



CHARTwell
retirement residences

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

SECOND QUARTER REPORT
June 30, 2023

Q2



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

For the Three and Six Months Ended June 30, 2023

Contents

BUSINESS OVERVIEW	3	CASH FLOW ANALYSIS	25
BUSINESS STRATEGY	6	LIQUIDITY AND CAPITAL RESOURCES	26
2023 OUTLOOK	7	Liquidity	26
SIGNIFICANT EVENTS	9	Debt	27
JOINT ARRANGEMENTS	12	Financial Covenants	30
CONSOLIDATED RESULTS OF OPERATIONS	13	<i>Credit Facilities and Term Loans</i>	32
Net Income/(Loss)	13	<i>Debentures</i>	34
FFO	14	<i>Supporting Covenant Calculations</i>	35
Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, and Adjusted NOI	15	Total Equity	39
Results of Operations by Reportable Segment	18	<i>Distributions</i>	39
<i>Retirement Operations</i>	18	CAPITAL INVESTMENTS	40
<i>Long Term Care Operations - LTC Discontinued Operations</i>	21	BALANCE SHEET ANALYSIS	42
Interest Income	22	COMMITMENTS AND CONTINGENCIES	42
General, Administrative and Trust Expenses	22	SUMMARY OF SELECT FINANCIAL INFORMATION	43
Finance Costs	23	ADDITIONAL INFORMATION ON NON-GAAP MEASURES	44
Other Income/(Expense)	24	CRITICAL ACCOUNTING POLICIES AND ESTIMATES	50
Other Items	24	RELATED PARTY TRANSACTIONS	51
		CONTROLS AND PROCEDURES	51
		RISKS AND UNCERTAINTIES AND FORWARD-LOOKING INFORMATION	52

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 six months ended June 30, 2023. This MD&A should be read in conjunction with Chartwell's unaudited, condensed, consolidated interim financial statements for the three and six months ended June 30, 2023, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the notes thereto (the "2022 Financial Statements"), and the annual MD&A for the year ended December 31, 2022 (the "2022 MD&A"). This material is available on Chartwell's website at www.investors.chartwell.com. Additional information about Chartwell, including our Annual Information Form for the year ended December 31, 2022, dated March 2, 2023 (the "AIF"), can be found on SEDAR+ at www.sedarplus.ca.

The discussion and analysis in this MD&A is based on information available to management as of August 10, 2023.

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 residences and the third-party management business of Chartwell. The direct ownership of such residences and operation of such business is conducted by subsidiaries of the Trust.

In this document we refer to 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; "2023" refers to the calendar year 2023; "2022" refers to the calendar year 2022, "2021" refers to the calendar year 2021; "2020" refers to the calendar year 2020; "2023 YTD" refers to the six-month period ended June 30, 2023; and "2022 YTD" refers to the six-month period ended June 30, 2022.

Unless otherwise indicated, all comparisons of results for Q2 2023 and 2023 YTD are in comparison to results from Q2 2022 and 2022 YTD, respectively.

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

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") which follow the disclosure requirements established by National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures (effectively, the "Non-GAAP Measures"), to measure, compare and explain the operating results and financial performance of the Trust.

These Non-GAAP Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. The Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of Funds from Operations ("FFO"), and Adjusted Funds from Operations ("AFFO"), the "REALPAC Guidance". Our FFO definition is substantially consistent with the definition adopted by REALPAC. Refer to the "Additional Information on Non-GAAP 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. These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures 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.

Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures as follows:

Non-GAAP Financial Measures

FFO, FFO for continuing operations, Total FFO, FFO from LTC Discontinued Operations, FFO for Equity-Accounted JVs, and Internal Funds from Operations, ("IFFO"), IFFO for continuing operations, Total IFFO, IFFO from LTC Discontinued Operations, Adjusted Funds from operations ("AFFO") including per unit amounts ("PU"), Earnings before interest, tax, depreciation and amortization ("consolidated EBITDA" or "EBITDA"), Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, Consolidated Interest Expense, Adjusted Consolidated Gross Book Value of Assets, Book value of assets, Gross book value adjustment on IFRS transition, Adjustment for accumulated depreciation and amortization, Aggregate Adjusted Assets, Payment of cash distributions and Amortization of finance costs and fair value adjustments on assumed mortgages, Finance cost reserve, and Proforma adjustments.

Non-GAAP Ratios

Debt Service Coverage Ratio, Interest 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, Net Debt to Adjusted EBITDA Ratio, Payment of Cash Distributions, Expected Unlevered Yield, and Coverage Ratio.

Supplementary Financial Measures

Net Operating Income ("NOI"), Adjusted NOI, Adjusted Development Costs, Lease-up-Losses, Estimated Stabilized NOI, Unencumbered Property Asset Value and Unencumbered Aggregate Adjusted Assets.

Capital Management Measures

Liquidity, Imputed Cost of Debt, Total Equity, Regularly Scheduled Debt Principal Payments, Consolidated Indebtedness, Secured Indebtedness, Unsecured Indebtedness, and Investment Restrictions.

Refer to the "Additional Information on Non-GAAP Measures", "Consolidated Results of Operations – FFO", "Significant Events – Development – Expected Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt", "Consolidated Results of Operations – Adjusted Resident Revenue, Adjusted Property Operating Expense, and Adjusted NOI" and "Liquidity and Capital Resources – Financial Covenants" sections of this MD&A for details on these measures.

Risks and Uncertainties

Refer to the "Risks and Uncertainties" section of the 2022 MD&A, and the AIF, for detailed discussions of risk factors and uncertainties facing Chartwell.

Forward-Looking Information

This document contains forward-looking information that reflects management's current expectations, estimates, forecasts 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" section on page 52 of this MD&A.

Business Overview

Chartwell is in the business of serving and caring for Canada's seniors. We are passionate about what we do because we know we are positively impacting the lives of many people.

Our Vision Making People's Lives BETTER

Our Mission

- 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

- 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

Our Portfolio Chartwell is an open-ended real estate trust governed by the laws of the Province of Ontario. We indirectly own and operate a portfolio of seniors housing residences across the continuum of care, all of which are located in Canada.

We provide resident services and care in the following settings:

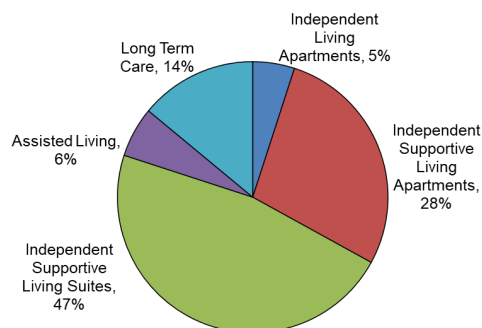
Independent Living Apartments ("IL")	Independent Supportive Living – Apartments ("ISLA")	Independent Supportive Living – Suites ("ISLS")
Apartments / townhouses/ bungalows/ with full kitchens, availability of dining, life enrichment and housekeeping services.	Apartments/ townhouses/ bungalows/ with full kitchens, with availability of dining, life enrichment, housekeeping, personal assistance, and care services.	Suites with availability of dining, life enrichment, housekeeping, personal assistance, and care services.
Assisted Living ("AL")		Long Term Care ("LTC")
Suites with a base level of personal assistance services and/or personal care services for persons with Alzheimer's disease or other forms of dementia included in the base fee, located in a separate/secure wing, floor or building. Additional care services may be added on top of base fee.		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 are overseen by local government agencies in each province.

