made (see "General Development of the Business – Acquisitions and Divestitures – 2008"). In addition, one mezzanine loan was partially repaid in an amount equal to approximately \$3.8 million.

On acquisition of Spectrum's 50% interest in four seniors housing facilities in the first quarter of 2009, four mezzanine loans totalling \$5.7 million were repaid. No mezzanine loans were advanced by Chartwell from January 1, 2009 to March 30, 2009.

CHARTWELL, CSH TRUST AND MASTER LP

General

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

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

Description of the Units

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

Special Voting Units

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

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

Chartwell Trustees

The Declaration of Trust provides that Chartwell's board of trustees shall consist of a minimum of one and a maximum of 11 trustees. The number of Chartwell Trustees may be changed by the Voting Unitholders or by the Chartwell Trustees, provided that the Chartwell Trustees may not, between meetings of Voting Unitholders, appoint an additional Chartwell Trustee if, after such appointment, the total number of Chartwell Trustees would be greater than one and one-third times the number of Chartwell Trustees in office immediately following the last annual meeting of Voting Unitholders. Subject to certain conditions, a vacancy occurring among the Chartwell Trustees may be filled by resolution of the remaining Chartwell Trustees, so long as they constitute a quorum, or by Voting Unitholders at a meeting of the Voting Unitholders. The Chartwell Trustees are to be elected by resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders. The Chartwell Trustees elected at an annual meeting will be elected for terms expiring at the next annual meeting and will be eligible for re-election. A Chartwell Trustee elected to fill a vacancy will be elected for the remaining term of the Chartwell Trustee he or she is succeeding. Chartwell Trustees may be removed with or without cause by a majority of the votes cast at a meeting of Voting Unitholders or with cause by two-thirds of the remaining Chartwell Trustees.

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

Meetings of Voting Unitholders

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

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

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 20% of the votes attached to all outstanding Voting Units shall constitute a quorum for the transaction

of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

The Declaration of Trust provides that without the authorization of at least 66²/₃% of the votes cast at a meeting of Voting Unitholders called for such purpose, the Chartwell Trustees and the Directors shall not, among other things: (a) authorize any combination, merger, amalgamation or arrangement of Chartwell; (b) dispose of all or substantially all of the assets of Chartwell; or (c) liquidate or dissolve the Operator, except in conjunction with an internal reorganization.

Rights of the Unitholders

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

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of Chartwell, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a CBCA corporation. However, the *Trust Beneficiaries' Liability Act, 2004* was enacted in Ontario, and this act provides that Unitholders of Chartwell are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of Chartwell or the Chartwell Trustees, with reference to activities or obligations of Chartwell or the Chartwell Trustees occurring or arising after December 16, 2004. The Act has not yet been judicially considered and it is possible that reliance on the Act by a Unitholder could be successfully challenged on jurisdictional or other grounds.

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

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

responsibilities and duties, upon the written request of holders of 25% of the outstanding Units, but any such process would not be subject to court oversight or the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings in Chartwell's name.

Purchases of Units

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

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to Chartwell of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Chartwell Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to Chartwell and to CDS Clearing and Depository Services Inc. ("CDS"). Upon receipt of the redemption notice by Chartwell, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price") equal to the lesser of: (a) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten day trading period ending immediately prior to the date on which the Units were surrendered for redemption (the "Redemption Date"); and (b) 100% of the "closing market price" on the principal market on which the Units are listed for trading on the Redemption Date.

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

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

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

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

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

Takeover Bids

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

Issuance of Units

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

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

Limitation on Ownership

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

Information and Reports

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

Amendments to Declaration of Trust

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

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

- (a) an exchange, reclassification or cancellation of all or part of the Voting Units;

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

Upon the recommendation of a majority of the independent Directors, the Chartwell Trustees may, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

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

Book-Based System

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

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

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

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

Transfer and Exchange of Units

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

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

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

Unitholder Rights Plan

Chartwell has a Rights Plan whereby Chartwell will issue one right (a "Right") for each Voting Unit which is outstanding. The terms of the Rights Plan are set out in Chartwell's Unitholder rights agreement dated as of November 14, 2003, as reconfirmed from time to time (the "Unitholder Rights Agreement") and reference should be made to the Unitholder Rights Agreement for the complete terms of the Rights Plan. A copy of the Unitholder Rights Agreement is available from Chartwell upon request and is also available on SEDAR (www.sedar.com).

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

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

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

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

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

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

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

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

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

The Voting Unitholders reconfirmed the Rights Plan at the annual and special meeting of Unitholders held on May 24, 2006, and the Rights Plan will be brought before the Unitholders again at the annual and special meeting of the Unitholders in 2009. The Rights Plan shall expire on the earliest of: (a) the date on which the Rights Plan is waived or the Rights are redeemed by the Chartwell Trustees in the manner described above, (b) the date on which the Rights Plan is not reconfirmed, or not presented for reconfirmation, at an annual general meeting of the Voting Unitholders at which the Rights Plan is required to be presented for reconfirmation, or (c) 11:59 p.m. (Toronto time) on December 31, 2012.

Distribution Reinvestment Plan

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

DESCRIPTION OF THE DEBENTURES

General

Chartwell issued the Initial Debentures pursuant to a trust indenture dated as of the 28th day of November, 2006 (the “Initial Indenture”) between Chartwell and Computershare Trust Company of Canada (“Computershare”) as trustee, and issued the Series 2007-1 Debentures pursuant to a supplemental indenture dated as of April 20, 2007 (together with the Initial Indenture, the “Indenture”) between Chartwell and Computershare (the Initial Debentures and the Series 2007-1 Debentures are collectively referred to as the “Debentures”). Chartwell may, from time to time, without the consent of the holders of the Debentures, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Debentures.

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

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

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

Subordination

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

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

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

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

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

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

Conversion Rights

Each Debenture is convertible into fully-paid, non-assessable and freely-tradable Units at the option of the holder, in accordance with the provisions of the Initial Indenture or the Supplemental Indenture, as applicable. In the event Chartwell has suspended regular Distributions, then a holder of Debentures, in addition to the applicable number of Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last interest

payment date prior to the date of conversion to the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the period from the close of business on the Record Date (as defined in the Indenture) preceding the interest payment date to and including such interest payment date, as the registers of Computershare will be closed during such periods.

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

Redemption

Subject to the terms of the Indenture, Chartwell may redeem the Debentures at certain times and at a price calculated in accordance with the Initial Indenture or the Supplemental Indenture.

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

Put Right Upon a Change of Control

Upon the occurrence of a change of control of Chartwell involving the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66²/₃% or more of the votes attaching, collectively, to (a) outstanding Voting Units; and (b) voting units of Chartwell issuable upon the conversion or exercise in accordance with their terms of securities convertible into or carrying the right to acquire Voting Units (a “Change of Control”), each holder of Debentures may require Chartwell to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “Put Date”), the whole or any part of such holder’s Debentures at a price equal to 101% of the principal amount thereof (the “Put Price”) plus accrued and unpaid interest up to but excluding the Put Date (the “Total Put Price”).

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

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

Method of Payment

Payment of Principal on Redemption or at Maturity

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

Interest Payment Election

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

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

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

Events of Default

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

Modification

The rights of the holders of the Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all holders of Debentures, resolutions ("Extraordinary Resolutions") passed at meetings of the holders of Initial Debentures and Series 2007-1 Debentures, by votes cast thereat by holders of not less than $66\frac{2}{3}\%$ of the principal amount of the then outstanding Initial Debentures and Series 2007-1 Debentures, as the case may be, present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than $66\frac{2}{3}\%$ of the principal amount of the then outstanding Initial Debentures and Series 2007-1 Debentures, as the case may be. Under the Indenture, Computershare has the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

Book-Based System

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

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

Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made for the Debentures which is a takeover bid for Initial Debentures or Series 2007-1 Debentures, as the case may be, within the meaning of the *Securities Act* (Ontario) and not less than 90% of the outstanding principal amount of the Initial Debentures or Series 2007-1 Debentures, as the case may be, is taken up and paid for by the offeror (other than Initial Debentures or Series 2007-1 Debentures, as the case may be, held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror or any person acting jointly or in concert with the offeror), the offeror will be entitled to acquire the Initial Debentures or Series 2007-1 Debentures held by holders of Initial Debentures or Series 2007-1 Debentures, as the case may be, who did not accept the offer on the terms offered by the offeror.

Limitation on Non-Resident Ownership

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

Transfer and Exchange of Debentures

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

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

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

Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

Exchange Agreement

Chartwell, CSH Trust, Master LP, Spectrum, and certain other vendors of Properties acquired by Chartwell (collectively, the “Class B Master LP Unitholders”) entered into the Exchange Agreement.

The Exchange Agreement grants each Class B Master LP Unitholder the right to require Chartwell, CSH Trust and Master LP to indirectly exchange Class B Master LP Units into Units on a one-for-one basis, subject to adjustment of the exchange ratio in certain circumstances.

CSH Trust

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

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

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

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

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

CSH Trust Notes

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

Series 1 Trust Notes, Series 2 Trust Notes, Series 3 Trust Notes and any other notes issued under the Note Indenture (collectively, the “CSH Trust Notes”) will be issuable in Canadian currency. CSH Trust Notes are issuable in

denominations of \$100 and integral multiples of \$100. No fractional CSH Trust Notes will be distributed and where the number of CSH Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

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

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

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

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

Master LP

Master LP is entitled to issue various classes of partnership interests. Master LP has outstanding one general partnership unit, Class A Master LP Units, all of which are held by CSH Trust, and Class B Master LP Units which have been issued to certain of the vendors as partial consideration for the acquisition of Properties by the Operator. The Class A Master LP Units represent approximately 97% of the total Master LP units outstanding and Class B Master LP Units represent approximately 3% of the total Master LP units outstanding. Holders of Class A Master LP Units are entitled to notice of, and to attend and vote at, all meetings of holders of partnership units. Units of Master LP may not be issued to, transferred to or held by any person or partnership if such issuance, transfer or holding could cause Master LP to not qualify as an “excluded subsidiary entity” under the SIFT Rules.

