



CHARTwell[®]
retirement residences

making people's
lives **BETTER**[®]



Third Quarter Report | September 30, 2017
MANAGEMENT'S DISCUSSION & ANALYSIS

Q3



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

For the Three and Nine Months Ended September 30, 2017

Contents

BUSINESS OVERVIEW	3	BALANCE SHEET ANALYSIS	23
BUSINESS STRATEGY	5	CASH FLOW ANALYSIS	24
2017 OUTLOOK	7	LIQUIDITY AND CAPITAL RESOURCES.....	24
SIGNIFICANT EVENTS.....	7	Liquidity	24
JOINT ARRANGEMENTS.....	11	Debt	25
CONSOLIDATED RESULTS OF OPERATIONS	12	Credit Rating	29
Highlights.....	12	Financial Covenants	30
FFO	13	<i>Credit Facilities</i>	<i>30</i>
Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI	14	<i>Series A Debentures.....</i>	<i>33</i>
Results of Operations by Reportable Segment	16	<i>Supporting Covenant Calculations</i>	<i>34</i>
<i>Retirement Operations</i>	<i>16</i>	Unitholders' Equity	37
<i>Long Term Care Operations.....</i>	<i>18</i>	CAPITAL INVESTMENTS.....	39
Management Fee Revenue.....	19	CONTRACTUAL AND OTHER OBLIGATIONS	41
Interest Income	20	SUMMARY OF SELECT FINANCIAL INFORMATION.....	42
General, Administrative and Trust Expenses...	20	ADDITIONAL INFORMATION ON NON-GAAP FINANCIAL MEASURES	44
Finance Costs	21	CRITICAL ACCOUNTING POLICIES AND ESTIMATES	49
Other Income/(Expense)	22	CONTROLS AND PROCEDURES	49
Other Items.....	23	FORWARD-LOOKING INFORMATION AND RISKS AND UNCERTAINTIES	50

About this Management's Discussion and Analysis

Chartwell Retirement Residences ("Chartwell" or the "Trust") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results of Chartwell for the three and nine months ended September 30, 2017. This MD&A should be read in conjunction with Chartwell's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto (the "2016 Financial Statements") and the annual Management's Discussion and Analysis for the year ended December 31, 2016 (the "2016 MD&A"). This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2016, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of November 9, 2017.

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

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

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2017" refers to the calendar year 2017; "2016" refers to the calendar year 2016; "2015" refers to the calendar year 2015; and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q3 2017 and 2017 YTD are in comparison to results from Q3 2016 and 2016 YTD, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), Funds from Operations ("FFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Capital", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. In February 2017, the Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO"), (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

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

“Consolidated Unsecured Indebtedness”, “Unencumbered Property Asset Value”, and “Unencumbered Aggregate Adjusted Assets”. These metrics are calculated in accordance with the definitions contained in our credit agreements, and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the “Liquidity and Capital Resources – Financial Covenants” section of this MD&A for details.

The results of operations of our United States Operations, which we disposed of in 2015, are reported as discontinued operations throughout this MD&A.

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

In our previous MD&A disclosures, we provided adjustments to our financial statements to present our Equity-Accounted JVs (described above) as though they were consolidated using the proportionate method, which we previously referred to as “Chartwell’s Interest” and labeled as a non-GAAP financial measure in our MD&As. As part of the Ontario Securities Commission’s continuous disclosure review of Chartwell’s continuous disclosure documents, we have revised our approach with respect to our disclosure of non-GAAP financial measures in order to give greater prominence to GAAP financial measures. As part of this revised approach, we have restated certain historical disclosures in respect of each of December 31, 2016, Q1 2017 and Q2 2017, as necessary throughout this MD&A and in the “Summary of Select Financial Information” section on page 42 and, as such, we will no longer present our discussion and analysis using Chartwell’s Interest. In addition, we have expanded the captions and descriptions presented throughout this document to clearly identify the nature of the financial measure being reported. There is no required restatement to our financial statements as a result of this continuous disclosure review.

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

Business Overview

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

Our Continuum of Care

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

Our Vision is... Making People’s Lives Better

Our Mission is...

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents’ loved ones;
- to attract and retain employees who care about making a difference in our residents’ lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at September 30, 2017:

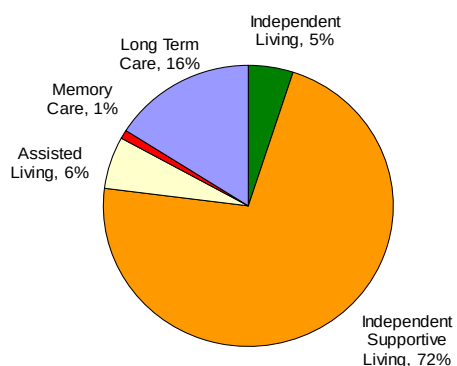
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	113	13,967	24	3,133	137	17,100
Partially Owned – operating ⁽²⁾	47	8,580	-	-	47	8,580
Total Owned	160	22,547	24	3,133	184	25,680
Managed Communities	6	1,188	4	608	10	1,796
Total	166	23,735	28	3,741	194	27,476

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

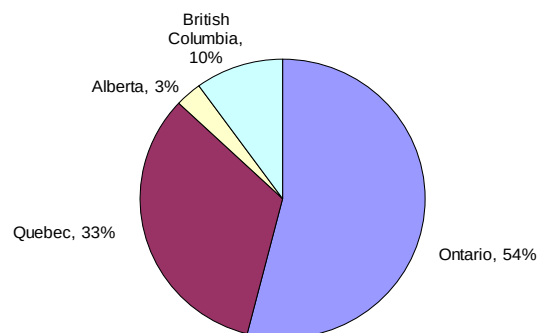
(2) We have a 50% ownership interest in these communities (7,795 suites) with the exception of four retirement communities (702 suites) and one medical office building in which we have an 85% ownership interest.

**Composition of Portfolio of Owned Suites/Beds
at Chartwell's Share of Ownership Interest, at September 30, 2017 by:**

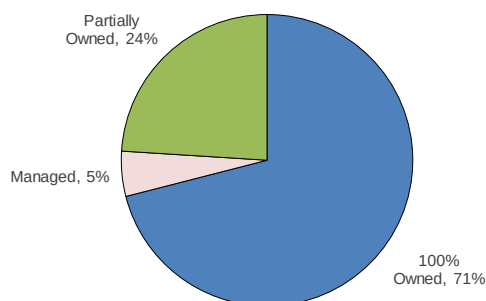
Level of Care



Geographic Location



Ownership



Business Strategy

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

Grow core property portfolio contribution by:

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

Maintain a strong financial position by:

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

Improve quality and efficiency of our corporate support services by:

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

Build value of our real estate portfolio by:

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

2017 Update on Business Strategy

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

Grow core property portfolio contribution	- Retirement Adjusted NOI increased \$5.9 million or 9.5% in Q3 2017 and \$9.4 million or 5.3% in 2017 YTD - Long term care Adjusted NOI increased \$0.4 million or 5.4% in Q3 2017 and decreased \$0.5 million or 2.1% in 2017 YTD. - Same property Adjusted NOI ⁽¹⁾ increased \$3.2 million or 4.9% in Q3 2017 and \$6.1 million or 3.2% in 2017 YTD. - Same property occupancy was 93.0% and 92.8% in Q3 2017 and 2017 YTD, respectively, compared to 93.6% and 93.4% in Q3 2016 and 2016 YTD, respectively.
Maintain a strong financial position	- At September 30, 2017, we had liquidity of \$95.6 million ⁽²⁾ and \$5.1 million in our Equity-Accounted JVs, at our share. - Interest Coverage Ratio for the Series A Debentures ⁽³⁾ remained strong at 3.4 in Q3 2017. - Net Debt to Adjusted EBITDA Ratio ⁽⁴⁾ was 7.9 at September 30, 2017 compared to 7.3 at December 31, 2016.
Improve quality and efficiency of our corporate support services	- The second phase of implementation of our new Human Capital Management system is in progress. - Completed the rollout of Project Welcome in our retirement homes, which focuses on the customer experience of a resident's first 90 days at Chartwell.
Build value of our real estate portfolio	- Completed acquisitions of six residences for a total aggregate contractual purchase price of \$210.5 million. - Sold one non-core property in Quebec at a contractual sale price of \$23.5 million. - Opened four newly-developed residences. - Work continues on our development pipeline of 1,152 suites with six projects in construction and two projects in pre-development. - Options to acquire interests in development projects by Batimo Inc. ("Batimo") are expected to add another 2,411 suites to our portfolio over time.

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for details.

(2) Includes cash, cash equivalents and amounts available under Credit Facilities. Refer to the "Liquidity and Capital Resources" section on page 24 of this MD&A for details.

(3) Non-GAAP; refer to the "Liquidity and Capital Resources – Financial Covenants – Series A Debentures" section on page 33 of this MD&A for details.

(4) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Net Debt to Adjusted EBITDA" section on page 48 of this MD&A for details.

2017 Outlook

Our 2016 MD&A contains a detailed discussion of our 2017 Outlook. There were no significant changes in Q3 2017 to our 2017 Outlook.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2016 MD&A. There were no significant changes to date, except as follows:

Development

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

Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Capital

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

Unlevered Yield is defined as the ratio of:

- the estimated NOI of a development property in the first year it achieves an expected stabilized occupancy level ("Estimated Stabilized NOI") which varies from project to project,
- divided by the estimated adjusted development costs (the "Adjusted Development Costs") which is the sum of:
 - development costs on a GAAP basis, plus
 - negative or positive NOI generated by the development property prior to achieving the expected stabilized occupancy (the "Lease-up-Losses"), plus
 - an imputed cost of capital calculated by applying our estimated weighted average cost of capital to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property and up to achieving the expected stabilized occupancy (the "Imputed Cost of Capital").

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

Completed Projects

In June 2017, we completed the development of Chartwell Malaspina Care Residence in Nanaimo, British Columbia. The residence is comprised of 136 LTC beds and is now 98% occupied. Adjusted Development Costs were \$27.5 million and we expect to achieve an Unlevered Yield of 9.3% on this project.