Composition of Our Portfolio

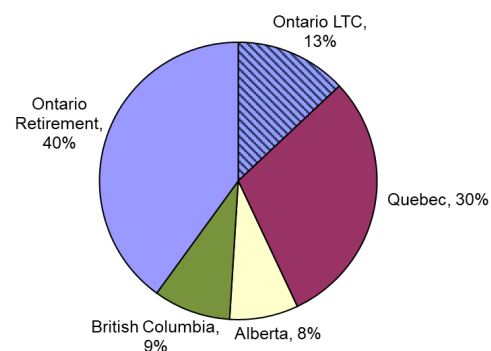
The following presents the composition of our owned and managed portfolio of residences in our two operating segments at June 30, 2023:

	Retirement Operations		Long Term Care Operations ⁽¹⁾		Total	
	Residences	Suites/Beds	Residences ⁽²⁾	Suites/Beds	Residences	Suites/Beds
Owned Residences ⁽³⁾						
100% Owned – operating ⁽⁴⁾	110	14,067	20	2,776	130	16,843
Partially Owned – operating ⁽⁵⁾	49	9,498	-	-	49	9,498
Total Owned	159	23,565	20	2,776	179	26,341
Managed Residences	9	2,471	4	608	13	3,079
Total	168	26,036	24	3,384	192	29,420

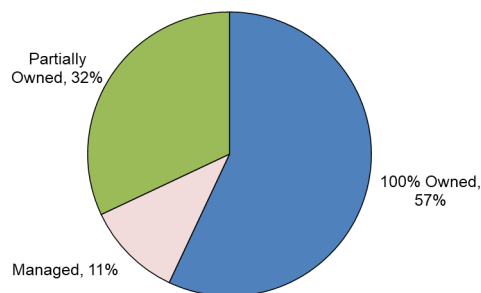
Level of Care ⁽¹⁾⁽⁵⁾⁽⁶⁾



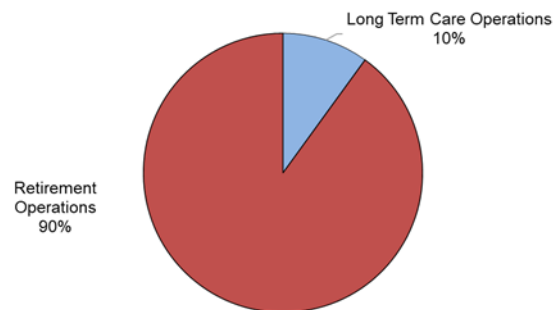
Geographic Location ⁽¹⁾⁽⁵⁾⁽⁶⁾



Ownership Interest ⁽⁵⁾



Adjusted NOI by Operating Segment ⁽¹⁾⁽⁵⁾⁽⁷⁾



- (1) We are in the process of selling the majority of our LTC homes and transitioning our LTC management platform. Refer to the "2023 Outlook" section on page 7 of this MD&A.
- (2) Includes one retirement residence (64 suites) connected to an LTC home.
- (3) 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.
- (4) Includes three retirement properties for which we have completed operational closure and 334 suites have been removed from our available capacity effective January 1, 2023 and accordingly are not included in the suite count.
- (5) We have a 42.5% ownership interest in three residences (909 suites), a 45% ownership interest in one community (332 suites), a 50% ownership interest in 41 residences (7,671 suites), a 60% ownership interest in one community (165 suites) and an 85% ownership interest in three residences (421 suites).
- (6) Based on Chartwell's share of ownership interest at June 30, 2023.
- (7) Adjusted NOI % represents Chartwell's share of ownership interest for the rolling 12 months ended June 30, 2023.

Property Portfolio Groupings

We use groupings of our properties to evaluate and monitor our financial and operating performance. In Q3 2022, we changed our portfolio groupings to present separately our acquisitions and development portfolio and our dispositions and repositioning portfolio as financial and operating performance trends in these types of properties vary. Our portfolio groupings are:

- same property,
- acquisitions and development, and
- dispositions and repositioning

The supplemental disclosures of these portfolio groupings are Non-GAAP Measures that do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. In addition to the definition for these portfolio groupings, the following includes the composition of each portfolio for the current reporting period.

Same Property Portfolio

Our same property portfolio includes properties that have been owned continuously since the beginning of the previous fiscal year. To improve comparability, our same property portfolio excludes development properties that have not yet achieved 90% occupancy by January 1 of the preceding fiscal year, properties that are expected to be sold in the current or next fiscal year, and properties that are undergoing a significant redevelopment or repositioning.

The following table summarizes the composition of our same property portfolio as at June 30, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	141	21,113	16,778

Acquisitions and Development Portfolio

Our acquisitions and development portfolio includes properties that were acquired subsequent to January 1 of the preceding fiscal year and development properties that have not yet achieved 90% occupancy by January 1 of the preceding fiscal year. Consequently, the previous fiscal year's results are not fully comparable for these properties.

The following table summarizes the composition of our acquisitions and development portfolio as at June 30, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	13	2,110	1,775

Dispositions and Repositioning Portfolio

Our dispositions and repositioning portfolio includes properties that are classified as assets held for sale, including the LTC Discontinued Operations (as defined in the “2023 Outlook - Long Term Care Operations” section), properties that we expect to sell in the current or next fiscal year, and properties that are undergoing a significant redevelopment or repositioning, including in some cases significant changes in capacity or use.

The following table summarizes the composition of our dispositions and repositioning portfolio as at June 30, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations ⁽¹⁾	5	342	342
Long Term Care Operations ⁽²⁾	20	2,776	2,776
Total dispositions and repositioning portfolio	25	3,118	3,118

(1) Includes three properties (334 suites) for which we have completed operational closure, the suites of which have been removed from our available capacity effective January 1, 2023.

(2) Includes one retirement residence (64 suites) connected to an LTC home and 11 retirement suites at another LTC home.

Business Strategy

Our Strategy Statement

“In 2025, we will achieve in our retirement residences, **Employee Engagement** of 55% (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and **Same Property Occupancy** of 95% to drive strong **IFFOPU** growth by providing exceptional resident experiences through personalized services in our upscale and mid-market residences in urban and suburban locations.”

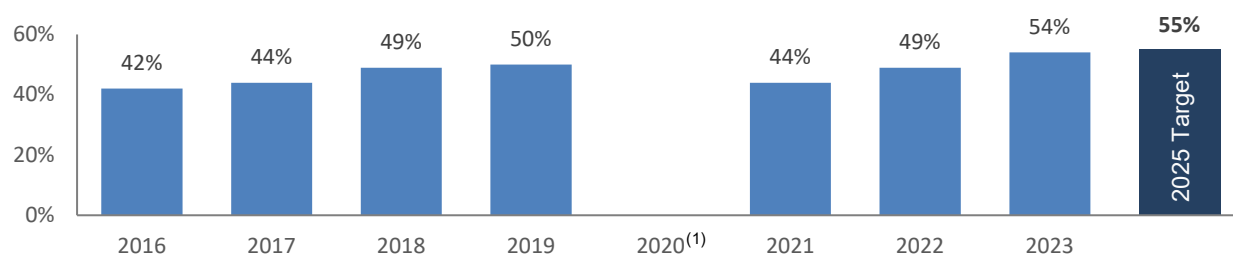
A detailed discussion of our business strategy can be found in our 2022 MD&A. The following provides an update as of 2023 YTD.

Employee Engagement

Our annual employee engagement survey includes 25 core engagement questions. In addition, for the second year we added specific questions with respect to diversity of our employees and their perception of inclusivity at Chartwell.

In 2023, in our Retirement Operations we achieved a score of 54% of employees indicating high engagement (“strongly agree” responses) and a combined “agreed” and “strongly agreed” score of 84%.

The following chart summarizes historical employee engagement survey results for our Retirement Operations:



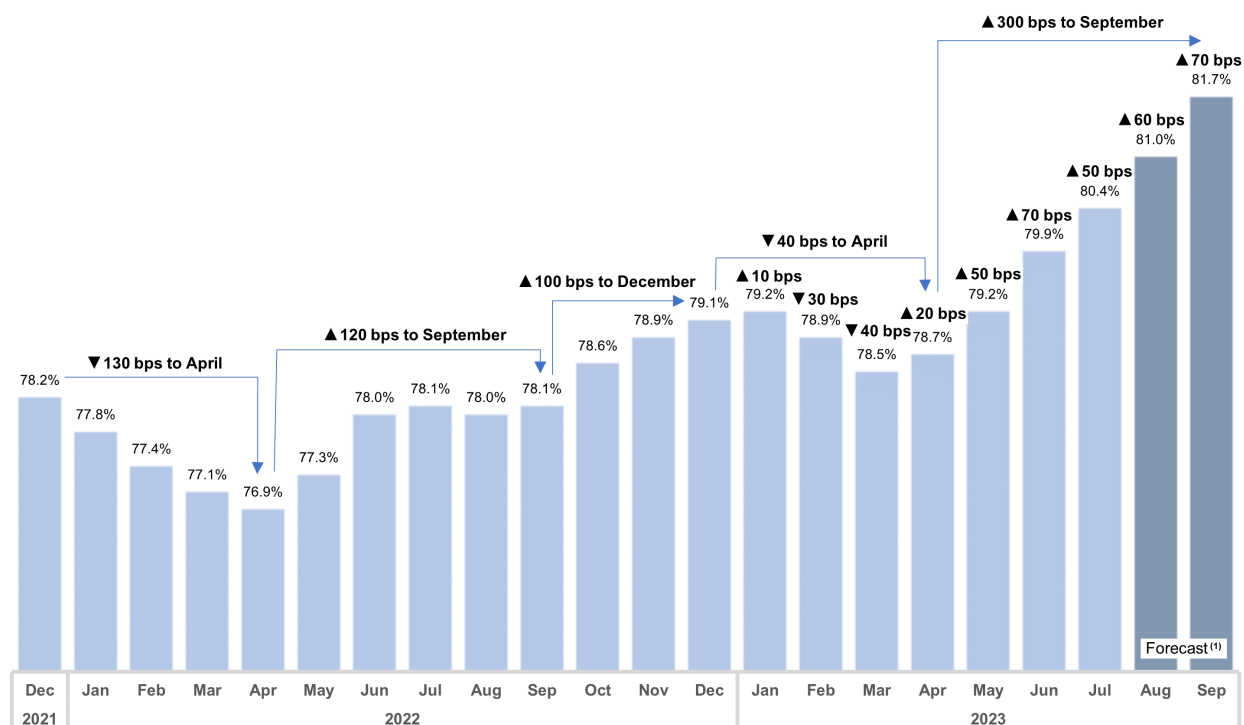
(1) In 2020, a modified survey was conducted; therefore, the 2020 result is not comparable to prior periods and it has not been presented.

2023 Outlook

Our 2022 MD&A contains a detailed discussion of our 2023 Outlook, including a discussion of the effects of the COVID -19 pandemic and its impact to our business. The following provides an update on our 2023 Outlook.

Retirement Operations

The following chart provides an update in respect of our same property retirement occupancy:



(1) Forecast includes leases and notices as at July 31, 2023, and an estimate of mid-month move-ins of 30 and 50 basis points ("bps") for August and September respectively, based on the preceding 12-month average of such activity.

Due to seasonally lower move-in activity, we normally experience declines in occupancy from December to April. The three-year average for 2017, 2018, and 2019 (the "pre-pandemic average") decline in our same property portfolio occupancy from December to April was 180 bps. For the same four months in 2023, the decline in occupancy was 40 bps, significantly lower than the pre-pandemic average. Occupancy and leasing trends are also outperforming the same months of 2022. Occupancy is expected to increase by 260 bps from December 2022 to September 2023 compared to a decline of 10 bps for the comparable period in 2022. Leasing activity to date in 2023 is 21% higher than 2022.

As at July 31, 2023, our same property weighted average occupancy is expected to increase 60 bps in August 2023 and a further 70 bps in September 2023.

Our marketing and sales initiatives produced improvements in personalized tours, sales closing ratios, leasing, and permanent move-ins. Leasing activity in 2023 to date is 15% higher than the pre-pandemic average. We expect to see continued occupancy growth in 2023 and beyond, supported by accelerating demographic growth, shortages of long term care beds and fewer senior housing construction starts.

Staffing costs increased in Q2 2023, due to higher compensation offset by a decrease in agency staffing costs. We expect the agency staffing costs to continue to decline gradually through 2023.

Long Term Care Operations

On March 31, 2022, we entered into definitive agreements to substantially exit our Long Term Care Operations in Ontario, including all operations for owned and managed Ontario long term care properties. These agreements, together, the “LTC Transactions” include:

- the sale of 16 long term care homes and one retirement residence in Ontario which have been reclassified as discontinued operations (“LTC Discontinued Operations”),
- the transition of management of three owned long term care homes, two of which we will continue to own, with the third being subject to a forward sale contract described below,
- the transition of management of four third-party owned long term care homes, and
- a forward sale contract related to one owned long term care home (100 beds) currently being redeveloped to have 224 beds (“Ballycliffe LTC”).

The sale price for the LTC Discontinued Operations is \$378.5 million, before closing costs and customary adjustments in accordance with the terms of the purchase and sale agreement. The closing of the LTC Transactions are subject to regulatory and other required approvals. Regulatory approvals were received on July 27, 2023. Based on feedback received from the Ontario government closing is expected to occur in Q3 2023 for the LTC Discontinued Operations.

The closing of Ballycliffe LTC is expected in Q1 2024 upon completion of its redevelopment.

The following table summarizes the expected net proceeds from the sale of LTC Transactions:

(\$millions)	LTC Discontinued Operations	Ballycliffe LTC	Total
Sale price	378.5	64.5	443.0
Less:			
Assumed debt ⁽¹⁾	(120.7)	-	(120.7)
Repayment of remaining mortgages ⁽²⁾	(14.0)	-	(14.0)
Estimated closing costs and SIFT taxes	(37.5)	(1.6)	(39.1)
Estimated net proceeds	206.3	62.9	269.2

(1) August 31, 2023, balance weighted average interest rate 5.4%.

(2) August 31, 2023, weighted average interest rate 6.1%.

We expect, subject to market conditions, to use the estimated net proceeds of the LTC Transactions to pay down debt.

Taxation

We estimate the taxable capital gain resulting from the LTC Transactions will attract specified investment flow-through (“SIFT”) taxes of approximately \$32.5 million in 2023 and \$1.5 million in 2024. In addition, the majority of our 2023 distributions are expected to be classified as eligible dividends as a result of the taxable capital gain. We expect to have sufficient deductions and losses carried forward to offset any other SIFT taxes in 2023 and 2024.

Liquidity and Financing Update

As at August 10, 2023, liquidity amounted to \$193.5 million, which included \$25.7 million of cash and cash equivalents and \$167.8 million of available borrowing capacity on our Credit Facilities.

We finance our operations primarily through long-term fixed-rate mortgage debt and generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation (“CMHC”). We intend to continue financing our properties through this program including accessing CMHC’s mortgage financing top-up programs and, for those properties operating at high occupancy levels, converting conventional mortgages to CMHC debt and placing mortgages on certain currently unencumbered properties. As of the date of this MD&A, for the remainder of 2023 we have \$121.5 million of mortgage debt maturing at the weighted average interest rate of 3.68%, of which \$39.6 million is CMHC insured and

bears a weighted average interest rate of 3.92%. As at the date of this MD&A, 10-year CMHC-insured mortgage rates are estimated at approximately 4.5% and five-year conventional mortgage financing is available at 5.9%.

The LTC Transactions are expected to generate net proceeds of approximately \$269.2 million, which are expected to be used, subject to market conditions, to pay down debt. On closing of the LTC Transactions, our unencumbered asset pool and available capacity on our secured Credit Facilities are expected to decline by approximately \$49.9 million and \$27.1 million, respectively.

In December 2023, our senior unsecured debentures with a face value of \$200.0 million will mature. We expect to refinance these debentures with new unsecured debentures, other unsecured or secured debt instruments or equity financing, subject to market conditions. On August 4, 2023, we entered into an unsecured delayed draw credit facility (the “Facility”) with a syndicate of Canadian financial institutions. The Facility has a maximum capacity of \$200.0 million with a maturity date of May 29, 2025. The Facility is available any time prior to December 11, 2023 as required to repay the unsecured debentures. The Facility is subject to substantially the same covenants and pricing as our existing unsecured credit facility. Refer to the “Credit Facilities” section on page 29 of this MD&A for details. A setup fee of \$0.6 million will be incurred with respect to the Facility in Q3 2023.

Significant Events

In addition to the items discussed in the “2023 Outlook” section of this MD&A, the following events have had a significant effect on our financial results in Q2 2023 and/or may be expected to affect our results in the future:

Development

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

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

Expected Unlevered Yield is defined as the ratio of:

- the estimated annual 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
 - operating results generated by the development property, including pre-opening costs (the “Lease-up-Losses”), plus
 - an imputed cost of debt calculated by applying our estimated weighted average cost of debt to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property (the “Imputed Cost of Debt”).