Class B Master LP Units, which are issuable in series, may be issued in respect of seniors housing acquisitions made by Master LP from time to time. The Class B Master LP Units are, in all material respects, economically equivalent to the Units on a per unit basis. Under the Exchange Agreement and pursuant to the terms of the Class B Master LP Units: (a) the Class B Master LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of the holder, unless the exchange would jeopardize Chartwell’s status as a “unit trust”, “mutual fund trust” or “registered investment” under the Tax Act; (b) each Class B Master LP Unit entitles the holder thereof to receive distributions from Master LP, where practicable, which are economically equivalent on a per unit basis to Distributions made by Chartwell on a Unit; (c) a registered holder of Class B Master LP Units will receive Special Voting Units entitling the holder to receive

notice of, to attend and to vote at all meetings of Unitholders; (d) except as required by-law and in certain specified circumstances in which the rights of a holder of Class B Master LP Units are affected, holders of the Class B Master LP Units will not be entitled to vote at any meeting of the limited partners of Master LP; (e) Master LP will be entitled to require the redemption of the Class B Master LP Units in certain specified circumstances; and (f) Class B Master LP Units may not be transferred without the consent of the Directors.

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

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

INVESTMENT GUIDELINES AND OPERATING POLICIES OF CHARTWELL

Investment Restrictions

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

- (a) Chartwell shall focus its acquisition activities on existing income-producing seniors housing facilities located in Canada and the United States that are substantially occupied, and on seniors housing operations and development management businesses in Canada and the United States;
- (b) Chartwell shall not acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost to Chartwell of such acquisition (net of the amount of acquisition debt) will exceed 15% of Chartwell's Adjusted Gross Book Value;
- (c) Notwithstanding anything else contained in the Declaration of Trust, Chartwell shall not make any investment, take any action or omit to take any action that would result in: (i) Chartwell failing or ceasing to qualify as a "mutual fund trust" or "registered investment" within the meaning of the Tax Act; (ii) the Units being disqualified for investment by deferred income plans; (iii) the Units being foreign property for the purpose of the Tax Act; or, if Chartwell is a registered investment within the meaning of the Tax Act, Chartwell paying a tax under Part XI of the Tax Act for exceeding certain foreign property investment limits or that would result in CSH Trust being liable to pay tax under Part XII.2 of the Tax Act;
- (d) Chartwell may invest in a joint venture arrangement only if:
 - (i) the arrangement is one pursuant to which Chartwell holds an interest in a seniors housing facility jointly or in common with others ("joint venturers") either directly or through the ownership of securities of a corporation or other entity (a "joint venture entity");
 - (ii) Chartwell's interest in the joint venture arrangement is not subject to any restriction on transfer other than a right of first refusal or a right of first offer, if any, in favour of the joint venturers;

- (iii) Chartwell has a right of first refusal or a right of first offer to buy the interests of the other joint venturers;
 - (iv) the joint venture arrangement provides an appropriate liquidity mechanism to enable Chartwell to purchase the other joint venturers' interests or to sell its interest; and
 - (v) the joint venture arrangement requires Chartwell or its designee to participate fully, directly or indirectly, in the management thereof;
- (e) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, some or all of the receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act* (Canada) maturing prior to one year from the date of issue, Chartwell may not hold securities other than securities of a joint venture entity or an entity wholly owned by Chartwell formed and operated solely for the purpose of holding a particular real property or real properties or managing real property or properties or some or all of the receivables under instalment receipt agreements, and provided further that, subject to paragraph (c) above, notwithstanding anything contained in the Declaration of Trust to the contrary, Chartwell may acquire securities of other Canadian real estate investment trusts or limited partnership units of limited partnerships that invest in real estate;
- (f) Chartwell shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) Chartwell shall not invest in operating businesses other than seniors housing or related businesses;
- (h) Chartwell shall not invest in raw land for development except for: (i) existing properties with additional development potential or properties adjacent to existing properties of Chartwell for the purpose of (y) the renovation or expansion of existing facilities or (z) the development of new facilities which will be capital property of Chartwell or of Chartwell and its joint venture partners, as applicable; or (ii) the purpose of developing a facility which will replace an existing facility and to which it is intended that the residence of the existing facility will relocate;
- (i) Chartwell may invest in mortgages and mortgage bonds (including, with the consent of a majority of the independent Chartwell Trustees, participating or convertible mortgages) where:
 - (i) the real property which is security therefor is an income-producing seniors housing facility which otherwise meets the general investment restrictions of Chartwell adopted by the Chartwell Trustees from time to time in accordance with the Declaration of Trust and the restrictions set out therein;
 - (ii) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2X debt service coverage;
 - (iii) the mortgage is a first mortgage registered on title to the real property which is security therefor; and
 - (iv) the aggregate value of the investments of Chartwell in these mortgages, after giving effect to the proposed investment, will not exceed 15% of the Adjusted Gross Book Value calculated at the time of such investment;
- (j) Chartwell may invest in mortgages, including mezzanine financings, if the sole intention is to use the acquisition of the mortgages as a method of acquiring control of real property that is income-producing or is being developed for that purpose which would otherwise meet the investment restrictions of Chartwell and provided that the aggregate value of the investments of Chartwell in these mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Gross Book Value (including the investments described in paragraph (i) above);

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

Operating Policies

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

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

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

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

- (a) any obligation of Chartwell for borrowed money;

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

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

Amendments to Investment Restrictions and Operating Policies

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

MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business, the only agreements which are material to Chartwell and which were entered into during 2008 or which were entered into prior to 2008 but are still in effect are the:

- (a) Declaration of Trust described under "Chartwell, CSH Trust and Master LP";
- (b) CSH Trust Declaration described under "Chartwell, CSH Trust and Master LP";
- (c) Master LP Partnership Agreement described under "Chartwell, CSH Trust and Master LP";
- (d) Development Agreement described under "Description of the Business – Growth Strategies of Chartwell – Alliance with Spectrum" and its amendments;
- (e) LTIP;
- (f) Exchange Agreement described under "Description of the Debentures – Exchange Agreement";
- (g) non-competition agreements described below;
- (h) Unitholder Rights Plan described under "Chartwell, CSH Trust and Master LP – Unitholder Rights Plan";
- (i) Amended and Restated Credit Agreement described below and under "General Development of the Business – Credit Facilities and Borrowing";
- (j) Distribution Reinvestment Plan;
- (k) Trust Indenture dated as of the 28th day of November, 2006 between Chartwell Seniors Housing Real Estate Investment Trust and Computershare Trust Company of Canada; and
- (l) First Supplemental Indenture dated as of the 20th day of April, 2007 between Chartwell Seniors Housing Real Estate Investment Trust And Computershare Trust Company of Canada.

Long Term Incentive Plan

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

Currently, a maximum of 5,900,890 Units are reserved for issuance under the LTIP representing approximately 6% of the issued and outstanding Units. As of the date hereof, 2,571,990 Units have been issued under the LTIP, which represent approximately 2.6% of the issued and outstanding Units. There remain 3,328,900 Units which are reserved for issuance, which represent approximately 3.3% of the outstanding Units. The LTIP is administered by the Compensation, Governance and Nominating Committee (the “Compensation Committee”), which has the power to determine, among other things, (a) which Eligible Persons may subscribe for LTIP units; (b) the number of Units allocated to each such Eligible Person; (c) the vesting schedule of grants; and (d) the market price for the Units at the time such LTIP units are issued. An Eligible Person who participates in the LTIP is referred to as an “LTIP Participant”. The “market price” for Units will be equal to the volume weighted average trading price of Units on the TSX for the 20 trading days immediately preceding their issue, except for the “initial plan units” granted to Eligible Persons at the IPO price as disclosed in the final prospectus of Chartwell dated October 31, 2003. The LTIP prohibits any reduction or other change in the price paid for Units, except to reflect a consolidation or split of the Units or similar capital reorganization.

The maximum number of Units issuable to insiders of Chartwell under all security based compensation arrangements, including the LTIP, at any time cannot exceed 10% of the issued and outstanding Units, and the number of securities to be issued to insiders of Chartwell pursuant to such arrangements within any one year period cannot exceed 10% of the issued and outstanding Units. The purchase price for Units is payable from the proceeds of Distributions. The first payment is an amount equal to not less than 5% of the market price for Units on the date of issue and will be payable by LTIP Participants whose gross salary is greater than \$80,000 on the date such Units are issued. Otherwise, LTIP Participants whose gross annual salary is equal to or less than \$80,000 on the date such Units are issued are not required to make such an initial cash payment. Prior to payment in full of the unpaid purchase price (including interest thereon, as described below) relating to Units, the interest in the Units is represented by instalment receipts issued by Chartwell (the “Instalment Receipts”) to LTIP Participants. LTIP Participants will be required to pay interest to Chartwell on the outstanding balance of the remaining unpaid purchase price at a ten year fixed annual rate not less than the prescribed rate under the Tax Act applicable at the time the Units are issued, pursuant to an instalment receipt agreement entered into between Chartwell and LTIP Participants. All Distributions paid on the Units are applied to pay such interest and to pay the remaining unpaid purchase price such that, following all such payments, the LTIP Participants will have paid the full market price for the Units.

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

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

Deferred Unit Plan

Chartwell established its deferred unit plan (the “Deferred Unit Plan”) in 2008 to provide non-employee Chartwell Trustees, CSH Trustees and the Directors (each a “DSU Participant”) with the opportunity to acquire deferred units of Chartwell (“Deferred Units”). The Deferred Unit Plan allows DSU Participants to participate in the long-term success of Chartwell and promotes a greater alignment of interests between the DSU Participants and Unitholders.

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

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

The Deferred Units are exercisable by a DSU Participant upon delivery of a notice of exercise to the secretary of CMCC, specifying the exercise date, which shall be either: (a) the date the DSU Participant ceases to be a Director, Chartwell Trustee or CSH Trustee, as applicable, for any reason whatsoever (the "Cessation Date"); or (b) such later date as the DSU Participant may elect, provided that such date is not later than December 1 of the calendar year following the calendar year in which the Cessation Date occurred.