Projects in Development

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

Project	Location	Suites / Beds	Suite Type	Current Project Status ⁽¹⁾	Estimated Development Cost (\$ millions)	Estimated Imputed Cost of Capital and Lease-up-Losses ⁽²⁾ (\$millions)	Estimated Adjusted Development Costs ⁽³⁾ (\$millions)	Adjusted Development Costs incurred as at Sept 30, 2017 ⁽²⁾ (\$millions)	Actual / Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI ⁽²⁾ (\$millions)	Expected Unlevered Yield ⁽²⁾
Chartwell Waterford Retirement Residence	Oakville, ON	128	ISL / MC	C	39.0	4.6	43.6	25.1	Q4 2017	Q1 2020	93%	3.5	8.1%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	C	35.9	2.5	38.4	16.5	Q3 2018	Q2 2020	96%	2.9	7.5%
Chartwell Bankside Retirement Apartments	Kitchener, ON	58	IL	C	17.5	1.1	18.6	6.6	Q2 2018	Q3 2019	97%	1.4	7.3%
The Sumach by Chartwell ⁽⁴⁾	Toronto, ON	332	IL	C	43.6	3.0	46.6	17.8	Q3 2018	Q3 2020	95%	3.0	6.8%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL / MC	C	42.3	5.8	48.1	7.0	Q4 2018	Q3 2021	94%	3.4	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	IL / ISL	P	20.4	1.2	21.6	0.3	Q4 2019	Q4 2020	93%	1.5	7.8%
Chartwell Guildwood Retirement Residence ⁽⁵⁾	Scarborough, ON	172	ISL / MC	P	31.3	2.9	34.2	0.7	Q2 2019	Q4 2020	92%	2.4	6.9%
		987			230.0	21.1	251.1	74.0					
Project by Signature Retirement Living ("Signature Living")													
Kingston Project ⁽⁶⁾	Kingston, ON	165	ISL / AL	C	31.8	4.8	36.6	10.7	Q3 2018	Q4 2021	95%	2.6	7.0%
		1,152			261.8	25.9	287.7	84.7					

(1) Current project status is defined where 'C' means 'Construction' and 'P' means 'Pre-Development'.

(2) Non-GAAP. The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 7 of this MD&A.

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

(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.

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

(6) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon the property achieving the expected stabilized occupancy. Signature Living is entitled to a promote payment if the project's return on equity exceeds certain targets. Estimated Development Costs here include such estimated promote payment to Signature Living.

Projects by Batimo

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

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

Project	Location	Suites / Beds	Suite Type	Current Project Status ⁽¹⁾	Actual / Expected Completion Date	Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q3 2018
Chartwell Le Prescott	Vaudreuil, QC	290	ISL	O	June 2017	Q4 2019
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q2 2020
Chartwell St. Gabriel	St. Hubert, QC	345	ISL / AL	C	Q2 2018	Q4 2018
Chartwell Le Teasdale II	Terrebonne, QC	221	IL	C	Q3 2018	Q4 2019
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	C	Q3 2019	Q3 2020
Chartwell L'Evol	Cap Rouge, QC	360	ISL / AL	P	Q4 2019	Q4 2020
Charlesbourg Project	Quebec City, QC	381	ISL / AL	P	Q4 2019	Q2 2021
		2,411				

(1) Current project status is defined where 'O' means 'Operating', 'C' means 'Construction' and 'P' means 'Pre-Development'.

Potential Developments on Owned Lands

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

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites ⁽¹⁾	Book Value of Land (\$millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Montgomery Village Retirement Residence	Orangeville, ON	100	1.5	120	1.0
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ridgpointe Retirement Residence	Kamloops, BC	100	4.5	135	1.6
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Thunder Bay Retirement Residence	Thunder Bay, ON	100	1.2	9	-
Chartwell Wedgewood Retirement Residence	Brockville, ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence ⁽²⁾	Markham, ON	100	1.4	108	-
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités ⁽³⁾	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Chartwell Royalcliffe Retirement Residence	London, ON	50	1.3	197	1.1
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Total ⁽⁴⁾			36.2	2,918	23.1

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

(2) Leased lands.

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

(4) Excludes \$0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

In Q1 2017, we acquired a 4.66 acre parcel of land in Mississauga, Ontario for a purchase price of \$6.6 million. The purchase price was settled by the issuance of \$0.5 million of exchangeable Class B Units of Chartwell Master Care LP ("Class B Units"), with the remaining balance paid in cash. The land will be used to construct an office building to replace our current leased office space located in Mississauga, Ontario.

Acquisitions

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

On March 1, 2017, we acquired a 100% interest in the 66-suite Hilldale Gardens Retirement Residence in Thunder Bay, Ontario (rebranded as 'Chartwell Hilldale Retirement Residence' post acquisition). The contractual purchase price before closing costs was \$6.9 million and was settled in cash.

On July 4, 2017, we acquired a 100% interest in a portfolio of three properties in Ontario totalling 522 suites. The contractual purchase price before closing costs was \$121.0 million and was settled in cash. The acquired residences were rebranded as 'Chartwell Lakeshore Retirement Residence,' 'Chartwell Stillwater Creek Retirement Residence' and 'Chartwell Riverpark Retirement Residence' post acquisition.

On July 20, 2017, we acquired an 85% interest in Chartwell Le Teasdale I in Terrebonne, Quebec from Batimo. Batimo retained the remaining 15% interest in the project. The contractual purchase price was \$60.8 million and was settled by the assumption of a construction loan of \$37.1 million, the settlement of Chartwell's mezzanine loan of \$5.9 million and the remaining balance was paid in cash.

Dispositions

On May 3, 2017, we sold Chartwell Castel Royal résidence pour retraites, a 250-suite retirement residence in Montreal, Quebec. The contractual sale price was \$23.5 million, of which \$2.5 million is held in escrow for two years after closing to support the purchaser's rental income and certain renovation costs.

On October 25, 2017, Chartwell and Batimo entered into a definitive agreement with a third party to sell Chartwell Les Monarques résidence pour retraites in St. Eustache, Quebec. We own an 85% interest in the 98-suite Phase I of the residence which we acquired from Batimo in 2014 for \$12.4 million, and Batimo owns the remaining 15% interest in Phase I and 100% of the 98-suite Phase II. The property provides assisted living and memory care services and contains 80 funded and 118 private-pay beds. Chartwell's share of the sale price, before closing costs and other adjustments, is \$13.5 million payable in cash, and the closing, subject to regulatory and other approvals, is expected to occur in Q1 2018.

Financings

On May 29, 2017, we established two new credit facilities with a syndicate of Canadian financial institutions totalling \$300 million with accordion options for an additional \$150 million (the "Credit Facilities"). The Credit Facilities have a three year term, maturing in May 2020. They replaced the existing \$200 million and \$50 million credit facilities which were scheduled to mature in June 2018.

On June 9, 2017, we issued \$200 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023. DBRS Limited ("DBRS") assigned a 'BBB (low)' credit rating with a 'Stable' trend to the Series A Debentures. The proceeds of the Series A Debentures were used to fund acquisitions, repay amounts outstanding on our Credit Facilities and for general trust purposes.

Please refer to the "Liquidity and Capital Resources" section on page 24 of this MD&A for details of our Credit Facilities and Series A Debentures.

Joint Arrangements

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

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

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11
Held directly:				
Chartwell-Welltower Landlord ("CWL")	38	7,463	50%	Joint operation
The Sumach by Chartwell	1	332	45%	Joint operation
Batimo	5	702	85%	N/A
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Held through separate legal entities:				
Chartwell-Welltower Operator	Same as CWL	Same as CWL	50%	Joint venture
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture
Clair Hills Retirement Residence ⁽¹⁾	1	120	Refer to note ⁽¹⁾	Joint venture
Oak Ridges Retirement Residence ⁽¹⁾	1	129	Refer to note ⁽¹⁾	Joint venture
Kingston Project	1	165	60%	Joint venture

(1) These properties were acquired in a limited partnership structure in which we own all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the applicable partnership agreements, Class C units were entitled to quarterly distributions totalling \$4.8 million for 2016 and increase by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, we will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.

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

In Q1 2017, we entered into a new joint arrangement with Signature Living to develop a 165-suite retirement residence in Kingston, Ontario (the "Kingston Project"). Chartwell owns a 60% interest and Signature Living owns the remaining 40% interest in the project. This joint arrangement is accounted for using the equity method of consolidation.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Resident revenue	193,029	179,688	13,341	555,013	531,728	23,285
Direct property operating expense	130,774	122,883	7,891	383,410	367,050	16,360
Net income/(loss) - continuing operations	10,226	2,425	7,801	12,368	(13,536)	25,904
Total comprehensive income/(loss)	10,226	2,430	7,796	12,368	(10,257)	22,625

Resident revenue increased \$13.3 million or 7.4% in Q3 2017 and \$23.3 million or 4.4% in 2017 YTD, primarily due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased \$7.9 million or 6.4% in Q3 2017 and \$16.4 million or 4.5% in 2017 YTD, primarily due to acquisitions and developments and increased expenses in our existing property portfolio.

In Q3 2017, net income from continuing operations and total comprehensive income was \$10.2 million compared to \$2.4 million in Q3 2016, primarily due to higher resident revenues and positive changes in fair values of financial instruments, partially offset by higher direct property operating expense and higher finance and transaction costs. In addition, Q3 2016 results included a \$4.5 million charge for impairment of property, plant and equipment ("PP&E").

For 2017 YTD, net income from continuing operations was \$12.4 million compared to net loss from continuing operations of \$13.5 million in 2016 YTD. The change in net income was primarily due to higher resident revenues and lower revaluation charges on financial instruments primarily due to the redemption of our 5.7% convertible debentures in Q2 2016, partially offset by higher direct property operating expenses, higher general, administrative and Trust ("G&A") expenses, and higher depreciation and amortization expenses.

For 2017 YTD, total comprehensive income increased \$22.6 million. In addition to the items discussed above, the 2016 YTD amount includes \$3.3 million of income from discontinued operations primarily related to tax recoveries.

FFO

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

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

Refer to the “Additional Information on Non-GAAP Financial Measures – Funds from Operations” section on page 44 of this MD&A for the reconciliation of Net Income/(Loss), the most closely comparable GAAP measure, to FFO and per unit amounts.

The following table presents FFO and FFO per unit diluted:

(\$000s, except per unit amounts)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
FFO	50,517	46,222	4,295	134,480	128,870	5,610
FFO per unit diluted ⁽¹⁾	0.26	0.24	0.02	0.69	0.68	0.01

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

For Q3 2017, FFO was \$50.5 million or \$0.26 per unit diluted, compared to \$46.2 million or \$0.24 per unit diluted in Q3 2016. The following items impacted the change in FFO:

- higher adjusted NOI of \$6.3 million consisting of a \$3.2 million increase in same property adjusted NOI and a \$3.1 million increase in contribution from acquisitions and developments;

partially offset by:

- higher interest costs of \$1.9 million primarily due to the Series A Unsecured Debentures issued in Q2 2017; and
- other items combined of \$0.1 million.

In Q3 2017, FFO was reduced by \$0.6 million of Lease-Up-Losses related to our development projects (Q3 2016 – Nil).