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

Developments in Construction

The following table summarizes development projects that are in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost ⁽¹⁾ (\$ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt ⁽¹⁾⁽²⁾ (\$ millions)	Estimated Adjusted Development Costs ⁽¹⁾⁽³⁾ (\$ millions)	Adjusted Development Costs ⁽¹⁾⁽²⁾ incurred as at June 30, 2023 (\$ millions)	Estimated Adjusted Development Costs to Completion ⁽⁴⁾ (\$ millions)	Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy	Estimated Stabilized NOI ⁽¹⁾⁽²⁾ (\$ millions)	Expected Unlevered Yield ⁽²⁾
Chartwell Ballycliffe LTC ⁽⁵⁾	Ajax, ON	224	LTC	53.4	3.8	57.2	47.4	9.8	Q1 2024	Q1 2024	N/A	N/A	N/A
Chartwell Ridgpointe Retirement Residence	Kamloops, BC	90	ISLA	32.6	2.9	35.5	24.5	11.0	Q4 2023	Q4 2024	95%	2.3	6.4%
		314		86.0	6.7	92.7	71.9	20.8					

(1) Calculated at Chartwell's ownership interest in the project.

(2) Non-GAAP; refer to the preamble to this section for the definition of this metric and the discussion of its significance.

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

(4) Calculated as the Estimated Adjusted Development Costs less the Adjusted Development Costs incurred as at June 30, 2023.

(5) Redevelopment of the existing 100-bed Class C LTC to a 224-bed LTC home. The existing LTC operations are continuing during the redevelopment. The Ontario Ministry of Long-Term Care ("MLTC") will provide both capital funding to the project for 25 years post completion and a 17% grant toward land, hard and certain soft costs estimated at \$8.0 million, payable at substantial completion. On March 31, 2022, we entered into a forward purchase agreement for this property as part of the sale of the long term care platform as described in our "2023 Outlook – Long Term Care" section on page 7 of this MD&A.

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 Inc. ("Batimo") in the province of Quebec. Batimo carries out development activities and we provide certain operations 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 occupancy threshold, defined as 90% occupancy for two consecutive months (the "Batimo Option"). The purchase price is based on Fair Market Value ("FMV"), determined by the appraisal mechanism described in such agreements. For Chartwell Le Prescott, Chartwell Le Montcalm, Chartwell L'Envol and Chartwell Trait-Carré properties, the Batimo Option is for a five-year period commencing when the related property achieves the occupancy threshold. Upon expiry of the Batimo Option, we have a two-year option to require Batimo to sell an 85% interest in these properties at 99% of FMV.

We have revised the terms of our arrangement to provide for Batimo's put rights to be for a two-year period instead of five ("Batimo Option 2.0") for certain projects. Upon expiry of the Batimo Option 2.0, we have a one-year option instead of two to acquire an 85% interest in the property at 99% of FMV. Three projects, Le Florilège, L'Aubier, and Résidence Légende (formerly known as Chartwell Greenfield Park), are subject to this arrangement.

Under our agreements with Welltower Inc. ("Welltower") they have a right to participate as our equal partner in acquisitions of interests in Résidence Légende and Chartwell Trait-Carré.

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	Current Occupancy ⁽²⁾	Actual / Expected Stabilized Occupancy Date
Chartwell Le Prescott	Vaudreuil, QC	324	ISLA	O	June 2017	82.6%	Q4 2023
Chartwell Le Montcalm	Candiac, QC	283	ISLA	O	September 2017	97.9%	Q4 2022
Résidence Légende ⁽³⁾	Greenfield Park, QC	368	ISLA / AL	O	June 2019	65.8%	Q2 2024
Chartwell L'Envol	Cap Rouge, QC	360	ISLA / AL	O	September 2019	82.1%	Q4 2023
Chartwell Trait-Carré	Quebec City, QC	361	ISLA / AL	O	February 2021	94.2%	Q3 2022
Le Florilège	Beauport, QC	345	ISLA / AL	O	December 2022	57.5%	Q4 2024
L'Aubier	Lévis, QC	376	ISLA / AL	C	Q1 2024	N/A	Q4 2025
		2,417					

(1) Current project status is defined where 'O' means 'Operating' and 'C' means 'Construction'.

(2) As of June 30, 2023.

(3) Formerly known as Chartwell Greenfield Park.

During 2022, Chartwell Trait-Carré and Chartwell Le Montcalm achieved the occupancy threshold which is one of the conditions for Batimo to exercise its put rights. During Q2 2023, Batimo exercised its put right to require Chartwell to acquire an 85% interest in the 361-suite Chartwell Trait-Carré residence located in Quebec City. The property is currently 94.2% occupied. As required under our agreements with Batimo, we commissioned an appraisal of this property. The appraised value of the property at 100% ownership was \$85.3 million. Batimo exercised its right to commission a second appraisal. Subject to the completion of the contractual appraisal process, we expect to acquire this property in Q4 2023. We estimate the current value of Chartwell Le Montcalm to be \$50.0 million at 100% ownership.

Dispositions and Asset Repositioning Activities

On March 24, 2023, we completed the sale of one non-core property (82 suites) located in Ontario for a sale price of \$5.0 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$3.9 million, bearing an interest rate of 10.0% per annum with a three-year term. Of the remaining purchase price, \$0.6 million was held back for potential income support guarantee payments and the remainder of the purchase price was paid in cash.

We completed the operational closure of two retirement residences (225 suites) in Q1 2023 and one retirement residence (109 suites) on July 17, 2023. We have removed the suites from these three properties from our available capacity effective January 1, 2023. The majority of the residents in these properties were relocated to other Chartwell retirement residences in the area. We expect to sell these first two properties for alternative uses and have entered into a definitive agreement to sell the third property for a sale price of \$17.5 million. The transaction is expected to close in Q3 2023.

During Q2 2023 and 2023 YTD, closure costs related to repositioning activities were \$1.2 million and \$1.8 million, respectively with \$0.8 million and \$1.4 million, respectively included in NOI.

Financing

On April 19, 2023, we entered into amending agreements to extend the maturity date of our Credit Facilities with a combined maximum potential capacity of \$400.0 million from May 29, 2024 to May 29, 2025 with substantially the same terms. Refer to the "Liquidity and Capital Resources" section on page 29 of this MD&A for details of our Credit Facilities.

Credit Rating

On April 13, 2023, DBRS confirmed the BBB(low) rating of our Issuer Rating and the Senior Unsecured Debentures Rating with a negative trend as described in their report. (Details are available on their website at www.dbrsmorningstar.com).

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 as at June 30, 2023:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Joint Arrangement Type	Consolidation Method
Held directly:					
Chartwell-Welltower Landlord ("CWL")	37	7,167	50%	Joint operation	Proportionate
Chartwell Le St-Gabriel Landlord ("CSGL")	1	345	42.5%	Joint operation	Proportionate
Chartwell Le Teasdale I	1	343	42.5%	Joint operation	Proportionate
Chartwell Le Teasdale II	1	221	42.5%	Joint operation	Proportionate
The Sumach by Chartwell	1	332	45%	Joint operation	Proportionate
Batimo	3	421	85%	Joint operation	Proportionate
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation	Proportionate
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation	Proportionate
Pickering Project	1	415	90%	Joint operation	Proportionate
Held through separate legal entities:					
Chartwell-Welltower Operator	Same as CWL	Same as CWL	Same as CWL	Joint venture	Equity
Chartwell Le St-Gabriel Operator	Same as CSGL	Same as CSGL	Same as CSGL	Joint venture	Equity
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture	Equity
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture	Equity
Kingsbridge Retirement Community	1	165	60%	Joint venture	Equity

Refer to the "Joint Arrangements" section of our 2022 MD&A for a detailed discussion of our joint operations and our joint ventures.

Consolidated Results of Operations

Net Income/(Loss)

The following table summarizes select financial measures:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Resident revenue	168,171	164,136	4,035	333,995	321,804	12,191
Direct property operating expense	113,290	112,434	856	231,164	226,221	4,943
Net income/(loss)	(7,457)	1,106	(8,563)	(16,710)	(2,210)	(14,500)

For Q2 2023, resident revenue increased \$4.0 million or 2.5% primarily due to revenue growth in our same property portfolio and contributions from our acquisitions and development portfolio partially offset by our dispositions and repositioning portfolio as discussed in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A.

For Q2 2023, direct property operating expense increased \$0.9 million or 0.8% primarily due to higher expenses in our same property portfolio and our acquisitions and development portfolio partially offset by lower expenses in our dispositions and repositioning portfolio as discussed in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A.