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

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

The Board of Directors may determine from time to time, upon the advice of the Compensation Committee, that special circumstances exist that would reasonably justify the grant to a DSU Participant of Deferred Units as compensation in addition to any regular retainer or fee to which the DSU Participant is entitled. Upon making such a determination, the Board of Directors may grant Deferred Units to such DSU Participant and, upon the effective date of the grant, the provisions of this Deferred Unit Plan shall apply to such DSU Participant and such Deferred Units *mutatis mutandis*, as if the DSU Participant had elected hereunder and had received Deferred Units in respect of an Elected Amount (as defined in the Deferred Unit Plan).

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

Any such amendments are subject to the prior approval of any applicable regulatory bodies, including the TSX. If Chartwell amends or suspends the Deferred Unit Plan, such amendment or suspension will not affect previously granted Deferred Units without the consent of Chartwell and the DSU Participant to whom such awards have been made. If the

Deferred Unit Plan is terminated, no new Deferred Units (other than those issued as credit for Distributions) will be issued but previously credited Deferred Units shall be paid out in accordance with the terms of the Deferred Unit Plan.

The Deferred Unit Plan remains subject to Unitholder approval at the forthcoming annual and special meeting of Unitholders.

Restricted Unit Plan

Chartwell established its restricted unit plan (the “Restricted Unit Plan”) in 2008, to be implemented in 2009, to provide the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer, Executive Vice Presidents and Senior Vice Presidents (each an “Executive Officer”) of CMCC (and its Related Entities, as such term is defined in the Restricted Unit Plan), and their respective permitted assigns (each an “RUP Participant”) with the opportunity to acquire restricted units of Chartwell (“Restricted Units”). The purpose of the Restricted Unit Plan is to enhance the ability of Chartwell and CMCC to attract and retain Executive Officers and to allow RUP Participants to share in Chartwell’s long-term success. The Restricted Unit Plan promotes a greater alignment of interests between RUP Participants and Unitholders.

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

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

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

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

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

Non-Competition Agreements

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

Amended and Restated Credit Agreement

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

The term of the operating facility may be extended, upon request of the Operator and with the consent of the lenders, for additional 364-day periods. Borrowings under the operating facility can be in the form of a prime loan or a bankers' acceptance. The interest on (a) prime loans is the prime rate plus 1% and (b) bankers' acceptance borrowings is the bankers' acceptance rate plus 2.25%. The operating facility is subject to customary terms and conditions for borrowings of this nature, including limits on pledging assets without the consent of the lenders and the maintenance of various financial ratios. The operating facility also contains customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed under the facility and that restrict distributions that may be made by the Operator and CSH Trust. Since Chartwell indirectly holds equity interests in the Operator, the amounts owed to the lenders under the operating facility have priority for payment over Distributions on Chartwell's indirect equity interest. Under the operating facility, Distributions paid in cash by Chartwell to Unitholders are restricted to 100% of Chartwell's AFFO (as defined in the fourth amending agreement to the Amended and Restated Credit Agreement, made as of August 1, 2008), for each fiscal year, and in the case of the 2008 fiscal year, from April 1, 2008 to December 31, 2008. The operating facility is secured, *inter alia*, by first and second ranking mortgages on 29 seniors housing facilities in Ontario, Québec and British Columbia owned by the Operator. The Operator is currently in compliance in all material respects with the terms of the operating facility.

DISTRIBUTION POLICY

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

General

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

For the year ended December 31, 2008, Chartwell distributed 120.3% of its AFFO on a basic basis and 124.1% of its AFFO including Units granted under the LTIP. See "Material Contracts – Amended and Restated Credit Agreement". All Distributions paid in respect of Units outstanding under the LTIP are repaid by the LTIP Participants as repayments of unpaid purchase price, resulting in no net cash impact to Chartwell.

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

Chartwell will use all amounts received by it from CSH Trust, net of amounts required to pay its own expenses, plus any other net income from other sources such as short-term investments, to pay Distributions to Unitholders of a sufficient amount to ensure that Chartwell will not be subject to income tax on such income.

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

Amendments to the Declaration of Trust regarding the Deletion of Distributable Income

Since Chartwell’s inception in 2003, the financial measure Distributable Income had been used by Chartwell as a basis to calculate the funds available for Distributions to Unitholders. The Distributable Income of Chartwell for or in respect of any period was based on the consolidated net income of Chartwell and its subsidiaries computed in accordance with GAAP, as adjusted. Changes to GAAP have prompted the boards of many public real estate investment trusts to revise their definition of Distributable Income in reaction to changes in GAAP, with the result being that a Unitholder could not rely on Distributable Income as a relative financial measure with consistent meaning and application among the various real estate investment trusts. As a result of expected future changes in GAAP, the Declaration of Trust was amended to delete the definition of Distributable Income and a consequential addition of a definition of Distributions was added.

Computation of AFFO

AFFO is defined as net income computed in accordance with GAAP, excluding gains and losses from sales of depreciable real estate and extraordinary items, and adjusting for the following: (a) depreciation and amortization; (b) future income taxes; (c) adjustments for equity accounted entities and non-controlling interests; (d) straight line adjustments to lease expense; (e) unrealized gains and losses on derivative financial instruments and unrealized foreign exchange gains and losses; (f) amortization of below market leases; (g) principal portion of capital funding receivable; (h) amounts received under income guarantees and amortization of mark to market adjustments, including accretion on the Debentures and amortization of financing costs; and (i) deducting reserves for financing costs and capital maintenance.

Distributions Made

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

RISK FACTORS

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

Risks Related to Chartwell and the Industry

Business Risks

Chartwell is dependent on the business and assets of the Operator for its cash flow. The Operator is subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economic residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs including the costs of utilities, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreak and control risks, the imposition of increased taxes or new taxes, capital expenditure requirements, changes in interest rates, and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that expected demographic trends will continue or that the occupancy levels achieved to date at the Properties and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to, or the financial position of, Chartwell.

Real Property Ownership and Lack of Diversity

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

Geographic Concentration

Chartwell's business and operations are conducted in the United States and Canada. At December 31, 2008, 35% of Chartwell's suites were located in the United States, and 65% were located in Canada. By province, as a percentage of total suites, 33% of Chartwell's suites were located in Ontario, 23% were located in Québec and 9% were located in other provinces. The market value of these Properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.

Maintenance of Productive Capacity

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

Growth

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

Acquisition and Development

Chartwell's external growth prospects will depend in large part on identifying suitable acquisition and development opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the seniors housing facilities acquired by Chartwell. Chartwell has significantly reduced its focus on external growth over the past year. If Chartwell is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

Chartwell is relying on its Development Agreement with Spectrum and relationships with Melior and/or joint venture partners to provide new suitable development opportunities that can be acquired by Chartwell once the development is Stabilized. If Spectrum, Melior and/or their joint venture partners are unable to identify and successfully develop new facilities, Chartwell's growth will be impacted. Further, development activity is subject to a number of risks and there is no assurance that projects that Spectrum will seek to undertake will result in seniors housing facilities which may be acquired by Chartwell.

Acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of Chartwell. Representations and warranties given by such third parties to Chartwell may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

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

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

Competition

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

Debt Financing

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

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

A portion of Chartwell's cash flow is devoted to servicing its debt, and there can be no assurance that Chartwell will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Chartwell

is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. Chartwell is also subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of its existing indebtedness.

The current United States subprime crisis has adversely affected United States mortgage lending to a significant degree and Canadian mortgage lending to a meaningful degree. In the United States, commercial mortgage-backed security lending is the dominant source of commercial mortgage lending, and this market is currently extremely thin, leaving the remaining direct lenders with excess product and the ability to obtain significantly increased spread pricing over treasury yields. In Canada, lenders have been influenced by the United States experience and many have temporarily put new lending business on hold until the market settles. As in the United States, the remaining lenders have been able to obtain moderately increased spread pricing over bond yields for both CMHC-insured and conventional loans. Although lending sources are currently diminished and spread pricing has increased, overall rates have been mitigated by historically low United States treasury yields and low Canadian bond yields, leaving the interest rates obtained by Chartwell generally consistent with interest rates of 2008. Although the United States subprime crisis has not had a significant impact on Chartwell's cost of debt or its ability to finance properties to date, this may change in the future.

Current Global Financial Conditions

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact Chartwell's ability to obtain future financing on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, Chartwell's operations could be adversely impacted and the trading price of the Units may be adversely affected.

Mezzanine Financing

The mezzanine financing that has been provided and may be provided by Chartwell to Spectrum pursuant to the Development Agreement, to Spectrum's joint venture partners and to Chartwell's joint venture partners, is generally secured by second charges or pledges of the borrowers' interests in development projects and ranks behind construction financing. While Chartwell generally seeks to obtain security for advances against real property, in some circumstances it is only possible to obtain security in a joint venture interest. Consequently, if Spectrum, Melior or any other joint venture partners face financial difficulty and are not able to meet their commitments to their lenders, including Chartwell, Chartwell could suffer a loss of management fees and of either interest or principal or both on the mezzanine loans it has advanced since lenders under the construction financing will rank ahead of Chartwell in any recovery from the assets of Spectrum, Melior and other joint venture partners. Additionally, Chartwell may not, at the applicable time, have the financial capacity to acquire all facilities that it is entitled to acquire from Spectrum, Melior and other joint venture partners. In the event that Chartwell does not exercise its purchase option, Chartwell would expect to have the principal and any unpaid interest relating to its mezzanine financing returned to it at which time Chartwell would cease to receive mezzanine interest, or may cease to receive its management fees when a Development Property is sold to a third party. There is no guarantee that the level of development carried on by Spectrum and other joint venture partners will be maintained at current levels. Spectrum's and other joint venture partners' level of development activity may be constrained by their respective capital resources.

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

Environmental Liabilities

Environmental legislation and policies have become increasingly important in recent years. Under various environmental laws and regulations, the Operator, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in its properties or disposed of at other locations, in some cases regardless of whether or not the Operator knew of or was responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. Notwithstanding the above, management of the Operator is not aware of any material non-compliance, liability or other claim in connection with any of the Properties, the Managed Properties or Development Properties in respect of which acquisition mezzanine financing has been provided, nor is management aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditure by the Operator. It is the Operator's operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

Environmental laws and regulations may change and Chartwell or the Operator may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Chartwell's business, financial condition or results of operation and Distributions.