For 2017 YTD, FFO was \$134.5 million or \$0.69 per unit diluted, compared to \$128.9 million or \$0.68 per unit diluted in 2016 YTD. The following items impacted the change in FFO:

- higher adjusted NOI of \$8.9 million consisting of a \$6.1 million increase in same property adjusted NOI and a \$2.8 million increase in contribution from acquisitions and developments;

partially offset by:

- higher G&A expenses of \$3.2 million; and
- other items combined of \$0.1 million.

For 2017 YTD, FFO was reduced by \$2.6 million of Lease-up-Losses related to our development projects (2016 YTD – Nil).

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

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

Same Property Portfolio

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

The following table summarizes the composition of our same property portfolio as at September 30, 2017:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	141	20,182	16,326
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	164	23,166	19,310

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2016, newly developed properties, properties that are undergoing a significant redevelopment and properties where we have added or expect to add significant capacity in the current year. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at September 30, 2017:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	19	2,365	2,177
Long Term Care Operations	1	149	149
Total acquisitions, development and other portfolio	20	2,514	2,326

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

(\$000s, except occupancy rates)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Resident revenue	193,029	179,688	13,341	555,013	531,728	23,285
Add: Share of resident revenue from joint ventures ⁽¹⁾	31,293	30,245	1,048	92,957	89,655	3,302
Adjusted resident revenue ⁽²⁾	224,322	209,933	14,389	647,970	621,383	26,587
Comprised of:						
Same property ⁽²⁾	201,580	195,915	5,665	593,904	580,191	13,713
Acquisitions, development and other ⁽²⁾	22,742	14,018	8,724	54,066	41,192	12,874
Adjusted resident revenue ⁽²⁾	224,322	209,933	14,389	647,970	621,383	26,587
Direct property operating expense	130,774	122,883	7,891	383,410	367,050	16,360
Add: Share of direct property operating expenses from joint ventures ⁽³⁾	18,249	18,016	233	56,027	54,714	1,313
Adjusted direct property operating expense ⁽²⁾	149,023	140,899	8,124	439,437	421,764	17,673
Comprised of:						
Same property ⁽²⁾	133,057	130,602	2,455	398,920	391,275	7,645
Acquisitions, development and other ⁽²⁾	15,966	10,297	5,669	40,517	30,489	10,028
Adjusted direct property operating expense ⁽²⁾	149,023	140,899	8,124	439,437	421,764	17,673
Adjusted NOI ⁽²⁾	75,299	69,034	6,265	208,533	199,619	8,914
Comprised of:						
Same property ⁽²⁾	68,523	65,313	3,210	194,984	188,916	6,068
Acquisitions, development and other ⁽²⁾	6,776	3,721	3,055	13,549	10,703	2,846
Adjusted NOI ⁽²⁾	75,299	69,034	6,265	208,533	199,619	8,914
Weighted average occupancy rate - same property portfolio	93.0%	93.6%	(0.6pp)	92.8%	93.4%	(0.6pp)
Weighted average occupancy rate - total portfolio excluding discontinued operations	91.8%	92.0%	(0.2pp)	90.7%	92.1%	(1.4pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 11 of this MD&A.

(2) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 16 of this MD&A for explanations and discussion of the significance of these metrics.

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 11 of this MD&A.

Adjusted resident revenue increased 6.9% in Q3 2017, due to a 2.9% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and lower ancillary services revenue.

Adjusted direct property operating expense increased 5.8% in Q3 2017, due to a 1.3% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to inflationary staffing cost increases and timing of marketing and certain other expenses, partially offset by lower utilities and property tax expenses.

Adjusted NOI increased \$6.3 million or 9.1% in Q3 2017, due to a \$3.2 million or 4.9% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In Q3 2017, combined same property occupancy was 93.0% compared to 93.6% in Q3 2016.

For 2017 YTD, adjusted resident revenue increased 4.3%, due to a 2.4% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same

property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and lower ancillary services revenue.

For 2017 YTD, adjusted direct property operating expense increased 4.2%, due to a 2.0% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to inflationary increases in staffing costs and other expenses, partially offset by lower utilities expenses.

For 2017 YTD, adjusted NOI increased \$8.9 million or 4.5% primarily due to a \$6.1 million or 3.2% growth in same property adjusted NOI and growing contributions from acquisitions and developments. Combined same property occupancy in 2017 YTD was 92.8% compared to 93.4% in 2016 YTD.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 160 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment represents 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

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

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

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	101	771	10,522	581	111	484	12,469
50% owned	40	572	6,700	378	63	-	7,713
Total same property owned	141	1,343	17,222	959	174	484	20,182
Acquisitions, Development & Other							
100% owned – operating	12	40	1,069	363	26	-	1,498
Partially owned – operating ⁽¹⁾	7	-	735	115	17	-	867
Total acquisitions, development & other	19	40	1,804	478	43	-	2,365
Total	160	1,383	19,026	1,437	217	484	22,547

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

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

(\$000s, except occupancy rates)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Adjusted resident revenue	166,872	153,610	13,262	480,241	455,112	25,129
<i>Comprised of:</i>						
Same property ⁽¹⁾	146,114	141,627	4,487	432,012	420,105	11,907
Acquisitions, development and other ⁽¹⁾	20,758	11,983	8,775	48,229	35,007	13,222
Adjusted direct property operating expense	99,193	91,804	7,389	292,530	276,765	15,765
<i>Comprised of:</i>						
Same property ⁽¹⁾	85,088	83,420	1,668	257,623	251,973	5,650
Acquisitions, development and other ⁽¹⁾	14,105	8,384	5,721	34,907	24,792	10,115
Adjusted NOI	67,679	61,806	5,873	187,711	178,347	9,364
<i>Comprised of:</i>						
Same property ⁽¹⁾	61,026	58,207	2,819	174,389	168,132	6,257
Acquisitions, development and other ⁽¹⁾	6,653	3,599	3,054	13,322	10,215	3,107
Weighted average occupancy rate - same property	92.0%	92.6%	(0.6pp)	91.8%	92.4%	(0.6pp)
Weighted average occupancy rate - total portfolio	90.7%	90.9%	(0.2pp)	89.5%	91.0%	(1.5pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 8.6% in Q3 2017, primarily due to a 3.2% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

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

Adjusted direct property operating expense increased 8.0% in Q3 2017, primarily due to a 2.0% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs as well as higher food and marketing expenses, partially offset by lower utilities, repairs and maintenance and property tax expenses.

Same property adjusted NOI increased \$2.8 million or 4.8% in Q3 2017 as follows:

- Our Ontario platform same property adjusted NOI increased \$2.4 million or 8.0%, as rental rate increases in line with competitive market conditions and lower utilities and repairs and maintenance expenses were partially offset by lower occupancies and ancillary services revenues, and higher staffing costs.
- Our Western Canada platform same property adjusted NOI increased \$0.9 million or 7.5%, primarily due to higher occupancies and rental rate increases in line with competitive market conditions, partially offset by higher staffing costs, food and utilities expenses.
- Our Quebec platform same property adjusted NOI decreased \$0.5 million or 2.6%, primarily due to lower occupancies, higher staffing costs in part related to a one-time positive adjustment for certain staffing expenses in Q3 2016 for which there was no comparable amount in Q3 2017, higher marketing and food expenses, partially offset by rental rate increases in line with competitive market conditions.

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

	Q3 2017	Q3 2016	Change	Q2 2017	Change
Ontario	89.5%	89.6%	(0.1pp)	88.5%	1.0pp
Western Canada	96.9%	95.8%	1.1pp	96.4%	0.5pp
Quebec	92.6%	94.6%	(2.0pp)	92.4%	0.2pp
Total	92.0%	92.6%	(0.6pp)	91.4%	0.6pp

While all our operating platforms improved occupancies in Q3 2017 from Q2 2017, occupancies in our Quebec platform continue to be impacted by the new supply in certain markets, with Q3 2017 occupancy being 2.0 percentage points lower than Q3 2016.

Adjusted resident revenue increased 5.5% in 2017 YTD, primarily due to a 2.8% increase in same property adjusted resident revenue and growing contributions from our acquisitions and developments.

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

Adjusted direct property operating expense increased 5.7% in 2017 YTD, primarily due to a 2.2% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs as well as higher food and marketing expenses, primarily due to timing, partially offset by lower utilities expenses.

For 2017 YTD, same property adjusted NOI increased \$6.3 million or 3.7% as follows:

- Our Ontario platform same property adjusted NOI increased \$3.6 million or 4.2%, as rental rate increases in line with competitive market conditions and lower utilities expenses were offset by lower occupancies and ancillary services revenues, and higher staffing expenses.
- Our Western Canada platform same property adjusted NOI increased \$2.3 million or 6.6%, primarily due to higher occupancies and rental rate increases in line with competitive market conditions, partially offset by higher staffing costs and utilities expenses.
- Our Quebec platform same property adjusted NOI increased \$0.3 million or 0.1%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and higher staffing costs and marketing expenses.

Long Term Care Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property	23	-	84	-	-	2,900	2,984
Acquisitions, development and other ⁽¹⁾	1	-	49	-	-	100	149
Total	24	-	133	-	-	3,000	3,133

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

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

(\$000s, except occupancy rates)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Adjusted resident revenue	57,450	56,323	1,127	167,729	166,271	1,458
<i>Comprised of:</i>						
Same property ⁽¹⁾	55,466	54,288	1,178	161,892	160,086	1,806
Acquisitions, development and other ⁽¹⁾	1,984	2,035	(51)	5,837	6,185	(348)
Adjusted direct property operating expenses	49,830	49,095	735	146,907	144,999	1,908
<i>Comprised of:</i>						
Same property ⁽¹⁾	47,969	47,182	787	141,297	139,302	1,995
Acquisitions, development and other ⁽¹⁾	1,861	1,913	(52)	5,610	5,697	(87)
Adjusted NOI	7,620	7,228	392	20,822	21,272	(450)
<i>Comprised of:</i>						
Same property ⁽¹⁾	7,497	7,106	391	20,595	20,784	(189)
Acquisitions, development and other ⁽¹⁾	123	122	1	227	488	(261)
Weighted average occupancy rate - same property	98.7%	99.0%	(0.3pp)	98.4%	98.8%	(0.4pp)
Weighted average occupancy rate - total portfolio	97.9%	98.4%	(0.5pp)	97.6%	98.6%	(1.0pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased \$0.4 million or 5.4% in Q3 2017, primarily due a 5.5% increase in adjusted NOI in the same property portfolio.

The increase in same property adjusted NOI was primarily due to higher preferred accommodation revenues and lower utilities expenses, partially offset by timing of certain expenses.

Weighted average occupancy in the same property portfolio was 98.7% in Q3 2017 compared to 99.0% in Q3 2016.

Adjusted NOI decreased \$0.5 million or 2.1% in 2017 YTD, primarily due a \$0.2 million decrease in adjusted NOI in the same property portfolio and a \$0.3 million decrease in contribution from one property subject to redevelopment.