For Q2 2023, net loss was \$7.5 million compared to net income of \$1.1 million in Q2 2022 primarily due to:

- negative changes in fair values of financial instruments,
- higher finance costs,
- higher general, administrative and Trust (“G&A”) expenses, and
- higher direct operating expenses,

partially offset by:

- higher resident revenue,
- higher deferred tax benefit,
- lower net loss from joint ventures, and
- higher net income from LTC Discontinued Operations.

For 2023 YTD, resident revenue increased \$12.2 million or 3.8% primarily due to revenue growth in our same property portfolio and contributions from our acquisitions and development portfolio partially offset by our dispositions and repositioning portfolio as discussed in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A.

For 2023 YTD, direct property operating expense increased \$4.9 million or 2.2% primarily due to higher expenses in our same property portfolio and our acquisitions and development portfolio partially offset by lower expenses in our dispositions and repositioning portfolio as discussed in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A.

For 2023 YTD, net loss was \$16.7 million compared to \$2.2 million in 2022 YTD primarily due to:

- negative changes in fair values of financial instruments,
- higher finance costs,
- higher direct operating expenses,
- lower net income from LTC Discontinued Operations,
- higher G&A expenses,
- higher depreciation of property, plant and equipment (“PP&E”), and
- higher net loss from joint ventures.

partially offset by:

- higher resident revenue,
- higher deferred tax benefit, and
- higher gain on disposal of assets.

FFO

FFO, a non-GAAP financial measure, 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 in the REALPAC Guidance. This definition is included in the “Additional Information on Non-GAAP Measures” section on page 44 of this MD&A.

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 of intangible assets (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 of Chartwell Master Care LP (“Class B Units”) recorded as interest expense, change in fair value of financial instruments, deferred income tax expense/(benefit), remeasurement gain, gain/(loss) on disposal of assets, and adjustments for Equity-Accounted JVs, 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 Measures” section on page 44 of this MD&A for the reconciliation of net income/(loss), the most closely comparable GAAP measure, to FFO and FFO per unit (“FFOPU”) amounts.

The following table presents FFO, FFOPU and Weighted average number of units:

(\$000s, except per unit amounts and number of units)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
FFO ⁽¹⁾						
Continuing operations	25,900	25,719	181	46,818	45,979	839
Total	30,751	30,355	396	55,089	61,680	(6,591)
FFOPU ⁽²⁾						
Continuing operations	0.11	0.11	-	0.20	0.19	0.01
Total	0.13	0.13	-	0.23	0.26	(0.03)
Weighted average number of units (000) ⁽³⁾	241,240	236,859	4,381	240,598	236,456	4,142

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP 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; refer to the “Additional Information on Non-GAAP Measures – Per Unit Amounts” section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

(3) Non-GAAP; refer to “Weighted Average Number of Units” section on page 50 of this MD&A.

For Q2 2023, FFO from continuing operations was \$25.9 million or \$0.11 per unit compared to \$25.7 million or \$0.11 per unit for Q2 2022. The change in FFO from continuing operations was primarily due to:

- higher adjusted NOI from continuing operations of \$4.0 million (as described in the “Results of Operations by Reportable Segment – Retirement Operations” section on page 18 of this MD&A),
- higher management fee revenue of \$0.7 million, and
- other items combined of \$0.2 million, partially offset by:
 - higher finance costs of \$2.8 million, and
 - higher G&A expenses of \$1.9 million.

FFO from continuing operations for Q2 2023 includes \$0.3 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q2 2022 – \$1.1 million).

Total FFO for Q2 2023 was \$30.8 million or \$0.13 per unit, compared to \$30.4 million or \$0.13 per unit in Q2 2022.

Total FFO per unit for Q2 2023 includes \$0.02 per unit from LTC Discontinued Operations compared to \$0.02 per unit in Q2 2022.

For 2023 YTD, FFO from continuing operations was \$46.8 million or \$0.20 per unit compared to \$46.0 million or \$0.19 per unit for 2022 YTD. 2022 YTD included recoveries of pandemic expenses for preceding years of \$2.2 million for which there was not a comparable amount in 2023 YTD. The change in FFO from continuing operations was primarily due to:

- higher adjusted NOI from continuing operations of \$9.5 million (as described in the “Results of Operations by Reportable Segment – Retirement Operations” section on page 18 of this MD&A),
- higher management fee revenue of \$0.8 million, and
- lower depreciation of PP&E and amortization of intangibles assets used for administrative purposes of \$0.2 million,

partially offset by:

- higher finance costs of \$6.3 million, and
- higher G&A expenses of \$3.5 million.

FFO from continuing operations for 2023 YTD includes \$1.1 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2022 YTD – \$2.1 million).

Total FFO for 2023 YTD was \$55.1 million or \$0.23 per unit, compared to \$61.7 million or \$0.26 per unit in 2022 YTD. Total FFO per unit for 2023 YTD includes \$0.03 per unit from LTC Discontinued Operations compared to \$0.07 per unit in 2022 YTD. 2022 YTD LTC Discontinued Operations included recoveries of pandemic and other expenses for preceding years of \$7.2 million or \$0.03 per unit for which there was not a comparable amount in 2023 YTD.

Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, 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, which are each non-GAAP measures, and also includes supplemental disclosure of our same property portfolio, our acquisitions and development portfolio, and our disposition and repositioning portfolio. The supplemental disclosure of our same property portfolio and our acquisitions and development portfolio, and our dispositions and repositioning portfolio are non-GAAP measures 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. 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 are provided in the “Business Overview” section on page 5 of this MD&A.

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 NOI to Adjusted NOI from continuing operations and Adjusted NOI and identifies contributions from our same property portfolio, our acquisitions and development portfolio and our disposition and repositioning portfolio:

(\$000s, except occupancy rates)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Resident revenue	168,171	164,136	4,035	333,995	321,804	12,191
Add:						
Share of resident revenue from joint ventures ⁽¹⁾	31,074	28,584	2,490	61,502	56,664	4,838
Resident revenue from LTC Discontinued Operations ⁽²⁾	59,732	60,373	(641)	121,547	128,328	(6,781)
Adjusted resident revenue ⁽³⁾	258,977	253,093	5,884	517,044	506,796	10,248
Comprised of:						
Same property ⁽³⁾	167,746	156,723	11,023	332,176	313,020	19,156
Acquisitions and development ⁽³⁾	20,408	17,354	3,054	40,670	28,526	12,144
Dispositions and repositioning ⁽³⁾	70,823	79,016	(8,193)	144,198	165,250	(21,052)
Adjusted resident revenue ⁽³⁾	258,977	253,093	5,884	517,044	506,796	10,248
Direct property operating expense	113,290	112,434	856	231,164	226,221	4,943
Add:						
Share of direct property operating expense from joint ventures ⁽⁴⁾	21,895	20,240	1,655	43,618	40,983	2,635
Direct property operating expense from LTC Discontinued Operations ⁽⁵⁾	53,283	53,914	(631)	109,936	109,114	822
Adjusted direct property operating expense ⁽³⁾	188,468	186,588	1,880	384,718	376,318	8,400
Comprised of:						
Same property ⁽³⁾	111,765	105,202	6,563	226,189	215,337	10,852
Acquisitions and development ⁽³⁾	12,067	10,954	1,113	24,674	18,330	6,344
Dispositions and repositioning ⁽³⁾	64,636	70,432	(5,796)	133,855	142,651	(8,796)
Adjusted direct property operating expense ⁽³⁾	188,468	186,588	1,880	384,718	376,318	8,400
NOI	54,881	51,702	3,179	102,831	95,583	7,248
Add:						
Share of NOI from joint ventures	9,179	8,344	835	17,884	15,681	2,203
Adjusted NOI from continuing operations	64,060	60,046	4,014	120,715	111,264	9,451
Add:						
NOI from LTC Discontinued Operations	6,449	6,459	(10)	11,611	19,214	(7,603)
Adjusted NOI ⁽³⁾	70,509	66,505	4,004	132,326	130,478	1,848
Comprised of:						
Same property ⁽³⁾	55,981	51,521	4,460	105,987	97,683	8,304
Acquisitions and development ⁽³⁾	8,341	6,400	1,941	15,996	10,196	5,800
Dispositions and repositioning ⁽³⁾	6,187	8,584	(2,397)	10,343	22,599	(12,256)
Adjusted NOI ⁽³⁾	70,509	66,505	4,004	132,326	130,478	1,848
Weighted average occupancy rate:						
Same property portfolio	79.2%	77.4%	1.8pp	79.1%	77.4%	1.7pp
Acquisitions and development portfolio	76.9%	68.5%	8.4pp	76.3%	67.6%	8.7pp
Dispositions and repositioning portfolio ⁽⁶⁾	92.0%	82.8%	9.2pp	91.3%	82.2%	9.1pp
Total portfolio ⁽⁶⁾	80.9%	77.6%	3.3pp	80.6%	77.5%	3.1pp