Liability and Insurance

The businesses which are carried on, directly or indirectly, by the Operator entail an inherent risk of liability. Management expects that from time to time Chartwell and/or the Operator may be subject to such lawsuits as a result of the nature of its businesses. The Operator maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against Chartwell and/or the Operator not covered by, or in excess of, Chartwell's and the Operator's insurance could have a material adverse effect on Chartwell's and the Operator's business, operating results and financial condition. Claims against Chartwell and/or the Operator, regardless of their merit or eventual outcome, also may have a material adverse effect on their ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.

Personnel Costs

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

Labour Relations

Chartwell, through the Operator and its subsidiaries, and also through HBM, directly and indirectly employs more than 15,000 people, of whom approximately 40% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that the Operator and Chartwell will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on Chartwell's and the Operator's business, operating results and financial condition. However, most seniors housing facilities in the Province of Ontario are governed by the *Hospital Labour Disputes Arbitration Act*, which prohibits strikes and lockouts in the seniors housing facility sector. Therefore, collective bargaining disputes are more likely to be resolved through compulsory third party arbitration.

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

Conflicts of Interest

The Chartwell Trustees, CSH Trustees and Directors will, from time to time, in their individual capacities deal with parties with whom Chartwell may be dealing, or may be seeking investments similar to those desired by Chartwell. The relevant constating documents of Chartwell, CSH Trust and Master LP contain conflict of interest provisions requiring the Chartwell Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon. Conflicts will exist due to the fact that certain Directors and/or senior officers of Chartwell and/or the Operator are and will be shareholders, directors and/or senior officers of Spectrum (see "Trustees, Directors and Executive Officers – Conflicts of Interest" and "Description of the Business – Growth Strategies of Chartwell – Alliance with Spectrum"). In particular, shareholders of Spectrum will benefit to the extent that the prices at which the Operator acquires Properties from Spectrum are higher than total development costs or to the extent that the terms of mezzanine loans provided by the Operator to Spectrum are more favourable than what might be otherwise available on an arm's length basis in the market. To mitigate this potential conflict, all such acquisitions and mezzanine loans must be the subject of an independent appraisal process and must be approved by the independent Directors.

Management Contracts

Chartwell will receive management fees from non-owned facilities that it manages for others. Chartwell will not receive this revenue if the management agreements with the facilities' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice. Certain of the contracts have not been reduced to writing and are evidenced by the conduct of the parties. This revenue is also subject to business risks similar to those described under "Risks Related to Chartwell and the Industry – Business Risks" above.

U.S./Canadian Exchange Rate Fluctuations

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

Government Regulation

Canada

Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed and regulated health care systems. The Provinces of Alberta, British Columbia and Manitoba have led this trend. These changes favour larger operators having the resources to provide more cost effective management services and well developed staff training programs on a regional basis. However, there can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry, will not adversely affect Chartwell. In addition, new regulatory standards and requirements are being considered in a number of provinces which may affect all types of seniors housing facilities.

In Ontario, LTC Facility licences are for a term of one year, but are automatically renewed each year unless there is a concern or complaint with respect to the LTC Facility, and therefore such licences do not represent any guarantee of continued operation beyond the term of the licence. While it is possible for authorities to revoke a licence due to inadequate performance by the Operator, such actions are rare and would typically be preceded by a series of warnings, notices and other sanctions. While the Operator endeavours to comply with all regulatory requirements in its LTC Facilities, it is not

unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is Chartwell's intention to correct deficiencies which have been legitimately identified within the time frames allowed.

Currently, LTC Facilities in Ontario are operated pursuant to the *Nursing Homes Act* (Ontario), the *Charitable Institutions Act* (Ontario) or the *Homes for the Aged and Rest Homes Act* (Ontario). On October 3, 2006, the Government of Ontario introduced Bill 140, now known as the LTC Act 2007, which will consolidate the three pieces of legislation currently governing the LTC Facilities. Aspects of the LTC Act 2007 which will affect Chartwell's LTC Facilities include: new licensing procedures based on more rigorous standards for licence review; the granting of licences for fixed-terms of up to 25 years, depending on bed classifications; the granting of replacement licences to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in facilities, including the requirement that a registered nurse be on-site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of facility staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of facilities. In addition, there will be a notice given three years before the end of the term of a licence as to whether a new licence will be issued.

The LTC Act 2007 received third reading on June 4, 2007 but has not been fully proclaimed into force. The LTC Act 2007 cannot be fully proclaimed into force until regulations are drafted. It is not anticipated that the LTC Act 2007 will be fully in force until the fall of 2009.

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

At present, ISL Facilities and AL Facilities in Québec which are not classified as LTC Facilities do not require certification in order to operate. However, Bill 83 (*An Act to amend the Act respecting Health Services and Social Services and Other Legislative Provisions* (Québec)), which became law in late 2005, introduces a new procedure for the certification of ISL Facilities and AL Facilities. The provisions of Bill 83 dealing with such certification have now come into force and require ISL Facilities and AL Facilities to obtain a certificate of compliance by: (a) filing a written application with the appropriate regional agency; (b) complying with the criteria set by regulation; and (c) satisfying the requirements established by regulation. Chartwell has complied with the certification procedures at all of its properties in Québec.

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

United States

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

LTC Facilities and AL Facilities must comply with state licensing regulations that can contain, among other requirements, rules regarding quality of care, resident's health and safety, dietary, physical plant and facility standards, professional standards for caregivers, and record maintenance and residency agreements. LTC Facilities and AL Facilities are subject to periodic inspections, surveys, audits, investigations and other reviews ("Surveys") by regulatory agencies to determine the Operator's compliance with the applicable regulations. Such Surveys occur within the normal course of operation of Operator's facilities. These Surveys are generally required to occur on a regular basis, often annually. In

addition, a Survey may occur as a result of a complaint made by an individual, often a resident or family member. As a result of such Survey, the regulatory agency may require affirmative action or response by the Operator. In addition, a determination by a regulatory agency that the Operator failed to comply with applicable regulations, including providing care at a level which exceeds the level of care for which the facility is licensed, could result in sanctions or penalties, the loss of utilization of a facility, loss of revenues, loss or reduction in a facility's scope of licensure, certification or accreditation, if applicable, or the Operator's ability to operate all or a portion of its facilities, and consequently, could have a material and adverse effect on the operations or financial condition of the Operator.

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

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

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

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

Operations in United States

While Chartwell has entered into a joint venture agreement with a party that management believes has experience in the management of seniors housing facilities in the United States, prior to 2005 Chartwell had not previously owned or managed senior housing facilities in the United States. Such ownership and management may require additional expertise and give rise to issues and risks different from those required or experienced by Chartwell in its Canadian operations such as differing market requirements and differing regulatory schemes or enforcement thereof. If Chartwell fails to anticipate or is unable to manage any such differences, the performance of its investments in the United States may not be comparable to its investments in Canadian senior housing facilities. Accordingly, the performance of Chartwell and its ability to grow or maintain its Distributions may be materially affected.

Joint Venture Interests

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

Risks Related to the Structure of Chartwell

Distributions

Currently, Chartwell Distributions are determined in relation to AFFO. While Chartwell intends for such Distributions to be at least equal to 70% of its AFFO for a specified year, items such as principal repayments, capital expenditures, variances in operating results and redemption of Units, if any, or the failure of CSH Trust or Master LP to make distributions may affect AFFO and, therefore, Distributions. Chartwell may be required to decrease its Distributions in order to accommodate such items. Under Chartwell's operating credit facility, Distributions by Chartwell to Unitholders are limited to 100% of its AFFO.

Redemption Right

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

Accounting

Consolidation of Variable Interest Entities

In June 2003, The Canadian Institute of Chartered Accountants issued Accounting Guideline 15 ("AcG-15"), Consolidation of Variable Interest Entities ("VIE"). AcG-15 provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG-15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG-15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or entitle it to receive a majority of the VIE's expected residual returns or both.

Chartwell continuously evaluates the impact of AcG-15 on the accounting for its relationships with and interests in various entities. In order to complete its evaluation under AcG-15, management is required, among other things, to make estimates of expected losses and/or residual returns, the probabilities of any such losses and/or residual returns relating to mezzanine financings and other relationships, and the impact of changing economic conditions. These estimates are based on historical and available market information. Imprecision in these estimates can affect the assessment of expected losses and/or residual returns.

At December 31, 2008, Chartwell holds, directly or indirectly, variable interests in 19 VIEs. Although these entities were identified as VIEs, it was determined that Chartwell is not the primary beneficiary and, therefore, these VIEs are not subject to consolidation.

If, based on Chartwell's evaluation of its relationships with Spectrum, Melior, their joint venture partners or other entities and the surrounding circumstances at any particular time, it determines that Spectrum and/or other entities are subject to consolidation under AcG-15, there would be a material adverse effect on Chartwell's results of operations and financial position as presented in Chartwell's financial statements.

International Financial Reporting Standards

Canada's Accounting Standards Board recently confirmed its strategic plan that will result in GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") over a transitional period to be completed by 2011. Chartwell will be required to report using the converged standards effective for interim and annual financial statements

relating to fiscal years beginning no later than on or after January 1, 2011. GAAP will be fully converged with IFRS through a combination of two methods: first, as current joint-convergence projects of the United States' Financial Accounting Standards Board and the IASB are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the publicly accountable enterprises' transition date to IFRS; and second, standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises' transition date to IFRS. The IASB currently has projects underway that are expected to result in new pronouncements that continue to evolve.

Implementing IFRS will have an impact on accounting, financial reporting and supporting information technology systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses (including debt covenants), employee compensation plans and performance metrics. Accordingly, Chartwell's implementation plan will include measures to provide extensive training to key finance personnel, to review relevant contracts and agreements and to increase the level of awareness and knowledge amongst Chartwell's management, the Board of Directors, the Audit Committee and investors. Changing from current GAAP to IFRS may materially affect Chartwell's reported financial position, AFFO and other financial measures.