The decrease in same property adjusted NOI in 2017 YTD was primarily due to lower ancillary revenues and timing of certain expenses, partially offset by higher preferred accommodation revenues and lower utilities expenses.

Management Fee Revenue

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Welltower	1,255	1,623	(368)	4,725	4,745	(20)
Other	574	540	34	1,834	1,491	343
Total management fee revenue	1,829	2,163	(334)	6,559	6,236	323

Management fee revenue decreased in Q3 2017 primarily due to lower development fees. Management fee revenue increased in 2017 YTD primarily due to growth in revenues of managed properties and an increased number of Batimo development properties under management.

Interest Income

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Interest income on loans receivable	186	266	(80)	671	970	(299)
Interest income on capital funding	714	789	(75)	2,198	2,330	(132)
Other interest income	44	(35)	79	165	46	119
Total interest income	944	1,020	(76)	3,034	3,346	(312)

In Q3 2017 and 2017 YTD, interest income on loans receivable decreased primarily due to lower loan balances.

General, Administrative and Trust Expenses

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
G&A expenses	8,260	8,264	(4)	28,786	25,611	3,175

In Q3 2017, G&A expenses were flat to those in Q3 2016, as higher staffing and other costs were offset by refunds of certain previously-recorded expenses, and timing of other expenses including a reduction in mark-to-market adjustments of certain stock-based compensation due to the decline in the trading price of our Trust Units.

In 2017 YTD, G&A expenses increased \$3.2 million primarily due to higher staffing costs which were primarily required to support our growing development activities, including management of Batimo projects, and properties acquired in 2015, 2016 and 2017 YTD. In addition, the increase in 2017 YTD was partly driven by higher severance and recruitment costs and the reversal of an accrual of certain employee benefits costs on settlement of a related claim in Q1 2016. These were partially offset by refunds of certain previously-recorded expenses and timing of other expenses including a reduction in mark-to-market adjustments of certain stock-based compensation due to the decline in the trading price of our Trust Units.

Finance Costs

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Contractual interest expense on mortgages *	15,790	15,792	(2)	47,299	47,867	(568)
Comprised of:						
Same property * ⁽¹⁾	14,263	14,515	(252)	43,186	44,345	(1,159)
Acquisitions, development and other * ⁽¹⁾	1,527	1,277	250	4,113	3,522	591
Convertible debentures	-	-	-	-	2,611	(2,611)
Series A Unsecured Debentures	1,909	-	1,909	2,365	-	2,365
Credit facility and other interest expense	1,155	1,352	(197)	3,802	2,632	1,170
	18,854	17,144	1,710	53,466	53,110	356
Amortization of financing costs and debt mark-to-market adjustments *	126	(375)	501	496	(923)	1,419
	18,980	16,769	2,211	53,962	52,187	1,775
Interest capitalized to properties under development	(701)	(368)	(333)	(1,966)	(666)	(1,300)
Distributions on Class B Units recorded as interest expense	238	229	9	719	675	44
Total finance costs	18,517	16,630	1,887	52,715	52,196	519

* Q3 2016 and 2016 YTD amounts have been restated as described on page 2 of this MD&A.

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Interest expense on the same property portfolio decreased \$0.3 million in Q3 2017 and \$1.2 million in 2017 YTD, primarily due to lower interest rates achieved on mortgage renewals.

The convertible debentures were redeemed in Q2 2016.

Series A Debentures in the amount of \$200 million were issued on June 9, 2017 and bear interest at 3.786%.

Credit facility and other interest expense decreased \$0.2 million in Q3 2017 and increased \$1.2 million in 2017 YTD, primarily due to changes in amounts borrowed under such facilities.

Amortization of financing costs and debt mark-to-market adjustments increased \$0.5 million in Q3 2017 primarily due to accelerated amortization of financing costs and mark-to-market adjustments related to refinancing of certain mortgages, and increased \$1.4 million in 2017 YTD, primarily due to accelerated amortization of \$0.7 million of financing costs related to our \$200 million and \$50 million credit facilities that were replaced with the Credit Facilities in Q2 2017.

Interest capitalized to properties under development increased \$0.3 million in Q3 2017 and \$1.3 million in 2017 YTD, primarily due to higher levels of development activity.

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

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Mortgage and loans payable	601	576	25	1,679	1,809	(130)
Comprised of:						
Same property ⁽¹⁾	212	238	(26)	627	714	(87)
Acquisitions, development and other ⁽¹⁾	389	338	51	1,052	1,095	(43)
Amortization of financing costs and debt mark-to-market adjustments	18	19	(1)	47	63	(16)
Interest capitalized to properties under development	(33)	1	(34)	(33)	-	(33)
Total finance costs	586	596	(10)	1,693	1,872	(179)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Transaction costs arising on business acquisitions and dispositions	(3,513)	(943)	(2,570)	(5,929)	(5,495)	(434)
Gain on remeasurement to fair value of existing interest	-	-	-	-	5,187	(5,187)
Gain/(loss) on sale of assets *	(67)	385	(452)	69	1,918	(1,849)
Other income	254	-	254	807	-	807
Impairment of PP&E	-	(4,500)	4,500	-	(7,500)	7,500
Property lease expense	(100)	(122)	22	(297)	(319)	22
Total other income/(expense)	(3,426)	(5,180)	1,754	(5,350)	(6,209)	859

* Q3 2016 and 2016 YTD amounts have been restated as described on page 2 of this MD&A.

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

Gain on remeasurement to fair value of existing interest in 2016 YTD relates to the acquisition of the remaining 50% interest in a co-owned property from our joint venture partner.

Gain on sale of assets in 2016 YTD includes \$0.7 million related to the sale of three non-core properties in Quebec.

2016 YTD includes an impairment provision of \$3.0 million related to one LTC property in Ontario and \$4.5 million related to one retirement property in Quebec.

Other Items

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Depreciation of PP&E *	(38,649)	(37,663)	(986)	(111,129)	(107,337)	(3,792)
Amortization of intangible assets *	(440)	(292)	(148)	(1,376)	(884)	(492)
Changes in fair value of financial instruments and foreign exchange gain/(loss) *	3,690	178	3,512	954	(23,696)	24,650
Current income tax expense	(8)	-	(8)	(8)	-	(8)
Deferred income tax benefit	26	-	26	132	-	132

* Q3 2016 and 2016 YTD amounts have been restated as described on page 2 of this MD&A.

Depreciation of PP&E increased \$1.0 million in Q3 2017 and \$3.8 million in 2017 YTD, primarily due to depreciation of properties acquired in 2016 and 2017.

Changes in fair value of financial instruments and foreign exchange loss result from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties, subject to income guarantees. 2016 YTD amounts include an \$11.4 million charge for revaluation of our 5.7% convertible debentures which were redeemed in Q2 2016.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for September 30, 2017 compared to December 31, 2016.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	169.1	Total assets increased primarily due to the acquisition of properties and capital additions, partially offset by depreciation and amortization and property dispositions.
Total liabilities	219.0	Total liabilities increased primarily due to the issuance of Series A Debentures and new mortgage financings, partially offset by lower amounts outstanding under Credit Facilities and lower accounts payable and other liabilities.
Equity	(49.9)	The decrease in equity is primarily due to distributions on Trust Units, partially offset by the issuance of Trust Units under our Distribution Reinvestment Plan ("DRIP"), under the Executive Unit Purchase Plan ("EUPP") and on vesting of Deferred Trust Units ("DTUs"), as well as net income for the period.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q3 2017 and Q3 2016 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	16.3	Change in cash flows from operating activities is primarily due to higher adjusted NOI and changes in working capital balances.
Financing activities	(41.7)	Change in cash flows from financing activities is primarily due to higher mortgage repayments, partially offset by higher proceeds from mortgage financings.
Investing activities	(3.2)	Change in cash flows from investing activities is primarily due to higher cash used for acquisitions, capital investments in our properties and the advance of a mezzanine loan, partially offset by a reduction in restricted cash balance.

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2017 YTD and 2016 YTD using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	31.3	Change in cash flows from operating activities is primarily due to higher adjusted NOI partially offset by higher G&A and changes in working capital balances.
Financing activities	10.4	Change in cash flows from financing activities is primarily due to issuance of Series A Debentures and additional mortgage proceeds, partially offset by changes in our Credit Facilities and higher mortgage repayments.
Investing activities	(62.3)	Change in cash flows from investing activities is primarily due to higher capital investments in our properties and higher cash used for acquisitions, partially offset by higher proceeds from disposition of one property in 2017.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders.

Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, senior unsecured debentures, and equity financing.

At September 30, 2017 our liquidity was \$95.6 million consisting of cash and cash equivalents of \$12.5 million and \$83.1 million available borrowing capacity under our Credit Facilities as presented in the following table:

(\$000s)	September 30, 2017	December 31, 2016
Cash and cash equivalents	12,487	30,050
Available under Credit Facilities	83,069	73,759
Total	95,556	103,809

In addition, at September 30, 2017, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$5.1 million.

As at September 30, 2017, our current liabilities totalled \$311.9 million, exceeding current assets of \$47.1 million, resulting in a working capital deficiency of \$264.8 million. Current liabilities includes an amount of \$191.9 million of current mortgages payable, comprised of \$132.8 million related to maturing balances which are expected to be renewed on maturity and \$59.1 million related to regular principal amortization. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our property operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, credit facilities, and senior unsecured debentures. Our debt management objective is to maximize financial flexibility while continuing to strengthen our balance sheet by:

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

The following table summarizes the components of the principal balance of our debt at September 30, 2017 and December 31, 2016:

(\$000s)	September 30, 2017	December 31, 2016 *
Principal balance of mortgages payable	1,692,205	1,644,708
Credit Facilities	144,000	172,000
Principal balance of Series A Debentures	200,000	-
Principal balance of total debt	2,036,205	1,816,708

