

CHARTWELL MASTER CARE CORPORATION (THE “COMPANY”)

CORPORATE GOVERNANCE GUIDELINES

INTRODUCTION

The Board of Directors and its management are committed to maintaining a high standard of corporate governance. The Board has responsibility for the overall stewardship of the Company and discharges such responsibility by reviewing, discussing and approving the Company’s strategic planning and organizational structure and supervising management with a view to preserving and enhancing the underlying value of the Company and of Chartwell Retirement Residences (the “Trust”). Management of the business within this process and structure is the responsibility of the Chief Executive Officer (the “CEO”) and senior management.

The Board has adopted the following guidelines to assist it in its corporate governance responsibilities. These guidelines shall replace Chartwell’s Corporate Governance Policy dated December 21, 2005.

BOARD RESPONSIBILITIES

1. Board Mandate

The Board has responsibility for the stewardship of the Company and of the Trust and has adopted a formal mandate setting out the Board’s stewardship responsibilities, including the Board’s responsibilities for the appointment of management, management of the Board, strategic planning, monitoring of financial performance, financial reporting, risk management and oversight of company policies and procedures, communications and reporting and compliance.

2. Corporate Strategy

The Board believes that management is responsible for the development of long term corporate strategy, while the role of the Board is to review, question and validate, and ultimately to approve the strategies proposed by management. The Board shall review the Company’s long term strategy annually.

3. Succession Planning

The Board expects management succession planning to be an on-going activity to be periodically reviewed by the Compensation, Governance and Nominating Committee (the “CGNC”) and reported on to the Board. This planning process shall include, on a continuing basis, the Chief Executive Officer’s recommendation of a successor in the event of an unexpected incapacitation of the Chief Executive Officer.

4. Board Communication with Stakeholders

The Board, or its delegate committee, has reviewed and approved a Disclosure Policy for the Company. The Board, or an appropriate committee of the Board, reviews the content

of the Company's major communications to unitholders and the investing public, including quarterly and annual reports, management's discussion and analysis, proxy circulars, the annual information form and any prospectuses that may be issued.

The Board believes it is a function of management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the Chair or other individual directors may from time to time be requested by management to assist with such communications. If communications from stakeholders are made to the Chair or other individual directors, management will be informed and consulted to determine any appropriate response.

5. Corporate Governance

The CGNC is responsible for developing and recommending improvements to these corporate governance guidelines for implementation by the Board.

BOARD ORGANIZATION AND MEMBERSHIP

1. Selection of Chair of the Board

An independent Chair shall be appointed by the independent members of the Board after consideration of the recommendation of the CGNC. The Board has approved and shall periodically review a position description for the Chair.

2. Lead Director Concept

The role of the lead director is normally filled by the non-executive Chair of the Board. At any time when the Chair is an employee of the Company, the non-management directors shall select an unrelated director to carry out the functions of a lead director. This person would chair regular meetings of the non-management directors and assume other responsibilities which the non-management directors as a whole have designated.

3. Board Size

The Board has the ability to increase or decrease its size within the limits defined by the Declaration of Trust of the Trust. The Board has determined that it is in the best interests of the Company and corporate governance to maintain a Board of seven to nine directors. It is the view of the Board that this size of Board is sufficient to provide a diversity of expertise and opinions and allow effective committee organization, yet small enough to enable efficient meetings and decision-making and maximize full Board attendance. The Board shall review its size if a change is recommended by the CGNC.

4. Mix of Directors

At all times a majority of the directors shall be unrelated directors and the Board believes that there should generally be no more than two management directors. On matters of corporate governance, decisions shall be made by the non-management directors.

5. Independence of Non-Management Directors

The Board has determined that an “unrelated director” means a director who is not a member of management and is free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholdings in the Company.

A director shall not be unrelated if they are not “independent” as defined in National Instrument 58-101 – “Disclosure of Corporate Governance Practices.

The Board may adopt other categorical standards for determining whether a director is unrelated if recommended by the CGNC.

Unrelated directors and their firms shall not be retained for consulting without the approval of the Board.

The Board shall annually review a report of the CGNC on its review of the independence of each of the non-management directors.

6. Principal Occupation Changes by Directors

When the CEO or any other officer ceases to be an officer, such officer, if a director, shall submit their resignation to the Board for consideration concurrent with ceasing to hold office with the Company. Whether that resignation is accepted shall be determined by the Board, taking into account the circumstances existing at that time.