Dilution

Chartwell may, in its sole discretion, issue additional Units from time to time, and the interests of the Unitholders may be diluted thereby. Chartwell shall not issue additional securities unless the Chartwell Trustees determine that such an issuance will not be dilutive to ensuing annual Distributions per Unit to existing Unitholders. Such determination may prove to be incorrect over time.

Nature of Units

The Units are not traditional equity investments. The Units represent an undivided ownership interest in Chartwell. Chartwell's primary assets are CSH Trust Units and Series 1 Trust Notes. The Units do not represent a direct investment in the business of Master LP and should not be viewed by investors as direct securities of Master LP or its subsidiaries. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights to dissent from fundamental transactions undertaken by a corporation and to apply to court to be paid "fair value" for their securities. As well, Chartwell may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

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

Unitholder Liability

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

Market for Units and Unit Price

The Units are listed on the TSX. There can be no assurance that an active public market for Units will be sustained. One of the factors that may influence the market price of the Units is the annualized yield on the Unit price from Distributions. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which could adversely affect the market price of the Units. The market price of the Units does not necessarily reflect

the net asset value of Chartwell. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors outside the control of Chartwell which may cause the market price of Units to change in a manner which is different from the change in value of the underlying real estate assets.

Matters Affecting Trading Prices for the Debentures

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

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

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

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

Conversion Following Certain Transactions

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

TAX MATTERS

Canadian Tax Matters

The SIFT Rules

The SIFT Rules, which relate to the federal income taxation of publicly traded income trusts and certain other publicly traded flow-through entities, were enacted on June 22, 2007.

Generally, under the SIFT Rules, certain distributions from a "SIFT trust" will not be deductible in computing the trust's taxable income, and the trust will be subject to tax on such distributions at a rate that is comparable to the general tax rate applicable to a Canadian corporation. To the extent that a distribution attracts this tax, it will be taxed in the hands of

the receiving Unitholder as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit.

Under the SIFT Rules, a SIFT trust does not include a “real estate investment trust” (a “REIT”) that meets certain conditions relating to the nature of its income and investments (the “REIT Conditions”). As currently structured, Chartwell does not meet the REIT Conditions.

The SIFT Rules provide that a trust that would have been a SIFT trust on October 31, 2006 if the SIFT Rules had been in force on that date (an “Existing Trust”) will not become subject to the tax on distributions until its 2011 taxation year unless prior to such taxation year, its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006 (the “Safe Harbour Limits”), as determined under guidelines issued by the Department of Finance (Canada) on December 15, 2006, as amended from time to time. Chartwell exceeded the Safe Harbour Limits in 2007. Accordingly, Chartwell was a SIFT trust for 2007 and 2008 and will be a SIFT trust for 2009. Unless Chartwell changes its structure, it will be a SIFT trust for 2010 and future years.

Distributions paid by a SIFT trust that are in excess of the taxable income of the SIFT trust have not been affected by the SIFT Rules. Such distributions are not taxable to Unitholders but reduce the adjusted cost base of a Unitholder’s Units. In 2008, 100% of Chartwell’s Distributions were in excess of the taxable income of Chartwell and management believes it is likely that a substantial portion of its Distributions will continue in the reasonably foreseeable future. Consequently, Chartwell believes that the impact of the SIFT Rules on Unitholders will be significantly mitigated.

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

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

Although Chartwell is of the view that all expenses to be claimed by Chartwell, CSH Trust and Master LP will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities will have been correctly determined and that the allocation of Master LP’s income for tax purposes among its partners is reasonable, there can be no assurance that CRA will agree. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, Master LP’s allocation of taxable income to CSH Trust, and indirectly the taxable income of Chartwell and the Unitholders, will increase or change.

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

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

United States Tax Matters

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

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

The imposition of both United States federal corporate income tax on the earnings generated by Chartwell USCO and United States federal withholding tax on distributions made by Chartwell USCO on its capital stock held by Chartwell Canco will reduce the net amount of distributions that Chartwell Canco could receive from Chartwell USCO. In turn, in light of the imposition of such taxes, the amount of cash flow generated by Chartwell USCO that could ultimately be made available to Chartwell for Distribution will be less than the amount of such cash flow that would have been available in the absence of the imposition of United States federal tax on the earnings generated, and distributions made, by Chartwell USCO.

TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

Trustees and Directors

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

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled⁽²⁾	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
Lise Bastarache, ^{(4), (5)} Candiac, Québec, Canada	Chartwell Trustee; Director of CMCC	37,500 Units 1,802 Deferred Units	August 2005	Director, Laurentian Bank of Canada; Director, The Jean Coutu Group (PJC) Inc.; Former Director, NB Power; Member of the Board of Governors, Université de Moncton; Regional Vice-President, Private Banking, RBC Financial Group.
W. Brent Binions, King City, Ontario, Canada	President and Secretary of Chartwell; President and Secretary of CSH Trust; Director, President and Secretary of CMCC	130,000 Units 600,000 ⁽³⁾ Class B Master LP Units	November 2003	Executive Vice-President and President, Chartwell.
Mike Harris, ⁽⁶⁾ Woodbridge, Ontario, Canada	CSH Trustee; Director and Chair of CMCC	77,247 Units 11,553 Deferred Units	November 2003	Senior Business Advisor, Goodmans LLP, a law firm; former Premier of the Province Ontario.
André R. Kuzmicki, ⁽⁵⁾ Toronto, Ontario, Canada	CSH Trustee; Director of CMCC	51,325 Units 3,962 Deferred Units	May 2005	Executive Director, Program in Real Estate and Infrastructure, Schulich School of Business, York University; President, Excellent/Inc., a real estate consulting firm; director, Bentall G.P. and RealNet Canada Inc.

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled⁽²⁾	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
Charles R. Moses, ^{(4)*} Toronto, Ontario, Canada	Chartwell Trustee; Director of CMCC	67,500 Units	November 2003	Chairman of the Board, The Canadian Depository for Securities Limited, a provider of depository, clearing and settlement services for securities in Canada.
Sidney P. H. Robinson, ^{(4),(6)*} Toronto, Ontario, Canada	Chartwell Trustee; Director of CMCC	57,500 Units 9,753 Deferred Units \$100,000 in Debentures	November 2003	Corporate Director; former Senior Partner at Torys LLP, a law firm.
Thomas Schwartz, ^{(5),(6)} Toronto, Ontario, Canada	CSH Trustee; Director of CMCC	77,020 Units 486,045 ⁽⁸⁾ Class B Master LP Units 7,208 Deferred Units	November 2003	President and Chief Executive Officer, Canadian Apartment Properties REIT, a real estate investment trust with investments in residential apartment suites.
Stephen A. Suske, Oakville, Ontario, Canada	Chief Executive Officer and Vice-Chair of Chartwell; Director, Chief Executive Officer and Vice-Chair of CMCC	135,000 Units 133,855 ⁽⁷⁾ Class B Master LP Units	November 2003	Chief Executive Officer, Chartwell.
Vlad Volodarski, Thornhill, Ontario, Canada	Chief Financial Officer of Chartwell, CSH Trust and CMCC	94,000 Units	N/A	Chief Financial Officer, Chartwell; Finance Executive, Chartwell.
Richard Noonan, Richmond Hill, Ontario, Canada	Chief Operating Officer of CMCC	95,000 Units	N/A	Chief Operating Officer, Chartwell; Chief Operating Officer, Canadian Retirement Communities.
Sheri Lynn Annable, Waterloo, Ontario, Canada	Executive Vice-President, Finance and Administration of CMCC	30,000 Units	N/A	Finance Executive, Chartwell; Finance Executive, Revera Inc. (formerly Retirement Residences REIT); Finance Executive, CPL Long Term Care REIT.
Jonathan Boulakia, Toronto, Ontario, Canada	Executive Vice-President and General Counsel of CMCC	41,015 Units	N/A	Executive Vice-President and General Counsel, Chartwell; Counsel, CIBC; Vice-President and General Counsel, NBS Technologies Inc.
Philip Harold McKenzie, Guelph, Ontario, Canada	Executive Vice President, Marketing and Public Relations of CMCC	103,672 Units	N/A	Marketing and Public Relations Executive, Chartwell.

Name and Municipality of Residence	Position/Office⁽¹⁾	Units, Deferred Units, Class B Master LP Units and Debentures Beneficially Owned or Controlled⁽²⁾	Chartwell Trustee/ CSH Trustee/ Director of CMCC Since	Principal Occupation Within Previous Five Years
Karen Sullivan, Barrie, Ontario, Canada	Executive Vice-President, People of CMCC	31,500 Units	N/A	Executive Vice-President, People of Chartwell; Executive Director of Ontario Long Term Care Association.
Terry M. Whalen..... Mississauga, Ontario, Canada	Chief Investment Officer of CMCC	50,000 Units	N/A	Chief Investment Officer, CMCC; Managing Director, CB Richard Ellis; Vice President Director, TD Securities.

(1) Each of the Chartwell Trustees, the CSH Trustees and the Directors of CMCC were elected to their positions on May 22, 2008 and their term will expire at the next annual meeting of Voting Unitholders unless they are re-elected.

(2) Includes beneficial ownership of Units granted under Chartwell's LTIP.

(3) Held by NBCN Clearing Inc. in trust for JBG. Class B Master LP Units were issued to JBG in connection with the sale by the Binions Companies of certain seniors housing facilities to Chartwell. Mr. Binions has a 1/3 beneficial interest in the Class B Master LP Units held in trust for JBG.

(4) Member of the Audit Committee of Directors and Chartwell.

(5) Member of the Investment and Environmental Committee.

(6) Member of the Compensation Committee.

(7) Held by NBCN Clearing Inc. in trust for Devonshire Pine Grove Inc. a holding company controlled by Mr. Suske. Class B Master LP Units were issued to Devonshire Pine Grove Inc. in connection with the sale of a seniors housing facility to Chartwell.

(8) Held by 1027386 Ontario Inc. Class B Master LP Units issued in connection with the acquisition by Chartwell of the 921 Millwood and the 4 Teddington Park seniors housing facilities.

* Chair of Committee.

As of March 30, 2009, the Chartwell Trustees, the CSH Trustees, the Directors and the executive officers of the Operator, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 1,078,279 Units, excluding Deferred Units (representing approximately 1.1% of all issued and outstanding Units, excluding Deferred Units) and 1,219,900 Class B Master LP Units (representing 57.8% of all issued and outstanding Class B Master LP Units).