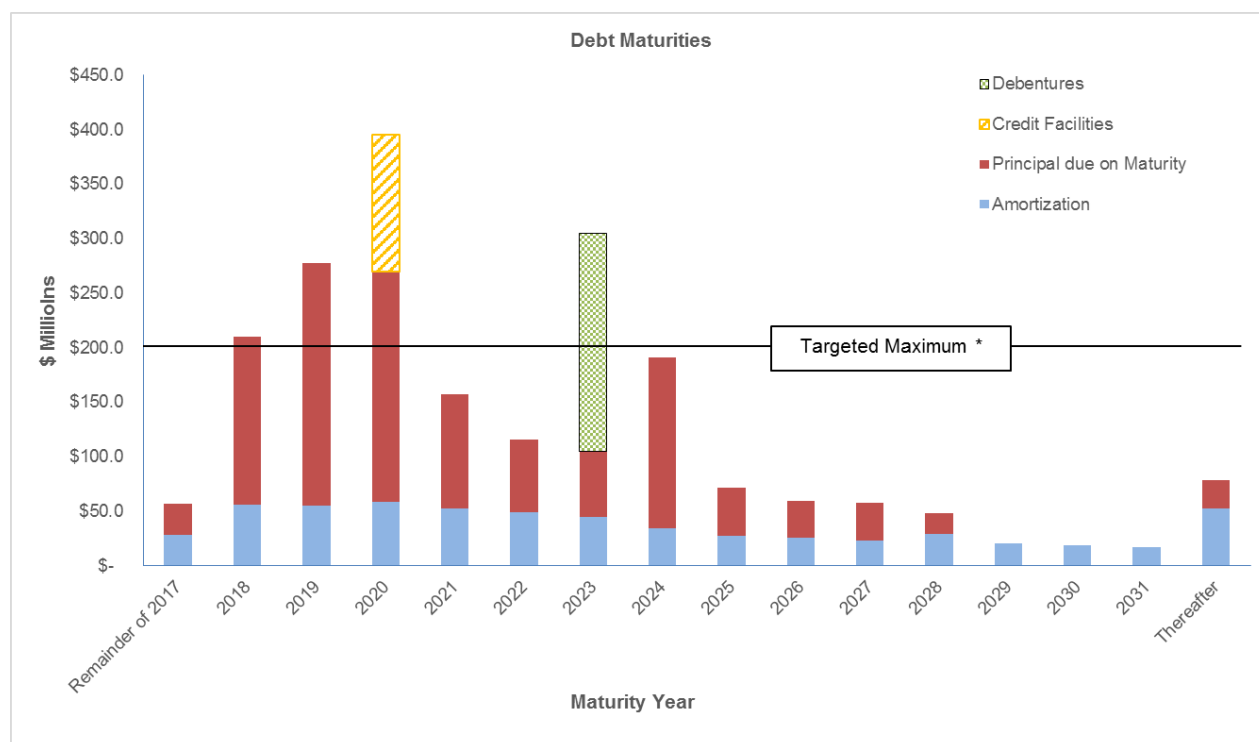
* December 31, 2016 amounts have been restated as described on page 2 of this MD&A.

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Senior Unsecured Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
Remainder of 2017	14,147	6,098	20,245	3.87%	-	-	-	-	20,245	3.87%
2018	56,954	170,378	227,332	3.68%	-	-	-	-	227,332	3.68%
2019	56,028	185,478	241,506	3.14%	-	-	-	-	241,506	3.14%
2020	55,640	160,814	216,454	3.58%	-	-	144,000	3.28%	360,454	3.46%
2021	53,497	105,429	158,926	4.11%	-	-	-	-	158,926	4.11%
2022	49,975	74,834	124,809	3.77%	-	-	-	-	124,809	3.77%
2023	45,652	60,419	106,071	4.20%	200,000	3.79%	-	-	306,071	3.93%
2024	35,680	156,797	192,477	3.99%	-	-	-	-	192,477	3.99%
2025	28,722	44,335	73,057	3.37%	-	-	-	-	73,057	3.37%
2026	26,987	33,830	60,817	3.25%	-	-	-	-	60,817	3.25%
2027	23,905	63,176	87,081	3.24%	-	-	-	-	87,081	3.24%
2028	29,241	18,925	48,166	4.49%	-	-	-	-	48,166	4.49%
2029	20,267	-	20,267	4.96%	-	-	-	-	20,267	4.96%
2030	18,837	-	18,837	5.13%	-	-	-	-	18,837	5.13%
2031	17,335	-	17,335	5.23%	-	-	-	-	17,335	5.23%
Thereafter	52,443	26,382	78,825	4.70%	-	-	-	-	78,825	4.70%
Total	585,310	1,106,895	1,692,205	3.77%	200,000	3.79%	144,000	3.28%	2,036,205	3.74%

Included in 2019 and 2020 mortgage maturities are \$138.0 million and \$120.5 million, respectively, of loans bearing interest at variable rates or at rates fixed through the use of interest rate swaps of various durations. These loans are expected to be refinanced with CMHC-insured, long-term debt upon the properties achieving stabilized occupancy at or prior to maturity of these loans.

The following chart provides a breakdown of our debt maturities:



* 10% of total debt = \$203.6 million

Mortgage Debt

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2017 YTD:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Principal balance at December 31, 2016 *	1,644,708	7.1	3.89%	61%
Matured in the period	(107,270)	-	3.92%	4%
Assumed on acquisitions of properties	37,060	0.4	3.50%	N/A
New mortgage financing	160,727	9.2	2.87%	66%
Regular amortizing principal repayments	(43,020)	N/A	N/A	N/A
Principal balance at September 30, 2017	1,692,205	6.9	3.77%	64%
Mark-to-market adjustments arising on acquisitions	16,940			
Financing costs	(27,239)			
Mortgages payable at September 30, 2017	1,681,906			

* December 31, 2016 amounts have been restated as described on page 2 of this MD&A.

New mortgage financing includes additional financing on CMHC-insured mortgages totalling \$131.7 million with a weighted average interest rate of 2.83% and weighted average term of 10.5 years, bridge loans on two non-stabilized properties totalling \$22.1 million with a weighted average interest rate of 3.17% and weighted average term of 3.8 years and construction financing for one property under development of \$8.6 million with a weighted average interest rate of 2.44% and weighted average term of 2.5 years.

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

	At September 30, 2017		At December 31, 2016 *	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,616,656	75,549	1,692,205	1,644,708
Weighted average interest rate	3.80%	3.14%	3.77%	3.89%
Average term to maturity (years)	7.1	2.1	6.9	7.1

* December 31, 2016 amounts have been restated as described on page 2 of this MD&A.

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of September 30, 2017, approximately 64% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

The following tables are supplemental information and summarize the components of our debt at September 30, 2017 and December 31, 2016 for our Equity-Accounted JVs:

(\$000s)	September 30, 2017	December 31, 2016 *
Principal balance of mortgages payable	81,899	77,802

* December 31, 2016 amounts have been restated as described on page 2 of this MD&A.

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
Remainder of 2017	83	-	83	5.7%
2018	112	20,522	20,634	3.9%
2019	-	-	-	-
2020	-	57,000	57,000	2.4%
2021	-	4,182	4,182	3.8%
2022 and thereafter	-	-	-	-
Total	195	81,704	81,899	2.8%

Credit Facilities

On May 29, 2017, we entered into agreements with a syndicate of Canadian financial institutions for the Credit Facilities totalling \$300 million with accordion options for an additional \$150 million. The Credit Facilities have three-year terms maturing in May 2020 and include annual extension options. These new Credit Facilities replaced the \$200 million and \$50 million credit facilities which were scheduled to mature in June 2018.

The first credit facility is a \$100 million unsecured facility (the "Unsecured Credit Facility") which can be increased by up to \$50 million during its term. The amounts borrowed under the Unsecured Credit Facility will bear interest at rates ranging from Bankers' Acceptance rate ("BA") plus 180 basis points ("bps") to BA plus 210 bps or, Prime rate ("Prime") plus 80 bps to Prime plus 110 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement. As of September 30, 2017, \$37.4 million was available on the Unsecured Credit Facility.

The second credit facility is a \$200 million secured facility (the "Secured Credit Facility") which can be increased by up to \$100 million during its term. The facility is secured by charges over 21 properties. The amounts borrowed under the Secured Credit Facility will bear interest at rates ranging from BA plus 165 bps to BA plus 185 bps or, Prime plus 65 bps to Prime plus 85 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement. As of September 30, 2017, \$144.0 million was outstanding on the Secured Credit Facility, leaving available borrowing capacity of \$45.6 million.

Based on our leverage ratio, in Q4 2017, the amounts drawn on our Secured Credit Facility would bear interest at BA plus 165 bps or Prime plus 65 bps. The amounts, if any, drawn on our Unsecured Credit Facility would bear interest at BA plus 180 bps or Prime plus 80 bps.

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

Senior Unsecured Debentures

On June 9, 2017, we issued \$200.0 million of Series A Senior Unsecured Debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt financing costs of \$1.5 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Series A Debentures

(\$000s)	As at September 30, 2017	As at December 31, 2016
Series A Debentures outstanding	200,000	N/A
Financing costs	(1,468)	N/A
Carrying value	198,532	N/A

Convertible Debentures

On April 12, 2016, we issued a redemption notice to the holders of our 5.7% convertible debentures with an outstanding principal balance of \$131.9 million. Under the terms of the trust indentures governing these debentures, before May 16, 2016 (the "Redemption Date") the holders had the right to convert their debentures into Trust Units at a conversion price of \$11.00 per unit. We elected to satisfy our redemption obligations for any unconverted convertible debentures by issuing Trust Units at 95% of the market price on the Redemption Date, as provided for in the trust indentures. As a result, 11.9 million Trust Units were issued in satisfaction of the full amount of convertible debentures.

Credit Rating

Chartwell's credit rating for our Senior Unsecured Debentures is summarized below:

Debt	Rating Agency	Long-term Credit Rating	Trend
Senior Unsecured Debentures	DBRS	BBB (low)	Stable

Long-term ratings assigned by DBRS Limited ("DBRS") provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS' long-term credit ratings scale ranges from "AAA" (typically assigned to obligations of the highest credit quality) to "D" (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated "BBB" by DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS assigns rating trends based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The above-mentioned rating assigned to our Senior Unsecured Debentures is not a recommendation to buy, sell or hold any securities of Chartwell and may be subject to revision or withdrawal at any time by DBRS. Chartwell has paid customary rating fees to DBRS in connection with the above-mentioned rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

Financial Covenants

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

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 29, 2017 (together, the “Credit Agreements”), and in the Trust Indenture (the “Trust Indenture”) and the First Supplemental Trust Indenture (the “Supplemental Trust Indenture”), dated June 9, 2017 for the Series A Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

Credit Facilities

1. Debt Service Coverage Ratio for Credit Facilities

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

(\$000s, except debt service coverage ratio)	Rolling 12 months September 30, 2017	Rolling 12 months December 31, 2016
Consolidated EBITDA for Credit Facilities ⁽¹⁾	256,575	250,687
Consolidated interest expense for Credit Facilities ⁽²⁾	72,698	72,472
Consolidated regularly-scheduled debt principal payments for Credit Facilities ⁽³⁾	56,719	52,881
Consolidated debt service payments for Credit Facilities	129,417	125,353
Debt service coverage ratio for Credit Facilities	1.98	2.00

(1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures” section on page 34 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.

(2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Series A Debentures” section on page 34 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.

(3) Refer to the “Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities” section on page 35 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.