- (1) Non-GAAP; Share of resident revenue from joint ventures represents Chartwell's proportionate 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 12 of this MD&A.
- (2) Resident revenue reported in LTC Discontinued Operations represents the resident revenue related to LTC Discontinued Operations as described in the "2023 Outlook" on page 7 of this MD&A.
- (3) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 18 of this MD&A for explanations and discussion of the significance of these metrics.
- (4) Non-GAAP; Share of direct property operating expense from joint ventures represents Chartwell's proportionate share of the direct property operating expense of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 12 of this MD&A.
- (5) Direct property operating expense reported in LTC Discontinued Operations represents the direct property operating expense related to LTC Discontinued Operations as described in the "2023 Outlook" section on page 7 of this MD&A.
- (6) 334 suites in respect of three properties for which we have completed operational closure have been removed from available capacity effective January 1, 2023.

For Q2 2023, adjusted resident revenue increased 2.3% primarily due to:

- higher same property adjusted resident revenue of 7.0% (as described in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A), and
 - contributions from our acquisitions and development portfolio,
- partially offset by:
- the disposition and closure of properties.

For Q2 2023, adjusted direct property operating expense increased 1.0% primarily due to:

- higher same property adjusted direct operating expense of 6.2% (as described in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A), and
 - additional expenses in our acquisitions and developments portfolio,
- partially offset by:
- lower expenses due to the dispositions of properties and in properties being repositioned, and
 - lower expenses in our LTC Discontinued Operations.

For Q2 2023, adjusted NOI increased \$4.0 million or 6.0% primarily due to:

- higher same property adjusted NOI of \$4.5 million, and
 - higher contributions from our acquisitions and development portfolio,
- partially offset by:
- lower adjusted NOI from our dispositions and repositioning portfolio.

For 2023 YTD, adjusted resident revenue increased 2.0% primarily due to:

- higher same property adjusted resident revenue of 6.1% (as described in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A),
 - contributions from our acquisitions and development portfolio, and
 - lower revenue in our LTC Discontinued Operations,
- partially offset by:
- disposition and closure of properties.

For 2023 YTD, adjusted direct property operating expense increased 2.2% primarily due to:

- higher same property adjusted direct operating expense of 5.0% (as described in the “Results of Operations by Reportable Segment” section on page 18 of this MD&A),
 - additional expenses in our acquisitions and developments portfolio, and
 - higher expenses in our LTC Discontinued Operations,
- partially offset by:
- lower expenses due to the dispositions of properties.

For 2023 YTD, adjusted NOI increased \$1.8 million or 1.4% primarily due to:

- higher same property adjusted NOI of \$8.3 million as 2022 YTD adjusted NOI included \$2.2 million of recoveries of prior year pandemic expenses for which there were no comparable amounts in 2023 YTD, and
 - higher contributions from our acquisitions and development portfolio,
- partially offset by:
- lower adjusted NOI from our dispositions and repositioning portfolio as 2022 YTD adjusted NOI included \$7.2 million of recoveries of prior year pandemic expenses in our LTC Discontinued Operations for which there were no comparable amounts in 2023 YTD.

Results of Operations by Reportable Segment

Refer to our 2022 MD&A for detailed descriptions of our Reportable Segments.

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

Retirement Operations

The following table summarizes the composition of our Retirement Operations as at June 30, 2023:

	Properties	Composition of Suites/Beds					Total	Total at Chartwell's Share of Ownership
		IL	ISLA	ISLS	AL	LTC		
Same Property								
100% Owned	95	662	2,959	7,491	971	201	12,284	12,284
Partially Owned ⁽¹⁾	46	590	4,816	2,978	445	-	8,829	4,494
Total same property	141	1,252	7,775	10,469	1,416	201	21,113	16,778
Acquisitions and development								
100% Owned – operating	10	136	306	904	95	-	1,441	1,441
Partially Owned – operating ⁽²⁾	3	-	353	255	61	-	669	334
Total acquisitions and development	13	136	659	1,159	156	-	2,110	1,775
Dispositions and repositioning								
100% Owned – operating ⁽³⁾	5	-	172	134	36	-	342	342
Partially Owned – operating	-	-	-	-	-	-	-	-
Total dispositions and repositioning	5	-	172	134	36	-	342	342
Total	159	1,388	8,606	11,762	1,608	201	23,565	18,895

(1) We own an 85% interest in three properties, a 50% interest in 40 properties, and a 42.5% interest in three properties.

(2) We own a 60% interest in one property, a 50% interest in one property, and a 45% interest in one property.

(3) Includes three properties (334 suites) for which we have completed operational closure, the suites of which have been removed from our available capacity effective January 1, 2023 and accordingly are not included in the count above.

The following table presents the results of our Retirement Operations as at June 30, 2023:

(\$000s, except occupancy rates)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Adjusted resident revenue ⁽¹⁾	191,001	184,670	6,331	378,930	362,405	16,525
<i>Comprised of:</i>						
Same property ⁽²⁾	167,746	156,723	11,023	332,176	313,020	19,156
Acquisitions and development ⁽²⁾	20,408	17,354	3,054	40,670	28,526	12,144
Dispositions and repositioning ⁽²⁾	2,847	10,593	(7,746)	6,084	20,859	(14,775)
Adjusted direct property operating expense ⁽¹⁾	127,565	125,197	2,368	259,158	252,118	7,040
<i>Comprised of:</i>						
Same property ⁽²⁾	111,765	105,202	6,563	226,189	215,337	10,852
Acquisitions and development ⁽²⁾	12,067	10,954	1,113	24,674	18,330	6,344
Dispositions and repositioning ⁽²⁾	3,733	9,041	(5,308)	8,295	18,451	(10,156)
Adjusted NOI ⁽¹⁾	63,436	59,473	3,963	119,772	110,287	9,485
<i>Comprised of:</i>						
Same property ⁽²⁾	55,981	51,521	4,460	105,987	97,683	8,304
Acquisitions and development ⁽²⁾	8,341	6,400	1,941	15,996	10,196	5,800
Dispositions and repositioning ⁽²⁾	(886)	1,552	(2,438)	(2,211)	2,408	(4,619)
Weighted average occupancy rate:						
Same property portfolio	79.2%	77.4%	1.8pp	79.1%	77.4%	1.7pp
Acquisitions and development portfolio	76.9%	68.5%	8.4pp	76.3%	67.6%	8.7pp
Dispositions and repositioning portfolio ⁽³⁾	83.3%	62.8%	20.5pp	81.7%	62.7%	19.0pp
Total portfolio	79.1%	75.8%	3.3pp	78.8%	75.7%	3.1pp

- (1) Non-GAAP; refer to the "Results of Operations by Reportable Segment" section on page 18 of this MD&A for explanations of 'Adjusted resident revenue', 'adjusted direct property operating expense', and 'Adjusted NOI' for the significance of these metrics.
- (2) Non-GAAP; refer to the "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Same property', 'Acquisitions and development', 'Dispositions and repositioning' and the significance of these metrics.
- (3) 334 suites in respect of three properties for which we have completed operational closure have been removed from our available capacity effective January 1, 2023.

For Q2 2023, adjusted resident revenue increased 3.4% primarily due to:

- a 7.0% increase in same property adjusted resident revenue from rental and service rate increases and higher occupancy, and
 - higher revenue from our acquisitions and developments portfolio,
- partially offset by:
- disposition and closure of properties.

For Q2 2023, adjusted direct property operating expense increased 1.9% primarily due to:

- higher same property adjusted direct operating expenses of 6.2% due to higher staffing costs no longer offset by pandemic funding, higher repairs and maintenance ("R&M"), property tax, and food expenses,
 - additional expenses in our acquisitions and developments portfolio, and
 - expenses of \$0.8 million relating to the closure of properties during Q2 2023,
- partially offset by:
- lower expenses as a result of the disposition of properties and lower costs in our properties being closed and repositioned.