The Chartwell Trustees

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

Governance of Chartwell

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

Audit Review

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

auditors. All members of the Audit Committee are required to be independent and at least one member of the Audit Committee is required to have accounting or related financial experience.

CSH Trustees

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

Governance of Master LP

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

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

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

Committees

The Directors have three committees: the Audit Committee, the Compensation Committee, and the Investment and Environmental Committee. All members of all the committees are required to be independent Directors.

Audit Committee

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

Audit Committee Charter

A complete copy of Chartwell's Audit Committee Charter is set out in the attached Schedule "A-1" to this Annual Information Form.

Composition of the Audit Committee

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

Name and Municipality of Residence	Position/Office	Financially Literate	Education and Experience
Charles R. Moses Toronto, Ontario, Canada	Chartwell Trustee; Independent Director	Yes	Chartered Accountant; former Senior Vice-President of Bank of Montreal; Chairman of the Board, The Canadian Depository for Securities Limited, a provider of depository, clearing and settlement services for securities in Canada; Consultant.
Sidney P. H. Robinson Toronto, Ontario, Canada	Chartwell Trustee; Independent Director	Yes	LL.B. Member of the Ontario bar since 1968, LL.M. Osgoode Hall, York University 1977; Corporate Director; formerly Senior Partner, Torys LLP, a law firm, practicing Corporate and Commercial law with emphasis on financing, mergers and acquisitions and international projects.

Name and Municipality of Residence	Position/Office	Financially Literate	Education and Experience
Lise Bastarache Candiac, Québec, Canada	Chartwell Trustee; Independent Director	Yes	Master's degree (and doctoral studies) in Economics; Director and member of the Audit Committee of The Jean Coutu Group (PJC) Inc.; Former Director and member of the Audit Committee of NB Power; Member of the Board of Governors and Chair of the Finance Committee of The Université de Moncton; Director of Laurentian Bank of Canada – former member of the Audit Committee.

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

Pre-Approval Policies and Procedures

The policies and procedures governing the engagement of non-audit services are contained in sections 3.21 through to 3.26 of the Audit Committee Charter, attached to this Annual Information Form as Schedule "A-1".

External Auditor Service Fees

Financial Year Ending December 31	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2008	\$1,701,184	-	\$475,371	\$37,610
2007	\$1,729,589	\$257,777	\$1,120,725	\$59,274
2006	\$1,847,906	\$50,000	\$554,626	\$144,378

Compensation, Governance and Nominating Committee

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

Investment and Environmental Committee

The Investment and Environmental Committee recommends to the Board whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of properties, borrowings (including the assumption or granting of any mortgage) by Chartwell and the provision of mezzanine financing, including the financing and acquisition of Development Properties. The Investment and Environmental Committee is also responsible for recommending the adoption of an environmental management program for the Operator and for supervising compliance with and implementation of the environmental program. As of the date of this Annual Information Form, the Investment and Environmental Committee consists of three Directors, all of whom are required to be independent.

Conflicts of Interest

As described under “Description of the Business – Growth Strategies of Chartwell – Alliance with Spectrum”, the Operator has entered into the Development Agreement with Spectrum pursuant to which the Operator has provided and may provide mezzanine financing in respect of and have rights to acquire Development Properties or interest therein developed by Spectrum. The Operator also provides management services to Spectrum in return for a management fee. Because Spectrum is owned, directly or indirectly, by members of senior management of the Operator (who may also be Chartwell Trustees, CSH Trustees and/or Directors), procedures have been established to address the conflicts of interest which arise. In particular, with regard to all matters involving Spectrum, which come before the Directors, the approval of a majority of the independent Directors will be required and Messrs. Suske and Binions will not be able to vote on the matter. Such matters will include decisions regarding the provision of mezzanine financing in respect of, or to acquire, any Development Property or interest therein developed by Spectrum.

The Declaration of Trust, CSH Trust Declaration and Master LP Partnership Agreement contain “conflict of interest” provisions that serve to protect the interests of Unitholders without creating undue limitations on Chartwell, CSH Trust and the Operator. As the Chartwell Trustees, the CSH Trustees and Directors are engaged in a wide range of real estate and other activities, the Declaration of Trust, CSH Trust Declaration and Master LP Partnership Agreement contain provisions, similar to those contained in the OBCA, that require each Chartwell Trustee, CSH Trustee and Director to disclose to the Chartwell Trustees, the CSH Trustees and CMCC, as the case may be, any interest in a material contract or transaction or proposed material contract or transaction with Chartwell, CSH Trust and/or the Operator (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Chartwell, CSH Trust and/or the Operator. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Directors, then a Chartwell Trustee or a CSH Trustee is required to disclose in writing to the Chartwell Trustees, the CSH Trust Trustees and CMCC, or request to have entered into the minutes of meetings of the Directors, the nature and extent of his interest forthwith after the individual becomes aware of the contract or transaction or proposed contract or transaction. In any case, such individual who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to his or her remuneration or for indemnity under the provisions of the applicable declaration of trust or liability insurance. Messrs. Suske and Binions have disclosed in writing their interest in any contract or transaction or proposed contract or transaction with Spectrum, or any of its related parties.

In connection with the recently completed acquisitions of Spectrum’s interests in four seniors housing facilities, the independent Directors oversaw Chartwell’s negotiations with Spectrum, which were conducted by third party consultants and professionals reporting to the independent Directors.

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

Reference is made to the management’s discussion and analysis of financial condition and results of operations for the year ended December 31, 2008 filed on SEDAR (www.sedar.com) which is incorporated herein by reference.

MARKET FOR SECURITIES

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

The following table summarizes the highest trading value, lowest trading value and volume for the Units listed on the TSX on a monthly basis from January 1, 2008 to March 27, 2009.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January, 2008	\$11.44	\$9.25	5,314,385
February, 2008	\$10.87	\$9.98	5,541,228
March, 2008	\$10.36	\$8.13	7,541,258
April, 2008	\$9.80	\$9.16	7,358,322
May, 2008	\$10.22	\$9.65	4,224,108
June, 2008	\$10.53	\$8.93	4,957,760
July, 2008	\$9.23	\$7.83	3,855,216
August, 2008	\$8.55	\$7.01	4,129,012
September, 2008	\$7.95	\$6.25	3,815,293
October, 2008	\$7.00	\$3.55	6,319,087
November, 2008	\$4.75	\$2.98	9,100,823
December, 2008	\$5.81	\$3.50	6,823,497
January, 2009	\$6.24	\$4.98	8,285,544
February, 2009	\$5.94	\$4.75	3,932,750
March 1-27, 2009	\$5.00	\$3.66	4,954,492

The Initial Debentures are listed and posted for trading on the TSX under the symbol “CSH.DB”.

The following table summarizes the highest trading value, lowest trading value and volume for the Initial Debentures listed on the TSX on a monthly basis from January 1, 2008 to March 27, 2009.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January, 2008	\$96.00	\$90.05	3,464
February, 2008	\$96.94	\$94.25	4,768
March, 2008	\$96.80	\$93.00	7,403
April, 2008	\$96.99	\$93.75	2,532
May, 2008	\$96.49	\$94.06	5,558
June, 2008	\$97.94	\$95.00	5,965
July, 2008	\$98.95	\$96.85	2,652
August, 2008	\$97.90	\$97.00	1,776
September, 2008	\$98.40	\$87.00	1,238
October, 2008	\$95.00	\$68.00	1,046
November, 2008	\$89.00	\$72.50	2,172
December, 2008	\$85.00	\$70.55	1,878
January, 2009	\$94.00	\$83.01	1,292
February, 2009	\$93.95	\$85.01	1,276
March 1-27, 2009	\$92.00	\$82.55	1,011

The Series 2007-1 Debentures are listed and posted for trading on the TSX under the symbol “CSH.DB.A”.

The following table summarizes the highest trading value, lowest trading value and volume for the Series 2007-1 Debentures listed on the TSX on a monthly basis from January 1, 2008 to March 27, 2009.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January, 2008	\$95.49	\$89.00	2,521
February, 2008	\$96.50	\$92.01	1,282
March, 2008	\$95.50	\$92.00	2,685
April, 2008	\$95.00	\$92.50	947
May, 2008	\$95.40	\$93.50	1,781
June, 2008	\$97.94	\$94.50	1,118
July, 2008	\$95.75	\$94.00	2,585
August, 2008	\$96.90	\$94.25	1,313
September, 2008	\$95.50	\$82.00	2,732
October, 2008	\$91.00	\$71.00	2,481
November, 2008	\$84.50	\$51.00	2,400
December, 2008	\$74.99	\$62.00	1,845
January, 2009	\$84.50	\$76.00	1,584
February, 2009	\$84.50	\$81.00	1,382
March 1-27, 2009	\$84.00	\$75.00	870

The following table summarizes the number and value of Class A Master LP Units issued during 2008.

<u>Date</u>	<u>Number of Class A Master LP Units</u>	<u>Price /Class A Master LP Unit</u>
January 4, 2008	10,000	\$10.88
January 11, 2008	13,000	\$10.98
February 1, 2008	5,882	\$9.81
March 26, 2008	13,878	\$8.57
June 24, 2008	3,080,766	\$9.99
October 1, 2008	20,550	\$6.96
November 24, 2008	13,989	\$3.56
November 28, 2008	82,500	\$3.68
December 2, 2008	55,883	\$3.88
December 9, 2008	27,942	\$4.04
December 9, 2008	13,971	\$4.04
December 9, 2008	13,971	\$4.04
December 15, 2008	9,989	\$3.95
December 23, 2008	28,127	\$4.13
December 29, 2008	13,989	\$4.33

Additionally, pursuant to the issuance of 1,265,991 Units under Chartwell’s Distribution Reinvestment Plan in 2008, 1,265,991 Class A Master LP Units were issued to CSH Trust during 2008.

No Class B Master LP Units were issued during 2008.