2. Total Leverage Ratio for Credit Facilities

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

(\$000s, except total leverage ratio)	As at September 30, 2017	As at December 31, 2016
Consolidated indebtedness for Credit Facilities ⁽¹⁾	2,145,617	1,927,076
Adjusted consolidated gross book value of assets for Credit Facilities ⁽²⁾	4,078,036	3,835,969
Total leverage ratio for Credit Facilities	52.6%	50.2%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures” section on page 35 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.

(2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures” section on page 36 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

We are required to maintain an adjusted consolidated unitholders' equity of at least \$1.0 billion, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At September 30, 2017, the minimum adjusted consolidated unitholders' equity requirement was \$1.0 billion.

(\$000s)	As at September 30, 2017	As at December 31, 2016
Unitholders' equity per Financial Statements	775,051	824,983
Adjustment for accumulated depreciation and amortization for Credit Facilities ⁽¹⁾	753,266	681,207
Class B Units	24,649	23,871
DTUs	12,682	13,620
Adjusted consolidated unitholders' equity for Credit Facilities	1,565,648	1,543,681

(1) Includes accumulated depreciation and amortization of equity-accounted investments of \$24.4 million at September 30, 2017 (\$18.9 million at December 31, 2016) and fully amortized assets of \$182.2 million at September 30, 2017 (\$179.1 million at December 31, 2016).

4. Payment of Cash Distributions for Credit Facilities

We are required not to make cash distributions exceeding 100% of our AFFO for Credit Facilities.

(\$000s, except percentage of AFFO)	2017 YTD	2016 YTD
Distributions declared on Trust Units	82,548	77,836
Distributions on Class B Units	719	675
Distributions on DTUs	365	358
Total distributions for Credit Facilities	83,632	78,869
Less:		
Non-cash distributions settled by DRIP	15,026	14,625
Non-cash distributions applied to EUPP	650	658
Non-cash distributions applied to DTUs	365	358
Cash distributions for Credit Facilities	67,591	63,228
AFFO for Credit Facilities ⁽¹⁾	124,877	121,546
Cash distributions as a percentage of AFFO for Credit Facilities	54.1%	52.0%

(1) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit " section on page 36 of this MD&A for the calculation of AFFO for Credit Facilities.

5. Investment Restrictions for Credit Facilities

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

(\$000s)	Threshold as of September 30, 2017	As at September 30, 2017	As at December 31, 2016
Non-qualifying joint ventures and investments ⁽¹⁾	203,902	-	-
Mortgage receivables ⁽²⁾	611,705	6,753	10,528
Investments in property held for development/construction as defined in the Credit Facilities ⁽²⁾	611,705	120,601	82,714
Combined ⁽³⁾	1,019,509	127,354	93,242

- (1) Limit of 5% of adjusted consolidated gross book value of assets.
(2) Limit of 15% of adjusted consolidated gross book value of assets.
(3) Limit of 25% of adjusted consolidated gross book value of assets.

The following financial covenants are only applicable to the Unsecured Credit Facility:

6. Secured Indebtedness Ratio for the Unsecured Credit Facility

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

(\$000s, except secured indebtedness ratio)	As at September 30, 2017	As at December 31, 2016
Secured indebtedness for the Unsecured Credit Facility ⁽¹⁾	1,918,104	1,894,667
Adjusted consolidated gross book value of assets for the Unsecured Credit Facility ⁽²⁾	4,078,036	3,835,969
Secured indebtedness ratio for the Unsecured Credit Facility	47.0%	49.4%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 35 of this MD&A for the calculation of secured indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures" section on page 36 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

We are required to maintain the unencumbered property asset value at more than 1.5 times our consolidated unsecured indebtedness. For the purposes of calculating the unencumbered property asset ratio covenant under our Unsecured Credit Facility, only wholly-owned assets with occupancy above 80% can be included, with valuations completed through third-party appraisals.

(\$000s, except unencumbered property asset ratio)	September 30, 2017	December 31, 2016
Unencumbered property asset value for the Unsecured Credit Facility	405,200	N/A
Unsecured indebtedness for the Unsecured Credit Facility ⁽¹⁾	227,513	N/A
Unencumbered property asset ratio for the Unsecured Credit Facility	1.8	N/A

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 35 of this MD&A for the calculation of unsecured indebtedness for Credit Facilities.

Series A Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Series A Debentures (“Interest Coverage Ratio for Series A Debentures”)

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

(\$000s, except Interest Coverage Ratio)	Rolling 12 months September 30, 2017	Rolling 12 months December 31, 2016
Consolidated EBITDA for Series A Debentures ⁽¹⁾	267,037	256,353
Consolidated interest expense for Series A Debentures ⁽²⁾	78,828	70,062
Interest Coverage Ratio for Series A Debentures	3.4	3.7

(1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures” section on page 34 of this MD&A for the calculation of consolidated EBITDA for the Series A Debentures.

(2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Series A Debentures” section on page 34 of this MD&A for the calculation of consolidated interest expense for the Series A Debentures.

2. Indebtedness Percentage for Series A Debentures

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

(\$000s, except indebtedness percentage)	September 30, 2017	December 31, 2016
Consolidated indebtedness for Series A Debentures ⁽¹⁾	2,103,341	1,881,290
Aggregate adjusted assets for Series A Debentures ⁽²⁾	4,060,458	3,819,681
Indebtedness percentage for Series A Debentures	51.8%	49.3%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures” section on page 35 of this MD&A for the calculation of consolidated indebtedness for the Series A Debentures.

(2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures” section on page 36 of this MD&A for the calculation of aggregate adjusted assets for the Series A Debentures.

3. Coverage Ratio for Series A Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.30 on a proforma basis giving effect to the transactions completed from June 30, 2017 to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indenture.

(\$000s, except ratio)	September 30, 2017	December 31, 2016
Unencumbered aggregate adjusted assets for Series A Debentures ⁽¹⁾	455,000	N/A
Unsecured indebtedness for Series A Debentures ⁽²⁾	202,815	N/A
Coverage ratio for Series A Debentures	2.2	N/A

(1) Includes 22 properties valued at \$455.0 million as of September 30, 2017 (Nil as of December 31, 2016) with valuations completed through third-party appraisals.

(2) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures” section on page 35 of this MD&A for the calculation of unsecured indebtedness for the Series A Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Series A Debentures

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

(\$000s)	Rolling 12 months December 31, 2016	Subtract: 2016 YTD	Add: 2017 YTD	Rolling 12 months September 30, 2017
Net income/(loss) – continuing operations	(710)	(13,536)	12,368	25,194
Loss/(gain) on sale of assets ⁽¹⁾	(1,961)	(2,039)	(76)	2
Transaction costs	5,400	5,495	5,929	5,834
Non-cash changes in fair value of financial instruments and foreign exchange gains/(losses) ⁽¹⁾	14,601	22,961	(835)	(9,195)
Impairment of PP&E	6,390	7,500	-	(1,110)
Gain on remeasurement of fair value of existing interest	(5,187)	(5,187)	-	-
Consolidated net income for Credit Facilities	18,533	15,194	17,386	20,725
Consolidated finance costs ⁽¹⁾	71,207	54,068	54,408	71,547
Consolidated depreciation and amortization ⁽¹⁾	154,631	114,076	118,259	158,814
Consolidated income tax expense/(benefit)	27	-	(124)	(97)
Principal portion of capital funding	6,289	4,921	4,218	5,586
Consolidated EBITDA for Credit Facilities	250,687	188,259	194,147	256,575
Proforma adjustments ⁽²⁾	5,666			10,462
Consolidated EBITDA for Series A Debentures	256,353			267,037

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

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

2. Consolidated Interest Expense for Credit Facilities and Series A Debentures

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

(\$000s)	Rolling 12 months December 31, 2016	Subtract: 2016 YTD	Add: 2017 YTD	Rolling 12 months September 30, 2017
Interest on mortgages ⁽¹⁾	65,949	49,676	48,978	65,251
Interest on convertible debentures	2,611	2,611	-	-
Interest on Series A Debentures	-	-	2,365	2,365
Interest on Credit Facilities	3,912	2,632	3,802	5,082
Consolidated interest expense for Credit Facilities	72,472	54,919	55,145	72,698
Proforma adjustments ⁽²⁾	(2,410)			6,130
Consolidated interest expense for Series A Debentures	70,062			78,828

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

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

3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

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

(\$000s)	Rolling 12 months December 31, 2016	Subtract: 2016 YTD	Add: 2017 YTD	Rolling 12 months September 30, 2017
Regularly-scheduled debt principal payments per Financial Statements	52,651	39,196	43,020	56,475
Regularly-scheduled debt principal payments for equity-accounted entities	230	227	241	244
Regularly-scheduled debt principal payments for Credit Facilities	52,881	39,423	43,261	56,719

4. Consolidated Indebtedness for Credit Facilities and Series A Debentures

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

(\$000s)	September 30, 2017	December 31, 2016
Principal balance of mortgages payable	1,692,205	1,644,708
Principal balance of mortgages payable related to Equity-Accounted JVs	81,899	77,959
Outstanding amount on the Secured Credit Facility	144,000	172,000
Secured indebtedness for the Unsecured Credit Facility	1,918,104	1,894,667
Principal balance of Series A Debentures	200,000	-
Deferred purchase consideration	1,506	1,506
Capital lease obligations	1,309	1,405
Unsecured indebtedness for Series A Debentures	202,815	2,911
Outstanding letters of credit	4,626	4,241
Third-party guarantees	20,072	25,257
Unsecured indebtedness for Credit Facilities	227,513	32,409
Consolidated indebtedness for Credit Facilities	2,145,617	1,927,076
Add (Subtract):		
Outstanding letters of credit	(4,626)	(4,241)
Third-party guarantees	(20,072)	(25,257)
Cash and cash equivalents	(12,487)	(30,050)
Cash and cash equivalents of Equity-Accounted JVs	(5,091)	(8,238)
Proforma adjustments ⁽¹⁾	-	22,000
Consolidated indebtedness for Series A Debentures	2,103,341	1,881,290

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

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

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

(\$000s)	September 30, 2017	December 31, 2016
Book value of assets	3,048,327	2,878,609
Gross book value adjustment on IFRS transition ⁽¹⁾	276,443	276,153
Accumulated depreciation and amortization	753,266	681,207
Adjusted consolidated gross book value of assets for Credit Facilities	4,078,036	3,835,969
Add (Subtract):		
Cash and cash equivalents for Series A Debentures	(17,578)	(38,288)
Proforma adjustments ⁽²⁾	-	22,000
Aggregate adjusted assets for Series A Debentures	4,060,458	3,819,681

(1) The change from December 31, 2016 is due to the sale of one property in Quebec in Q2 2017.

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

6. Adjusted Funds from Operations for Credit Facilities

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

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

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

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

Financing cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and taking into account weighted average term to maturity of our mortgage portfolio.