7. Term Limits for Directors

The Board has determined that fixed term limits and a forced retirement age for directors should not be established. The Board is of the view that such a policy would have the effect of forcing directors off the Board who have developed, over a period of service, increased insight into the Company and who, therefore, can be expected to provide an increasing contribution to the Board. At the same time, the Board recognizes the value of some turnover in Board membership to provide on-going input of fresh ideas and views and the CGNC is mandated to annually consider recommending changes to the composition of the Board. As such, directors are generally expected to serve a maximum of twelve years, subject to annual performance assessments and annual re-election by Unitholders. The Board may deem it appropriate for a director to be nominated for re-election beyond the twelve year guideline, taking into consideration the average tenure of the Board, institutional memory of the Board, ability to replace specific skill set and a rigorous annual performance assessment.

8. Criteria for Board Membership

The CGNC is mandated to review annually the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review shall be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide

for the overall stewardship of the Company and the Trust. This review shall take into account the desirability of maintaining a reasonable diversity of personal characteristics such as age, gender, geographic residence and origin and shall be consistent with the Board Diversity and Renewal Policy. However, all directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the unitholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment, outstanding ability in their individual fields of expertise and a willingness to devote necessary time to Board matters.

9. Selection of New Director Candidates

The CGNC is mandated to recruit and consider candidates for director and to make recommendations to the Board. Directors are encouraged to identify potential candidates. The Chair and the Chief Executive Officer shall be consulted and have input into the process. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair or the Chair's delegate.

10. Director Orientation and Education

The CGNC is mandated to oversee an orientation and education program for new directors and ongoing educational opportunities for all directors.

11. Board Interlock

The Board established a board interlock policy with the aim of ensuring that interlocking director relationships will not adversely affect the relevant Directors' independent judgment. An interlock occurs when more than two Board members are also fellow board members of another public or private company. Directors are required to pre-notify the CGNC before accepting directorships on the board of any company or organization, whether public or private. No more than two board members may serve together on another public or private company board.

BOARD COMMITTEES AND TERMS OF REFERENCE

1. Board Committees

The Board has determined that there should be three Board Committees: (i) the Audit Committee (the "AC"); (ii) the CGNC; and (iii) the Investment Committee (the "IC"). This structure may change as the Board considers from time to time which of its responsibilities can best be fulfilled through detailed review of matters in committee. Each committee shall operate according to a Board-approved written charter outlining its duties and responsibilities.

The responsibilities of the AC include oversight of the external auditors, the internal auditors and the monitoring of audits, review of accounting principles and practices, monitoring of internal controls, communications with others respecting financial reporting matters and monitoring of the Company's financial disclosures.

The responsibilities of the CGNC include oversight with respect to Board composition and director nominations, corporate governance, business and ethical conduct, director orientation and continuing education, Board evaluations, Board operations, committee composition, Board independence and succession planning.

The responsibilities of the IC include oversight with respect to acquisitions and divestitures (within specified limits), property financings, and any lending activity of the Company.

2. Membership of Committees

The Board has determined that the AC and the CGNC shall be composed entirely of unrelated directors. In addition, all members of the AC shall be financially literate and at least one member must have accounting or related financial expertise. The Board or the CGNC shall periodically review and approve the meaning of “financially literate” and “financial expertise”.

After receipt of recommendations from the CGNC, the Board shall appoint the members of the committees annually, and as necessary to fill vacancies, and generally shall appoint the chair of each committee. Members of the committees shall hold office at the pleasure of the Board.

3. Oversight of Committee Functions

The purpose of Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for matters assigned to the committee. Except as may be explicitly provided in the charter of the committee or a resolution of the Board, the role of the Board committee is to review and make recommendations to the Board with respect to the approval of matters considered by the committee.

BOARD MEETINGS AND MATERIALS

1. Meeting Agendas

The Chair and the Chief Executive Officer, in consultation with the Corporate Secretary, shall develop the agenda for each Board meeting.

2. Meeting Materials

Meeting materials shall be provided to directors before each Board meeting in sufficient time to ensure adequate opportunity exists for review. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written materials in advance.

3. Non-Directors at Board Meetings

The Board believes there is value in having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Attendance by senior management shall be determined by the Chief

Executive Officer with the concurrence of the Chair. Management attendees shall be excused for any agenda items that are reserved for discussion among directors only.

4. Executive Sessions of Directors and Non-management Directors

The Board has determined that an *in camera* meeting of the directors and an *in camera* meeting of the non-management directors shall be held in conjunction with every regular meeting of the Board.

DIRECTOR COMPENSATION AND SHARE OWNERSHIP

1. Director Compensation

The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparative companies, having regard for such matters as time commitment, responsibility and trends in director compensation.