For Q2 2023, adjusted NOI increased \$4.0 million or 6.7% comprised as follows:

- higher same property adjusted NOI of \$4.5 million or an increase of 8.7%. The increase in same property adjusted NOI is due to higher revenue from rental and service rate increases and increased occupancy partially offset by higher staffing costs no longer offset by pandemic funding, higher R&M, property tax, and food expenses,
- higher NOI contributions from our acquisitions and developments portfolio, and
- lower NOI from the disposition and closure of properties.

For Q2 2023, the following identifies same property adjusted NOI trends by platform where they significantly differ from the segment overall:

- Our Western Canada platform same property adjusted NOI increased \$2.3 million or 16.4%. Q2 2023 included a one-time reversal of certain staffing cost accruals of \$1.7 million upon settlement of contracts for which there was not a comparable amount in Q2 2022. Revenue growth from rental and service rate increases and growth in occupancy were partially offset by increased direct operating expenses.

- Our Ontario platform same property adjusted NOI increased \$1.0 million or 3.5 %. Q2 2022 included higher recoveries of pandemic expenses of \$1.7 million for which there was not a comparable amount in Q2 2023. Revenue growth from rental and service rate increases and growth in occupancy were partially offset by increased direct operating expenses.
- Our Quebec platform same property adjusted NOI increased \$1.2 million or 13.0%. Our Quebec platform adjusted NOI was affected by factors consistent with the segment overall.

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

	Q2 2023	Q2 2022	Change	Q1 2023	Change
Western Canada	86.8%	84.0%	2.8pp	86.6%	0.2pp
Ontario	76.4%	75.2%	1.2pp	76.6%	(0.2pp)
Quebec	78.7%	76.6%	2.1pp	77.6%	1.1pp
Same Property Retirement	79.2%	77.4%	1.8pp	78.9%	0.3pp

In Q2 2023, weighted average occupancy in our Retirement Operations same property portfolio was 79.2%, compared to 77.4% in Q2 2022, an increase of 1.8 percentage points. All platforms experienced occupancy gains in Q2 2023 compared to Q2 2022. Q2 2023 Retirement Operations same property portfolio increased 0.3 percentage points compared to Q1 2023 at 78.9%.

For 2023 YTD, adjusted resident revenue increased 4.6% primarily due to:

- higher same property adjusted resident revenue of 6.1% from rental and service rate increases and higher occupancy, and
- higher revenue from our acquisitions and developments portfolio, partially offset by:
- disposition and closure of properties.

For 2023 YTD, adjusted direct property operating expense increased 2.8% primarily due to:

- higher same property adjusted direct operating expenses of 5.0% due to higher staffing costs no longer offset by pandemic funding, R&M, supplies, food, utilities, and property tax expenses,
- additional expenses in our acquisitions and developments portfolio, and
- expenses of \$1.4 million relating to the closure of properties during 2023 YTD, partially offset by:
- lower expenses as a result of the disposition of properties and lower staffing costs in our properties being closed and repositioned.

For 2023 YTD, adjusted NOI increased \$9.5 million or 8.6% comprised as follows:

- higher same property adjusted NOI of \$8.3 million or an increase of 8.5% over 2022 YTD. The increase in same property adjusted NOI is due to higher revenue from rental and service rate increases and increased occupancy partially offset by higher staffing costs no longer offset by pandemic funding, R&M, food, utilities, and property tax expenses,
- higher NOI contributions from our acquisitions and developments portfolio, and
- lower NOI from the disposition of properties and properties closed or being repositioned.

For 2023 YTD, the following identifies same property adjusted NOI trends by platform where they significantly differ from the segment overall:

- Our Western Canada platform same property adjusted NOI increased \$2.4 million or 8.8%. 2023 YTD NOI included a reversal of certain staffing accruals of \$1.7 million upon settlement of contracts, partially offset by lower recoveries of pandemic expenses and higher R&M and food costs.
- Our Ontario platform same property adjusted NOI increased \$2.8 million or 5.4%. 2022 YTD included recoveries of pandemic expenses of \$1.7 million for which there is not a comparable amount in 2023 YTD. Revenue growth from rental and service rate increases and growth in occupancy were partially offset by increased direct operating expenses.
- Our Quebec platform same property adjusted NOI increased \$3.0 million or 17.3%. Our Quebec platform adjusted NOI was affected by factors consistent with the segment overall.

Long Term Care Operations – LTC Discontinued Operations

The following table summarizes the composition of our Long Term Care Operations as at June 30, 2023:

	Composition of Suites/Beds			Total at Chartwell's Share of Ownership
	Properties	ISLS	LTC	
Dispositions and repositioning ⁽¹⁾	20	75	2,701	2,776
Total	20	75	2,701	2,776

(1) Includes one retirement residence (64 suites) connected to an LTC home and 11 retirement suites at another LTC home.

The following table presents the results of our Long Term Care Operations as at June 30, 2023:

(\$000s, except occupancy rates)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Adjusted resident revenue ⁽¹⁾	67,976	68,423	(447)	138,114	144,391	(6,277)
Comprised of:						
Dispositions and repositioning ⁽²⁾	67,976	68,423	(447)	138,114	144,391	(6,277)
Adjusted direct property operating expense ⁽¹⁾	60,903	61,391	(488)	125,560	124,200	1,360
Comprised of:						
Dispositions and repositioning ⁽²⁾	60,903	61,391	(488)	125,560	124,200	1,360
Adjusted NOI ⁽¹⁾	7,073	7,032	41	12,554	20,191	(7,637)
Comprised of:						
Dispositions and repositioning ⁽²⁾	7,073	7,032	41	12,554	20,191	(7,637)
Weighted average occupancy rate	93.0%	90.4%	2.6pp	92.5%	89.6%	2.9pp

(1) Non-GAAP, refer to the "Results of Operations by Reportable Segment" section on page 18 of this MD&A for explanations of the significance of these metrics.

(2) Non-GAAP; refer to the "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Dispositions and repositioning' and the significance of this metric.

In Q2 2023, adjusted NOI increased due to higher ancillary revenue and higher preferred accommodation revenues partially offset by higher staffing costs and utilities expense. For Q2 2023 adjusted NOI includes \$0.5 million (\$0.5 million – Q2 2022) related to the two properties which we will retain ownership of subsequent to the closing of the LTC Transactions.

Weighted average occupancy in our total LTC portfolio for Q2 2023 was 93.0%, a 2.6 percentage point increase from Q2 2022. Excluding the beds that are not available due to capacity restrictions, weighted average occupancy in our total LTC portfolio was 97.7% in Q2 2023 and 95.0% in Q2 2022. In Q2 2023, all homes achieved the occupancy threshold to retain maximum funding.

For 2023 YTD, adjusted NOI decreased \$7.6 million primarily as 2022 YTD included \$6.2 million of recoveries of pandemic and other expenses for preceding years for which there was not a comparable amount in 2023 YTD. In addition, higher staffing costs contributed to lower adjusted NOI in 2023 YTD compared to 2022 YTD. For 2023 YTD, adjusted NOI includes \$0.8 million (\$1.0 million – 2022 YTD) related to the two properties which we will retain ownership of subsequent to the closing of the LTC Transactions.

Weighted average occupancy in our total LTC portfolio for 2023 YTD was 92.5%, a 2.9 percentage point increase from 2022 YTD. Excluding the beds that are not available due to capacity restrictions, weighted average occupancy in our total LTC portfolio was 97.2% in 2023 YTD and 94.1% in 2022 YTD. In 2023 YTD, all homes achieved the occupancy threshold to retain maximum funding.

In March 2020, the Ontario government implemented directives to facilitate reducing capacity in rooms with shared accommodation for three or four occupants to a maximum of two occupants which, in our portfolio, reduced availability by 134 beds, of which 57 beds relate to the two properties we will retain post closing of the LTC Transactions. All beds set aside to allow for isolation and cohorting have not been returned to normal capacity. The directives limiting occupancy to a maximum of two occupants will remain in place. Beginning April 1, 2023, the pass-through funding for these beds which are required to be vacant have begun to decline and all funding related to these beds will end by March 31, 2025.