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

Discontinued operations: This item represents the impact of the items above for our discontinued operations.

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

(\$000s)	2017 YTD	2016 YTD
FFO ⁽¹⁾	134,480	128,870
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital subsidy receivable	4,218	4,921
Amounts receivable under income guarantees	992	2,354
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾	(698)	(1,187)
Financing cost reserve	(1,156)	(984)
AFFO for Credit Facilities before capital maintenance reserve	137,836	133,974
Capital maintenance reserve - 2% of property revenue	(12,959)	(12,428)
AFFO for Credit Facilities	124,877	121,546

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 44 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities and Series A Debentures.

Unitholders' Equity

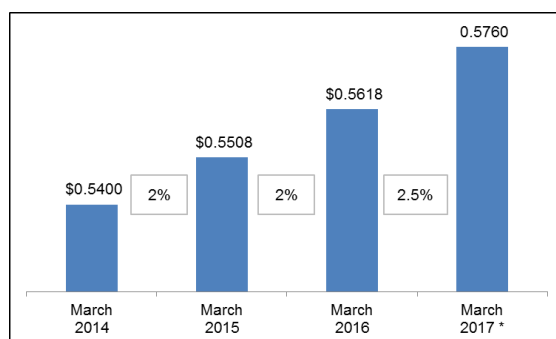
The following table summarizes changes in the number of outstanding units during 2017 YTD:

	Trust Units	Trust Units under EUPP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2016	190,095,474	1,515,388	1,627,173	928,618	194,166,653
Trust Units issued pursuant to DRIP	1,011,426	-	-	-	1,011,426
Trust Units issued under EUPP	-	89,778	-	-	89,778
Trust Units surrendered for cancellation under EUPP	-	(9,769)	-	-	(9,769)
Trust Units released on settlement of EUPP receivable	125,499	(125,499)	-	-	-
Issuance of Class B Units	-	-	31,565	-	31,565
Exchange of Class B Units into Trust Units	10,000	-	(10,000)	-	-
DTUs issued	-	-	-	50,765	50,765
Distributions on DTUs	-	-	-	23,833	23,833
Exchange of DTUs into Trust Units	154,740	-	-	(154,740)	-
Balance September 30, 2017	191,397,139	1,469,898	1,648,738	848,476	195,364,251

Distributions

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

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



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

Unitholders who are Canadian residents are eligible to participate in our DRIP, which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2017 YTD, our average DRIP participation was 18.4% compared to 19.1% participation in 2016 YTD.

The following table summarizes distributions declared on Trust Units in Q3 2017, 2017 YTD, 2016 and 2015 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q3 2017	2017 YTD	2016	2015
Distributions declared on Trust Units	27,726	82,548	104,701	96,553
Cash flows from operating activities	61,679	131,136	158,373	115,821
Net income/(loss) from continuing operations	10,226	12,368	(710)	12,139
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	33,953	48,588	53,672	19,268
Excess/(deficit) of net income/(loss) from continuing operations over distributions declared on Trust Units	(17,500)	(70,180)	(105,411)	(84,414)

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

We believe our current distributions are sustainable.

Capital Investments

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

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

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

The following table summarizes our capital investments in 2017 YTD and 2016 YTD:

(\$000s)	2017 YTD			2016 YTD *		
	Properties Owned prior to January 1, 2013 ⁽¹⁾	Properties Acquired since January 1, 2013 ⁽²⁾	Total	Properties Owned prior to January 1, 2013 ⁽³⁾	Properties Acquired since January 1, 2013 ⁽⁴⁾	Total
Building improvements	12,553	1,418	13,971	12,567	1,048	13,615
Mechanical and electrical ("M&E")	6,707	1,104	7,811	4,166	358	4,524
Suite improvements and upgrades	12,776	2,914	15,690	8,449	1,299	9,748
Interior improvements and upgrades	4,714	497	5,211	1,761	44	1,805
Furniture, fixtures and equipment	6,348	2,015	8,363	3,738	822	4,560
Communications and information systems	1,467	505	1,972	2,236	556	2,792
	44,565	8,453	53,018	32,917	4,127	37,044
Properties under development			65,306			32,643
Land held for development			30			8,615
Total capital investments			118,354			78,302

* 2016 YTD amounts have been restated as described on page 2 of this MD&A.

(1) Includes 153 properties (21,900 suites at Chartwell's share of ownership).

(2) Includes 31 properties (3,780 suites at Chartwell's share of ownership).

(3) Includes 153 properties (21,799 suites at Chartwell's share of ownership).

(4) Includes 26 properties (3,093 suites at Chartwell's share of ownership).

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2017 YTD and 2016 YTD not included in the table above:

(\$000s)	2017 YTD			2016 YTD		
	Properties Owned prior to January 1, 2013	Properties Acquired since January 1, 2013	Total ⁽¹⁾	Properties Owned prior to January 1, 2013	Properties Acquired since January 1, 2013	Total
Capital investments in Equity-Accounted JVs	1,501	10,773	12,274	855	-	855

(1) Includes \$10.7 million related to one property under development.

Building Improvements

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

In 2017 YTD, we completed 51 major building improvement projects valued over \$50,000 each, totalling \$6.6 million. In 2016 YTD, we completed 42 projects for a total of \$5.1 million.

In addition, this category includes the acquisitions of nine condominium suites at some of our properties in British Columbia totalling \$2.4 million. In 2016 YTD, we acquired 11 condominium suites for a total of \$3.0 million.

Mechanical and Electrical

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

In 2017 YTD, we completed 30 major M&E projects valued over \$50,000, totalling \$3.1 million. In 2016 YTD, we completed 21 projects for a total of \$2.1 million.

Suite Improvements and Upgrades

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

In 2017 YTD, 68 properties were subject to strategic suite upgrade programs (2016 YTD – 59 properties).

Interior Improvements and Upgrades

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

In 2017 YTD, 71 properties were subject to strategic common area upgrade programs (2016 YTD – 43 properties).

Furniture, Fixtures and Equipment

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

Communication and Information Services

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

Contractual and Other Obligations

The following table summarizes the principal amounts due under the contractual agreements for our major contractual obligations as at September 30, 2017:

(\$000s)	Total	2017	2018	2019	2020	2021	Thereafter
Mortgages payable	1,692,205	20,245	227,332	241,506	216,454	158,926	827,742
Accounts payable and other liabilities	129,198	129,198	-	-	-	-	-
Distributions payable	9,336	9,336	-	-	-	-	-
Unsecured debentures	200,000	-	-	-	-	-	200,000
Credit Facilities	144,000	-	-	-	144,000	-	-
Purchase obligations	87,222	8,540	58,318	20,364	-	-	-
Other operating leases	4,156	354	1,416	1,360	136	139	751
Land leases	13,789	99	395	395	395	395	12,110
Total contractual obligations	2,279,906	167,772	287,461	263,625	360,985	159,460	1,040,603

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

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

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

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2017				2016			2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	204,538	193,856	192,176	194,802	191,400	189,357	185,828	184,939
Direct property operating expenses	(130,774)	(126,693)	(125,943)	(128,177)	(122,883)	(122,959)	(121,208)	(122,502)
Depreciation and amortization	(39,089)	(35,341)	(38,075)	(38,534)	(37,955)	(35,021)	(35,245)	(34,396)
Share of net income/(loss) from joint ventures	2,046	904	536	1,829	1,759	931	172	(1,445)
G&A expenses	(8,260)	(10,121)	(10,405)	(8,227)	(8,264)	(9,126)	(8,221)	(7,581)
Other income/(expense)	(3,426)	(553)	(1,371)	1,049	(5,180)	3,393	(4,422)	(5,529)
Finance costs	(18,517)	(17,614)	(16,584)	(16,582)	(16,630)	(17,440)	(18,126)	(18,068)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	3,690	1,765	(4,501)	6,693	178	(5,546)	(18,328)	(6,451)
Current income tax (expense)/benefit	(8)	-	-	(27)	-	-	-	1,456
Deferred income tax (expense)/benefit	26	106	-	-	-	-	-	8,216
Net income/(loss) for the period – continuing operations	10,226	6,309	(4,167)	12,826	2,425	3,589	(19,550)	(1,361)
Net income/(loss) for the period	10,226	6,309	(4,167)	15,053	2,430	7,185	(19,872)	562
FFO – continuing operations ⁽¹⁾	50,517	41,856	42,106	43,767	46,222	42,304	40,344	38,484
Diluted FFO – continuing operations ⁽¹⁾	50,517	41,856	42,106	43,767	46,222	43,005	42,254	40,422
FFO per unit diluted – continuing operations ⁽¹⁾	0.26	0.21	0.22	0.23	0.24	0.22	0.22	0.21
Total FFO ⁽¹⁾	50,517	41,856	42,106	43,767	46,222	42,304	40,344	38,484
Total Diluted FFO ⁽¹⁾	50,517	41,856	42,106	43,767	46,222	43,005	42,254	40,422
Total FFO per unit diluted ⁽¹⁾	0.26	0.21	0.22	0.23	0.24	0.22	0.22	0.21

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 44 of this MD&A.

Our results for the past eight quarters have primarily been affected by developments, acquisitions and dispositions; refer to the “Significant Events” section on page 7 of this MD&A and in our 2016 MD&A for details and changes in fair value of financial instruments and foreign exchange gains and losses.

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

As described earlier in this MD&A, in connection with a continuous disclosure review by the Ontario Securities Commission, we have revised our approach with respect to our disclosure of non-GAAP financial measures in order to give greater prominence to GAAP financial measures.

The following table restates previously-reported figures to a GAAP basis that have not been provided elsewhere in this MD&A. The restatement of these figures did not result in any material changes to trends and patterns previously disclosed.