The CGNC is mandated to review the compensation of the directors on this basis annually. The CGNC review shall include consideration of all forms of compensation which a director receives, directly or indirectly, including consulting contracts or charitable contributions which are made to organizations to which a director is affiliated.

2. Share Ownership by Directors

The Board has determined that it is appropriate to align the interests of the non-management directors with those of shareholders by requiring such directors to own and hold a minimum of three times their annual retainer in Trust units. Such holdings are to be acquired within five years of the director's appointment and can take the form of actual units or equivalent units acquired under the Director's Deferred Trust Unit Plan or the Trust's Long Term Incentive Plan.

3. Share Ownership by CEO and other C-Line Executives

The Board has determined that it is also appropriate to align the interests of the C-Line Executives with those of shareholders by requiring the CEO and other C-Line Executives to own and hold Trust units as follows:

Within five years of their appointment, the CEO shall own fully vested Trust units equal to at least their total direct compensation.

Within ten years of their appointment, the CEO shall own a minimum of two times their total direct compensation in fully vested Trust units.

Within five years of their appointment, other C-Line Executives shall hold a minimum of .75 times their total direct compensation in fully vested Trust units.

Within ten years of their appointment, other C-Line Executives shall hold a minimum of one and a half times their total direct compensation in fully vested Trust units.

Holdings can include units acquired under the Executive Unit Purchase Plan.

4. Holding Period by CEO and other C-Line Executives

For a period of 12 months following retirement or termination of employment, the CEO will personally hold at least \$1,000,000 worth of Units, based on the then current value of Trust Units.

For a period of 12 months following retirement or termination of employment, other C-Line Executives will personally hold at least \$500,000 worth of Units, based on the then current value of Trust Units.

BOARD'S RELATIONSHIP WITH MANAGEMENT

1. Board Relationship with Management

The Board shall support and encourage the members of management in the performance of their duties. Management shall make appropriate use of the Board's skills before decisions are made on key issues. The CGNC shall review and assess the Board's relationship to management.

2. Limits to Management Authority

The Board has established general authority guidelines that place limits on management's approval authority depending on the nature and size of the proposed transaction. These limits anticipate that some flexibility exists within approved budgets but that transactions outside defined limits require approval by the Board or an appropriate committee.

3. Evaluation of the Chief Executive Officer

The CGNC shall conduct an annual review of the performance of the Chief Executive Officer against goals and objectives which have been established by the committee and shall review, assess and recommend the compensation of the Chief Executive Officer to the Board for approval. The Board may delegate to the CGNC the approval of such compensation. The results of the review shall be communicated to the Chief Executive Officer by the Chair of the Board and/or the chair of the CGNC.

4. Director Access to Management

All directors shall have open access to the Company's senior management for relevant information. Written communications from directors to members of management shall be copied to the Chief Executive Officer or, in the case of accounting and financial matters, the Chief Financial Officer. Individual directors are encouraged to make themselves available for consultations with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

DIRECTOR RESPONSIBILITIES AND PERFORMANCE

1. Director Responsibilities

Directors are expected to use their skill and experience to provide oversight to the business of the Company. Directors have a duty to act honestly and in good faith with a view to the best interests of the Company and the Trust and to exercise the care, diligence and skill that a reasonably prudent person would in comparable circumstances.

Directors are expected to attend all Board and committee meetings in person. It is acceptable, on an infrequent basis, for directors to participate in such meetings by conference call if attendance in person is not reasonably possible. A director shall notify the Chair of the Board or committee or the Corporate Secretary if the director will not be able to attend or participate in a meeting.

Directors are expected to review and be familiar with Board and committee materials which have been provided in sufficient time for review prior to a meeting. Directors are to advise the Board or committee Chair of matters which they believe should be added to a meeting agenda.

2. Outside Advisors for Individual Directors

The Board has determined that any director who wishes to engage a non-management advisor to assist on matters involving the responsibilities as a director at the expense of the Company should review the request with, and obtain the authorization of the CGNC.

3. Assessment of Board and Individual Director Performance

The CGNC is responsible for making an annual assessment of the overall performance and effectiveness of the Board and each committee, the Chair, each committee chair and each director and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement.

ETHICS AND CONFLICTS OF INTEREST

The Board expects directors as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's Code of Business Conduct and Ethics and expects the Chief Financial Officer and Chief Executive Officer to adhere to the Code of Business Conduct and Ethics. The Board shall not permit any waiver of any ethics policy with respect to any director or executive officer.

In addition to the statutory responsibilities of directors to disclose all actual or potential conflicts of interest and generally to refrain from voting on matters in which the director has a conflict of interest, the director shall recuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects their personal, business or professional interests.