EXPERTS

KPMG LLP is the external auditor of Chartwell who prepared the Auditors' Report to the Unitholders dated March 17, 2009, with respect to the financial statements of Chartwell for the years ended December 31, 2008 and 2007 consisting of consolidated balance sheets and consolidated statements of operations and comprehensive income, Unitholders' equity and cash flows for the years then ended. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

ADDITIONAL INFORMATION

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

Additional information in respect of (a) the remuneration and indebtedness of Chartwell Trustees, CSH Trustees, Directors and certain members of senior management of the Operator; (b) principal holders of the Units and Special Voting Units; and (c) securities authorized for issuance under equity compensation plans, is contained in Chartwell's information circular for its most recent annual meeting of Voting Unitholders that involved the election of Chartwell Trustees, CSH Trustees and Directors, and its management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2008. Additional financial information is provided in Chartwell's financial statements for the year ended December 31, 2008.

GLOSSARY

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

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

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

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

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

“Alert” means Alert Care Corporation.

“Amended and Restated Credit Agreement” means the amended and restated credit agreement between the Operator and the Canadian Imperial Bank of Commerce, as administrative agent, dated as of March 15, 2005, as amended by an amending agreement dated as of June 1, 2005, a second amending agreement dated as of September 30, 2006, a third amending agreement made as of July 1, 2007 and a fourth amending agreement made as of August 1, 2008;

“Assisted Living”, “AL”, Assisted Living Facilities” or “AL Facilities” means facilities for more frail seniors who need assistance with daily living activities but don’t require skilled nursing care. AL units can be offered in a separate wing, separate floor or separate building of a retirement home. While government home care services may deliver AL services in some communities, most residents of AL Facilities pay for their services privately. AL, ISL and LTC are the three defined categories that Chartwell’s Senior Executive Committee adopted in March 2008 to describe Chartwell’s facilities. See “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

“Benco” means Chartwell Benco Inc., a corporation formed under the laws of Ontario.

“Beneficial Owner” means a holder of a beneficial interest in a Unit.

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

“Binions Companies” means CEBY and JBG.

“Bristol Portfolio” means five seniors housing properties in the United States that CSH-INGRE LLC acquired on February 21, 2007 for an aggregate purchase price of approximately \$337.2 million (U.S. \$290.6 million).

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

“CBCA” means the *Canada Business Corporations Act*.

“CCC” means Chartwell Care Corporation, the predecessor to Spectrum Seniors Housing Development Corporation.

“CDS” means CDS Clearing and Depository Services Inc.

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

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

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

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

“Chartwell Canco” means CSH Master Care Canada Inc.

“Chartwell ING Joint Venture” means CSH-INGRE LLC, the joint venture entered into between Chartwell USCO and ING.

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

“Chartwell USCO” means CSH Master Care USA Inc.

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

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

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

“Closing” means the closing of the IPO.

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

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

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

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

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

“Construction Date Payment” has the meaning ascribed to it under “Description of Business – Growth Strategies of Chartwell – Development Agreement”.

“CPAC” means CPAC Care (Holdings) Ltd.

“CRA” means the Canada Revenue Agency.

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

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

“CSH Trust Declaration” has the meaning ascribed to it under “Corporate Structure – Name and Incorporation”.

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

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

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

“Debentures” means, collectively, the Initial Debentures and the Series 2007-1 Debentures.

“Declaration of Trust” has the meaning ascribed to it under “Corporate Structure – Name and Incorporation”.

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

“Deferred Unit Plan” means Chartwell’s deferred unit plan established in 2008.

“Deferred Units” means deferred Units issued pursuant to the Deferred Unit Plan.

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

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

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

“Distributable Income” has the meaning given to that term in each of Chartwell’s declarations of trust prior to the Declaration of Trust and was intended to measure the ability of the Operator and Chartwell to earn and distribute cash returns to Unitholders (see “Distribution Policy – Amendments to the Declaration of Trust regarding the Deletion of Distributable Income”).

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

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

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

“DSU Participant” means non-employee Chartwell Trustees, CSH Trustees and the Directors who participate in the Deferred Unit Plan.

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

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

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

“Existing Trust” has the meaning ascribed to it under “Tax Matters – Canadian Tax Matters – The SIFT Rules”.

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

“Full Care Retirement Homes” was a defined category of seniors housing accommodation that Chartwell used prior to this Annual Information Form. The term referred to facilities containing hotel-style rooms and suites rented to residents on a monthly basis as part of a meal and service package. Full Care Retirement Homes would offer facilities to more frail seniors and typically provide access to 24-hour nursing support. In March 2008, Chartwell’s Senior Executive Committee adopted new defined categories to correspond with industry standards. Properties that were formerly classified as Full Care Retirement Homes are now considered Assisted Living Facilities. See “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

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

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

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

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

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

“HBM” means Horizon Bay Management L.L.C.

“HBM Acquisition” means the January 1, 2007 acquisition by CSH Master Care of a 49% interest in WHSLH Realty, L.L.C, the 100% owner of HBM.

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

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

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

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

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

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

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

“ING Real Estate” means ING Real Estate Investment Management Australia Pty Limited.

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

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

“IPO” has the meaning ascribed to it under “Corporate Structure – Name and Incorporation”.

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

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

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

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

“Light Care Retirement Homes” was a defined category of seniors housing accommodation that Chartwell used prior to this Annual Information Form. The term referred to facilities containing hotel-style rooms and suites rented to residents on a monthly basis as part of a meal and service package. Light Care Retirement Homes allowed for a high degree of independent living within a more secure and supportive environment than IL facilities. Properties that were formerly classified as Light Care Retirement Homes are now considered ISL Facilities. See “Explanatory Notes” and “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

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

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

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

“Long Term Care”, “LTC”, “Long Term Care Facilities” or “LTC Facilities” means facilities for people who cannot live independently and require skilled nursing care on a daily basis. ISL, AL and LTC are the three defined categories that Chartwell’s Senior Executive Committee adopted in March 2008 to describe Chartwell’s facilities. See “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

“Managed Properties” means the seniors housing facilities managed by the Operator.

“Massapequa Facility” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2007”.

“Massapequa Purchaser” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2007”.

“Massapequa Seller” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2007”.

“Massapequa Class A Preferred Units” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2007”.

“Massapequa Class B Common Units” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2007”.

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

“Master LP Partnership Agreement” means the limited partnership agreement in respect of Master LP between GP M Trust and the CSH Trust, as the initial limited partner.

“Melior” means Le Groupe Melior Inc.

“Melior Purchase” has the meaning ascribed to it under “General Development of the Business – Acquisitions and Divestitures – 2008”.

“Merrill Gardens Portfolio” means 22 seniors housing facilities in the United States and a 100% leased interest in two other facilities, totalling 2,238 suites, that Chartwell acquired in the second quarter of 2007.

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

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

“OBCA” means the *Business Corporations Act* (Ontario).

“Occupancy Date” has the meaning ascribed to it under “Description of Business – Growth Strategies of Chartwell – Development Agreement”.

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

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

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

“Post-Construction Date Payment” has the meaning ascribed to it under “Description of Business – Growth Strategies of Chartwell – Development Agreement”.

“Project Management Fee”, with respect to a Development Property, means a fee equal to 2.5% of the development costs related to such property.

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

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

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

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

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

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

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

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

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

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

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

“Restricted Unit Plan” means Chartwell’s restricted unit plan established in 2008, to be implemented in 2009.

“Retirement Home” was a defined category of seniors housing accommodation that Chartwell used prior to this Annual Information Form, that included both Light Care Retirement Homes and Full Care Retirement Homes. Properties that were formerly classified as Light Care Retirement Homes are now considered ISL Facilities, and properties that were formerly classified as Full Care Retirement Homes are now considered AL Facilities. See “Explanatory Notes” and “Description of the Business – Seniors Housing Industry in Canada and the United States – Types of Facilities”.

“Right” means a right issued by Chartwell for each Voting Unit which is outstanding, pursuant to Chartwell’s Rights Plan.

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

“Rights Plan” means the Unitholder rights protection plan of Chartwell.

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

“Safe Harbour Limits” has the meaning ascribed to it under “Tax Matters – Canadian Tax Matters – The SIFT Rules”.

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

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

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

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

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

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

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

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

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

“Spectrum” means Spectrum Seniors Housing Development LP, a limited partnership formed pursuant to the laws of Manitoba, together with its affiliates.

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

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

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

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

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

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

“TSX” means the Toronto Stock Exchange.

“Unitholder” means a holder of Units.

“Unitholder Rights Agreement” means Chartwell’s Unitholder rights agreement dated as of November 14, 2003, as reconfirmed from time to time. See “Chartwell, CSH Trust and Master LP – Unitholder Rights Plan”.

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

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

“VIE” means a variable interest entity.

“Voting Unitholders” means holders of Units and Special Voting Units.

“Voting Units” means Units and Special Voting Units.

SCHEDULE “A-1”

**CHARTWELL REAL ESTATE INVESTMENT TRUST
AUDIT COMMITTEE CHARTER**

(attached)



AUDIT COMMITTEE CHARTER

TABLE OF CONTENTS

1.	Continuation of the Audit Committee	2
2.	Composition of Committee	2
3.	Responsibilities and Duties of the Committee.....	4
4.	Operating Principles	8
5.	Operating Procedures	9
6.	Limitations on Committee Members' Duties.....	10

1. Continuation of the Audit Committee

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

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

2. Composition of Committee

The Committee will be appointed annually by the Board and consist of at least 3 members from among the Independent Trustees of Chartwell, each of whom shall be, in the opinion of the Board, an “unrelated” trustee within the meaning of s.472 of the Toronto Stock Exchange Company Manual.

- 2.1. Audit Committee consists of independent members who have no direct or indirect material relationship with Chartwell. A material relationship means a relationship which could, in the view of Chartwell’s board of directors, reasonably interfere with the exercise of a member’s independent judgment.
- 2.2. Individuals considered to have a material relationship with Chartwell:
 - 2.2.1 Who is, or has been, an employee or executive officer of Chartwell, unless the prescribed period has elapsed since the end of the service or employment.
 - 2.2.2 An individual whose immediate family member is, or has been, an executive officer of Chartwell, unless the prescribed period has elapsed since the end of the service or employment.
 - 2.2.3 An individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of Chartwell, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended.
 - 2.2.4 An individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of Chartwell, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended.
 - 2.2.5 An individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of Chartwell’s current executive officers serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment.
 - 2.2.6 An individual who:
 - 2.2.6.1 Has a relationship with Chartwell pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from Chartwell or any subsidiary entity of Chartwell, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - 2.2.6.2 Receives, or whose immediate family member receives, more than \$75,000 per year in direct compensation from Chartwell, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, unless the prescribed

period has elapsed since he or she ceased to receive more than \$75,000 per year in such compensation.