(\$000s)	2017			2016			2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1		
Finance Costs								
Contractual interest expense on mortgages	15,745	15,764	15,731	15,792	15,980	16,095	63,598	61,127
Comprised of:								
Same property ⁽¹⁾	14,517	14,406	12,456	12,468	14,732	15,097	54,753	54,264
Acquisitions, development and other ⁽¹⁾	1,228	1,358	3,275	3,324	1,248	998	8,845	6,863
Convertible debentures Series A Unsecured	-	-	-	-	701	1,910	2,611	7,690
Debentures	456	-	-	-	-	-	-	-
Credit facility and other interest expense	1,300	1,347	1,280	1,352	1,000	280	3,912	2,737
	17,501	17,111	17,011	17,144	17,681	18,285	70,121	71,554
Amortization of financing costs and debt mark-to-market adjustments	576	(206)	(239)	(375)	(284)	(264)	(1,162)	(193)
	18,077	16,905	16,772	16,769	17,397	18,021	68,959	71,361
Interest capitalized to properties under development	(701)	(564)	(419)	(368)	(175)	(123)	(1,085)	(240)
Distributions on Class B Units recorded as interest expense	238	243	229	229	218	228	904	956
Total finance costs	17,614	16,584	16,582	16,630	17,440	18,126	68,778	72,077
Other Income/(Expense)								
Transaction costs arising on business acquisitions and dispositions	(816)	(1,600)	95	(943)	(2,917)	(1,635)	(5,400)	(12,034)
Gain on remeasurement to fair value of existing interest	-	-	-	-	5,187	-	5,187	10,452
Gain on sale of assets	98	38	(80)	385	1,221	312	1,838	4,967
Other income	263	290	-	-	-	-	-	-
Impairment of PP&E	-	-	1,110	(4,500)	-	(3,000)	(6,390)	(3,755)
Property lease expense	(98)	(99)	(76)	(122)	(98)	(99)	(395)	(447)
Total other income/(expense)	(553)	(1,371)	1,049	(5,180)	3,393	(4,422)	(5,160)	(817)
Other Items								
Depreciation of PP&E	34,902	37,578	38,249	37,663	34,729	34,945	145,586	113,756
Amortization of limited life intangible assets	439	497	285	292	292	300	1,169	661
Changes in fair value of financial instruments and foreign exchange (gains)/losses	(1,765)	4,501	(6,693)	(178)	5,546	18,328	17,003	2,291
Deferred income tax expense/(benefit)	(106)	-	-	-	-	-	-	(8,216)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Additional Information on Non-GAAP Financial Measures

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

Funds from Operations

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

Profit or loss per GAAP Statement of Comprehensive Income adjusted for:

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

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

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

(\$000s, except per unit amounts)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Net income/(loss) - continuing operations	10,226	2,425	7,801	12,368	(13,536)	25,904
<i>Add (Subtract):</i>						
B Depreciation of PP&E *	38,649	37,663	986	111,129	107,337	3,792
D Amortization of limited life intangible assets *	440	292	148	1,376	884	492
B Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(604)	(633)	29	(1,752)	(1,075)	(677)
E Loss/(gain) on sale of assets *	67	(385)	452	(69)	(1,918)	1,849
E Gain on remeasure to fair value of existing interest	-	-	-	-	(5,187)	5,187
J Transaction costs arising on business acquisitions and dispositions	3,513	943	2,570	5,929	5,495	434
G Deferred income tax	(26)	-	(26)	(132)	-	(132)
O Distributions on Class B Units recorded as interest expense	238	229	9	719	675	44
M&O Changes in fair value of financial instruments and foreign exchange loss *	(3,690)	(178)	(3,512)	(954)	23,696	(24,650)
H Impairment provision	-	4,500	(4,500)	-	7,500	(7,500)
R FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,704	1,366	338	5,866	4,999	867
FFO ⁽²⁾	50,517	46,222	4,295	134,480	128,870	5,610
FFO ⁽²⁾ Interest expense on 5.7% convertible debentures	-	-	-	-	2,611	(2,611)
Diluted FFO ⁽³⁾	50,517	46,222	4,295	134,480	131,481	2,999
FFO per unit ⁽⁴⁾						
Basic	0.26	0.24	0.02	0.69	0.69	-
Diluted	0.26	0.24	0.02	0.69	0.68	0.01

* Q3 2016 and 2016 YTD amounts have been restated as described on page 2 of this MD&A.

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

(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 13 of this MD&A for a discussion of the significance of this metric.

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

(4) Non-GAAP; refer to the "Per Unit Amounts" section on page 47 of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes the dilutive impact of 5.7% convertible debentures in 2016 YTD.

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

(\$000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
B Depreciation of PP&E	1,807	1,979	(172)	5,747	5,843	(96)
D Amortization of limited life intangible assets	2	4	(2)	7	12	(5)
E Gain on sale of assets	(3)	(3)	-	(7)	(121)	114
M&O Changes in fair value of financial instruments and foreign exchange loss	(102)	(614)	512	119	(735)	854
R FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,704	1,366	338	5,866	4,999	867

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

The following table restates the reconciliation of net income/(loss) to FFO for periods that had previously been presented on a non-GAAP basis. This restatement resulted in no changes to the previously-reported FFO or FFO per unit amounts.

(\$000s, except per unit amounts)	2017		2016				2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1		
Net income/(loss) - continuing operations	6,309	(4,167)	12,826	2,425	3,589	(19,550)	(710)	12,139
Add (Subtract):								
Depreciation of PP&E	34,902	37,578	38,249	37,663	34,729	34,945	145,586	113,756
Amortization of limited life intangible assets	439	497	285	292	292	300	1,169	661
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(603)	(545)	(356)	(633)	(223)	(219)	(1,431)	(669)
Loss/(gain) on sale of assets	(98)	(38)	78	(385)	(1,221)	(312)	(1,838)	(4,967)
Gain on remeasure to fair value of existing interest	-	-	-	-	(5,187)	-	(5,187)	(10,452)
Transaction costs arising on business acquisitions and dispositions	816	1,600	(95)	943	2,917	1,635	5,400	12,034
Tax on gains or losses on disposal of properties	-	-	-	-	-	-	-	1,338
Deferred income tax expense/(benefit)	(106)	-	-	-	-	-	-	(8,216)
Distributions on Class B Units recorded as interest expense	238	243	229	229	218	228	904	956
Changes in fair value of financial instruments and foreign exchange loss/(gain)	(1,765)	4,501	(6,693)	(178)	5,546	18,328	17,003	2,291
FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,724	2,437	354	1,366	1,644	1,989	5,351	5,677
Impairment of PP&E	-	-	(1,110)	4,500	-	3,000	6,390	3,755
FFO – continuing operations ⁽²⁾	41,856	42,106	43,767	46,222	42,304	40,344	172,637	128,303
FFO – discontinued operations	-	-	-	-	-	-	-	18,014
Total FFO ⁽²⁾	41,856	42,106	43,767	46,222	42,304	40,344	172,637	146,317
FFO – continuing operations ⁽²⁾	41,856	42,106	43,767	46,222	42,304	40,344	172,637	128,303
Interest expense on 5.7% convertible debentures	-	-	-	-	702	1,910	2,611	7,690
Diluted FFO – continuing operations ⁽³⁾	41,856	42,106	43,767	46,222	43,006	42,254	175,248	135,993
FFO – discontinued operations ⁽²⁾	-	-	-	-	-	-	-	18,014
Total diluted FFO ⁽³⁾	41,856	42,106	43,767	46,222	43,006	42,254	175,248	154,007
FFO per unit ⁽⁴⁾								
Basic	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.72
Diluted	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.71
Total FFO per unit ⁽⁴⁾								
Basic	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.82
Diluted	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.81

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

(2) Non-GAAP; refer to the preamble to this table and to the “Consolidated Results of Operations – FFO” section on page 13 of this MD&A for a discussion of the significance of this metric.

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

(4) Non-GAAP; refer to the “Per Unit Amounts” section on page 47 of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes the dilutive impact of 5.7% convertible debentures in 2016 YTD.

The following table provides supplemental information in respect of the adjustments to FFO for Equity-Accounted JVs for selected previous periods:

(\$000s)	2017		2016		2016		2015
	Q2	Q1	Q4	Q3	Q2	Q1	
Depreciation of PP&E	1,888	2,052	2,017	1,979	1,820	2,044	3,827
Amortization of limited life intangible assets	1	4	4	4	4	4	17
Loss/(gain) on sale of assets	(7)	2	-	(3)	(112)	(6)	(7)
Transaction costs arising on business acquisitions and dispositions	-	-	-	-	-	-	1,800
Changes in fair value of financial instruments and foreign exchange (gain)/loss	(158)	379	(1,667)	(614)	(68)	(53)	40
FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,724	2,437	354	1,366	1,644	1,989	5,677

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

Per Unit Amounts

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

Weighted Average Number of Units

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

(000s)	Q3 2017	Q3 2016	Change	2017 YTD	2016 YTD	Change
Weighted average number of units ⁽¹⁾	195,162	193,591	1,571	194,789	187,627	7,162
Dilutive impact of 5.7% convertible debentures ⁽²⁾	-	-	-	-	5,625	(5,625)
Weighted average number of units, diluted	195,162	193,591	1,571	194,789	193,252	1,537

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

(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2016; refer to the "Debt – Convertible Debentures" section on page 28 of this MD&A for details.

Net Debt to Adjusted EBITDA

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

The following table summarizes our Net Debt to Adjusted EBITDA ratio at September 30, 2017 and December 31, 2016:

(\$000s, except Net Debt to Adjusted EBITDA ratio)	September 30, 2017	December 31, 2016
Consolidated Indebtedness for Series A Debentures ⁽¹⁾	2,103,341	1,881,290
Consolidated EBITDA for Series A Debentures ⁽²⁾	267,037	256,353
Net Debt to Adjusted EBITDA ratio	7.9	7.3

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 35 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures" section on page 34 of this MD&A for the calculation of this amount.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Financial Statements, our 2016 MD&A as well as in our 2016 Financial Statements, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in 2017 YTD.

Changes in Accounting Estimates and Changes in Accounting Policies

The current accounting policy changes and future accounting policy changes are described in Note 1 of our Financial Statements.

Controls and Procedures

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

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President & Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2017. Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President & Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in our internal controls over financial reporting that occurred during the three-month period ended September 30, 2017, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “scheduled”, “estimates”, “intends”, “anticipates”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might” occur and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

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

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

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws.

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

Risks and Uncertainties

Our AIF, dated February 23, 2017, and our 2016 MD&A contain a detailed discussion of risk factors and uncertainties facing Chartwell.

There were no significant changes to these risk factors and uncertainties as of the date of this MD&A except as follows:

The Ontario government recently released legislative proposals to introduce amendments to Ontario's employment and labour laws. Similarly, the Alberta government has recently enacted a number of amendments to Alberta's employment and labour laws. These changes and proposed changes are expected to affect the labour costs of many employers in Ontario and Alberta, including Chartwell. We are assessing the operational and financial impact to Chartwell of these changes and proposed changes. There is no certainty that some or any of the Ontario proposals will be enacted.

On July 18, 2017, the Minister of Finance (Canada) released for consultation a discussion paper seeking input on possible approaches to address certain perceived tax advantages of investing passively through a private corporation. Potential alternatives for amending the current system of corporate taxation under the Tax Act are outlined in this paper, although specific proposals to amend the Tax Act are not included. Legislative proposals are expected to be released by the Minister of Finance (Canada) following such consultation. Further comments were released by the Minister of Finance (Canada) in this respect on October 18, 2017; however, such further comments also did not include specific proposals to amend the Tax Act. There can be no assurance that, following the enactment of any such proposals, securities held by a Canadian corporation will not be taxed under the Tax Act in a manner that is less favourable than under the current system.