2.2.6.3 An individual who is an affiliated entity of Chartwell or any of its subsidiary entities.

- 2.3. The definition of prescribed period is the shorter of:
- 2.3.1 The period commencing on March 30, 2005 and ending immediately prior to the determination required by subsection (2.2); and
 - 2.3.2 The three year period ending immediately prior to the determination required by subsection (2.2).
- 2.4. The definition of a partner does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
- 2.5. The definition applicable to section referring to compensatory fees and direct compensation do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Chartwell if the compensation is not contingent in any way on continued service.
- 2.6. For the purposes of sub-clause 2.2.6, the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
- 2.6.1 A person's spouse, minor child or stepchild, or a child or stepchild who shares the person's home; or
 - 2.6.2 An entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to Chartwell or any subsidiary entity of Chartwell.
- 2.7. Despite subsection (2.2), a person will not be considered to have a material relationship with Chartwell solely because he or she:
- 2.7.1 Has previously acted as an interim chief executive officer of Chartwell, or
 - 2.7.2 Acts, or has previously acted, as a chair or vice-chair of the board of directors or any board committee, other than on a full-time basis.
- 2.8. No member of the Committee may (other than in his or her capacity as a member of the Committee, the Board or another Board committee) accept any consulting, advisory or other compensatory fee from Chartwell or be an affiliated person of Chartwell or any subsidiary.
- 2.9. All members of the Committee shall be financially literate (i.e. have the ability to read and understand Chartwell's financial statements and notes). At least one member of the Committee shall have accounting or related financial experience (i.e. the ability to analyze and interpret financial statements and notes in accordance with generally accepted accounting principles in Canada).
- 2.10. Officers of Chartwell, including the Chairman of the Board unless he or she is a non-executive Chairman, may not serve as members of the Committee.

- 2.11. A majority of the members of the Committee shall be resident Canadians.
- 2.12. The Board will designate the Chairman of the Committee. The Chairman shall have responsibility for overseeing that the Committee fulfills its mandate and its duties effectively.

3. Responsibilities and Duties of the Committee

- 3.1. The Board mandates the Committee to monitor and be responsible for the supervision of Chartwell's financial reporting and disclosure obligations. To fulfill this role, the Committee shall have the following responsibilities; and
- 3.2. Audit Committee must recommend to the board of directors:
 - 3.2.1 The external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Chartwell; and the compensation of the external auditor.
- 3.3. To oversee compliance by Chartwell with all legal, regulatory and contractual requirements relating to financial reporting and disclosure and to oversee the accounting and financial reporting processes and audits of the financial statements of Chartwell.
- 3.4. Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Chartwell, its subsidiaries and joint, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 3.5. To approve hiring, the remuneration and the terms of engagement of the external auditors as set forth in their engagement letter and, if necessary, their termination, and to review the performance of the external auditors as required. The Committee shall also require that the lead or responsible audit partner of the external auditors in charge of Chartwell's audit is rotated every 5 years and that other rules relating to the audit partner as enacted by securities regulatory authorities of Canada are followed.
- 3.6. To review and approve Chartwell's hiring policies regarding employees and former employees of the present and former external auditors.
- 3.7. To review regularly with the external auditors their independence, including pre-approval of all engagements (and fees related thereto) for non-audit services with Chartwell, and to ensure disclosure of any non-audit services in the next periodic public report of Chartwell, but in no event shall any of the following non-audit services be performed by the external auditors:
 - 3.7.1 Bookkeeping or other services related to the accounting records or financial statements.
 - 3.7.2 Financial information systems design and implementation.
 - 3.7.3 Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
 - 3.7.4 Actuarial services.
 - 3.7.5 Internal audit outsourcing services.
 - 3.7.6 Management functions or human resources.
 - 3.7.7 Broker or dealer, investment advisor or investment banking services.
 - 3.7.8 Legal services and expert services unrelated to the audit; and

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

- 3.23. To review with management the results of goodwill impairment testing.
- 3.24. **De Minimis Non-Audit Services** – Audit Committee must pre-approve all non-audit services acquired from the appointed external auditors if:
- 3.24.1 The aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by Chartwell and its subsidiary entities to the external auditor during the fiscal year in which the services are provided.
- 3.24.2 Chartwell or its' subsidiary entities, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- 3.24.3 The services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.
- 3.25. **Delegation of Pre-Approval Function** –
- 3.25.1 An audit committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.
- 3.25.2 The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection 2 must be presented to the audit committee at its first scheduled meeting following such pre-approval.
- 3.26. **Pre-Approval Policies and Procedures** – Audit Committee sets forth specific policies and procedures for the engagement of the non-audit services, by:
- 3.26.1 Setting the pre-approval policies and procedures detailed as to the particular service.
- 3.26.2 Audit Committee is informed of each non-audit service; and
- 3.26.3 The procedures do not include delegation of the audit committee's responsibilities to management.
- 3.27. An audit committee must establish procedures for:
- 3.27.1 The receipt, retention and treatment of complaints received by Chartwell regarding accounting, internal accounting controls, or auditing matters; and
- 3.27.2 The confidential, anonymous submission by employees of Chartwell, it's subsidiaries, and joint ventures of concerns regarding questionable accounting or auditing matters.
- 3.27.2.1 To put in place procedures to receive and handle complaints or concerns received by Chartwell about accounting, internal accounting controls and audit matters including those submitted anonymously by an employee of Chartwell or the provider of its accounting services.
- 3.27.3 To review periodically with management Chartwell's code of ethics for senior financial officers.
- 3.27.4 To ensure that an external auditor cannot act as auditor of Chartwell if the Chief Executive Officer, President, Controller, Chief Financial Officer or person serving in an equivalent position was employed by the external auditor and participated in any capacity in the audit of Chartwell during a 1 year period preceding the date of initiation of the audit; and

- 3.28. **Events Outside Control of Member** – Subject to section 3.9, if an audit committee member ceases to be independent for reasons outside the member’s reasonable control, the member is exempt from the requirement in subsection 2 for a period ending on the later of:
- 3.28.1 The next annual meeting of the Chartwell, and
 - 3.28.2 The date that is six months from the occurrence of the event which caused the member to not be independent.
- 3.29. **Death, Disability or Resignation of Member** – Subject to section 2.9, if the death, disability or resignation of an audit committee member has resulted in a vacancy on the audit committee that the board of directors is required to fill, an audit committee member appointed to fill such vacancy is exempt from the requirements in subsections 2 for a period ending on the later of:
- 3.29.1 The next annual meeting of the issuer, and
 - 3.29.2 The date that is six months from the day the vacancy was created.
- 3.30. **Temporary Exemption for Limited and Exceptional Circumstances** – Subject to section 2.9, an audit committee member is exempt from the requirement in subsection 2 if:
- 3.30.1 The member is not an individual described in paragraphs 2.2 or 2.2.5.
 - 3.30.2 The member is not an employee or officer of the issuer, or an immediate family member of an employee or officer of the issuer.
 - 3.30.3 The board, under exceptional and limited circumstances, determines in its reasonable judgment that:
 - 3.30.3.1 The member is able to exercise the impartial judgment necessary for the member to fulfill his or her responsibilities as an audit committee member, and
 - 3.30.3.2 The appointment of the member is required by the best interests of the issuer and its shareholders.
 - 3.30.3.2.1 The member does not act as chair of the audit committee; and
 - 3.30.3.2.2 The member does not rely upon this exemption for a period of more than two years.
- 3.31. **Majority Independent** – The exemptions in subsection 3.25 and section 3.29 are not available to a member unless a majority of the audit committee members would be independent.
- 3.32. **Acquisition of Financial Literacy** – Subject to section 2.10, an audit committee member who is not financially literate may be appointed to the audit committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.
- 3.33. **Restriction on Use of Certain Exemptions** – The exemptions in sections 3.24, 3.28, 3.29 and 3.30 are not available to a member unless the issuer’s board of directors has determined that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this Instrument.

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

4. Operating Principles

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

4.1. Committee Duties

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

4.2. Committee Values

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

4.3. Communications

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

4.4. External Resources

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

4.5. Reporting to the Board

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

4.6. Time Commitment

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

4.7. External Auditors

4.7.1 The external auditors will be accountable to the Board, as representatives of unit holders, through the Committee. The Committee is directly responsible for recommending the appointment of the auditors to Chartwell's unit holders and for the compensation and oversight of the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors will report all material issues or potentially material issues to the Committee.

4.8. Reliance on Experts

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

- 4.8.1 Financial statements of Chartwell represented to him or her by an officer of Chartwell or in a written report of the external auditors to present fairly the financial position of Chartwell in accordance with Canadian generally accepted accounting principles; and
- 4.8.2 Any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

5. Operating Procedures

5.1. Frequency of Meetings

- 5.1.1 The Committee will meet at least 4 (FOUR) times annually, and more frequently as circumstances dictate. Meetings will be held on at least 6 hours notice at the call of the Chairman or upon the request of any member of the Committee.

5.2. Quorum

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

5.3. Chairman

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

5.4. Secretary

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

5.5. Meeting Agenda

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

5.6. In Camera Meetings

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

5.7. Background Material for Meetings

- 5.7.1 Members of the Committee should be provided with an agenda and sufficient background material prepared in a clear and concise manner relating to a forthcoming meeting as will allow them to understand the items to be discussed at the meeting. The material should contain sufficient information; to the extent such information is reasonably available to management, to enable the Committee members to make an informed decision. The agenda with this material should be received by the Committee members far enough in advance of the meeting as will allow them sufficient time to review the materials.

5.8. **Minutes**

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

6. Limitations on Committee Members' Duties

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