On March 24, 2023, the Ontario government also announced that the dedicated temporary funding for incremental costs related to the prevention and containment of COVID-19 would end effective March 31, 2023, with LTC operators directed to access their other funding allocations, including funding increases to continue to increase staffing levels, to assist in defraying these costs.

Management and Other Fees

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Welltower	1,960	1,521	439	3,883	3,162	721
Long Term Care Homes ⁽¹⁾	385	374	11	784	801	(17)
Batimo	677	520	157	1,306	1,254	52
Other	275	211	64	526	523	3
Total management and other fees	3,297	2,626	671	6,499	5,740	759

(1) Includes management fees relating to four third-party owned long term care homes.

Management and other fees increased \$0.7 million and \$0.8 million in Q2 2023 and 2023 YTD, respectively. In Q2 2022 and 2022 YTD, fees were reduced as a result of a reduction of prior year fees based on performance. Effective March 31, 2022, our Long Term Care Operations segment was reclassified as discontinued operations. Refer to the “2023 Outlook” section on page 7 of this MD&A. With the transition of our LTC Discontinued Operations, the transition of the management of the four third-party owned long term care homes that we currently manage, subject to required approvals, is expected in Q3 2023.

Interest Income

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Interest income on loans receivable	303	200	103	501	397	104
Other interest income	148	59	89	359	132	227
Total interest income	451	259	192	860	529	331

Interest income on loans receivables increased \$0.1 million in Q2 2023 and 2023 YTD primarily due to higher loan balances outstanding.

Other interest income fluctuates period-to-period based on cash balances. Other interest income increased in Q2 2023 and 2023 YTD primarily due to higher interest rates.

General, Administrative and Trust Expenses

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
G&A expenses	17,163	15,264	1,899	32,592	29,092	3,500

For Q2 2023, G&A expenses increased \$1.9 million primarily due to:

- higher severance costs,
 - regular staff compensation increases,
 - retention costs for certain corporate employees supporting our Ontario Long Term Care platform, which is being transitioned, and
 - higher unit-based compensation cost due to the increase in value of our Trust units,
- partially offset by:
- timing of certain other expenses.

For 2023 YTD, G&A expenses increased \$3.5 million primarily due to:

- regular staff compensation increases,
 - higher severance costs,
 - retention costs for certain corporate employees supporting our Ontario Long Term Care platform, which is being transitioned,
 - higher unit-based compensation cost due to the increase in value of our Trust units, and
 - higher travel and employee development costs,
- partially offset by:
- timing of certain other expenses.

Finance Costs

The following table applies to continuing operations:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Contractual interest expense on mortgages	14,104	13,988	116	27,715	27,292	423
Comprised of:						
Same property ⁽¹⁾	11,382	11,662	(280)	22,621	23,457	(836)
Acquisitions and development ⁽¹⁾	2,534	1,894	640	4,714	2,969	1,745
Dispositions and repositioning ⁽¹⁾	188	432	(244)	380	866	(486)
Interest expense on Debentures ⁽²⁾	3,462	3,463	(1)	6,887	6,887	-
Interest expense on Credit Facilities	3,490	1,539	1,951	7,056	1,974	5,082
Interest expense on Term Loans ⁽³⁾	1,415	1,201	214	2,737	2,346	391
	22,471	20,191	2,280	44,395	38,499	5,896
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	1,694	1,143	551	2,959	2,456	503
	24,165	21,334	2,831	47,354	40,955	6,399
Interest capitalized to properties under development	(690)	(625)	(65)	(1,307)	(1,180)	(127)
Distributions on Class B Units recorded as interest expense	234	234	-	468	468	-
Total finance costs – continuing operations	23,709	20,943	2,766	46,515	40,243	6,272

(1) Non-GAAP; refer to "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Same property', 'Acquisitions and development' and 'Dispositions and repositioning' and the significance of these metrics.

(2) "Debentures" refers collectively to the "Series A Debentures" and the "Series B Debentures". Refer to the "Liquidity and Capital Resources – Debt – Debentures" section on page 27 of the Q1 2022 MD&A for details.

(3) "Term Loans" refers collectively to the Unsecured Term Loans and the Secured Term Loan. See the "Liquidity and Capital Resources – Debt – Term Loans" section on page 30 of this MD&A for details.

Contractual interest expense on mortgages increased \$0.1 million and \$0.4 million in Q2 2023 and 2023 YTD respectively, primarily due to acquisition financings partially offset by lower mortgage balances in our same property portfolio and dispositions and repositioning portfolio.

Interest expense on our Credit Facilities increased in Q2 2023 and 2023 YTD due to higher balances outstanding and higher interest rates.

Interest expense on Term Loans increased in Q2 2023 and 2023 YTD, due to \$13.6 million secured term loan drawn on May 19, 2022.

Interest capitalized to properties under development increased in Q2 2023 and 2023 YTD due to higher cumulative investments in projects in development.

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

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Contractual interest expense on mortgages	430	440	(10)	859	877	(18)
Comprised of:						
Same property ⁽¹⁾	239	243	(4)	478	486	(8)
Acquisitions and development ⁽¹⁾	191	197	(6)	381	391	(10)
Amortization of finance costs	15	15	-	29	29	-
Total finance costs	445	455	(10)	888	906	(18)

(1) Non-GAAP; refer to the "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Same property', 'Acquisitions and development' and 'Dispositions and repositioning' and the significance of these metrics.

The following table provides supplemental information related to finance costs for our LTC Discontinued Operations:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Contractual interest expense on mortgages	1,887	2,089	(202)	3,822	4,227	(405)
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	-	31	(31)	4	(92)	96
Total finance costs – LTC Discontinued Operations	1,887	2,120	(233)	3,826	4,135	(309)

Other Income/(Expense)

The following table applies to our continuing operations:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Transaction costs arising on dispositions	(104)	(23)	(81)	(506)	(78)	(428)
Gain on sale of assets	709	425	284	3,421	970	2,451
Other income	-	372	(372)	-	557	(557)
Total other income/(expense)	605	774	(169)	2,915	1,449	1,466

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

Gain on sale of assets increased \$0.3 million in Q2 2023 primarily due to higher insurance proceeds from property damage claims. Gain on sale of assets increased \$2.5 million in 2023 YTD primarily due to the sale of one non-core property located in Ontario in Q1 2023.

Other Items

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Depreciation of PP&E and amortization of intangible assets	(38,539)	(38,749)	210	(78,515)	(76,114)	(2,401)
Change in fair value of financial instruments	(3,081)	7,161	(10,242)	(5,590)	9,802	(15,392)
Deferred income tax benefit/(expense)	2,340	1,111	1,229	9,817	470	9,347

Depreciation of PP&E and amortization of intangible assets decreased \$0.2 million in Q2 2023 primarily due to lower depreciation on residents contracts. For 2023 YTD depreciation of PP&E and amortization of intangible assets increased \$2.4 million, primarily due to higher depreciation on buildings and resident contracts from acquisitions and development properties partially offset by a decrease due to dispositions.

Change in fair value of financial instruments is primarily resulting from changes in the market value of the underlying financial instruments. These amounts are expected to fluctuate from period to period due to changes in financial markets.

Deferred income tax benefit increased \$1.2 million in Q2 2023 and \$9.3 million in 2023 YTD primarily due to the timing of reversal of temporary differences and changes in fair value adjustments.

The following table provides Other Items related to our LTC Discontinued Operations:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Other expense	45	126	(81)	128	627	(499)
Depreciation of PP&E	-	-	-	-	1,816	(1,816)
Amortization of intangible assets	-	-	-	-	202	(202)

Other expense is primarily related to transaction costs for the LTC Transactions.

For 2023 YTD, depreciation of PP&E decreased \$1.8 million primarily due to reclassification of the LTC Discontinued Operations to discontinued operations resulting in the cessation of depreciation and amortization of related assets effective March 31, 2022.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2023 and Q2 2022 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(6.7)	Change in cash flows from operating activities is primarily due to: • changes in working capital, and • higher interest paid, partially offset by: • higher adjusted NOI from continuing operations, and • higher interest income.
Financing activities	1.6	Change in cash flows from financing activities is primarily due to: • lower mortgage repayments, and • higher proceeds from mortgage financing activities, partially offset by: • lower draws in Q2 2023 on our credit facilities, • a new term loan in Q2 2022 for which there is not a comparable amount in Q2 2023, and • higher additions to finance costs.
Investing activities	137.4	Change in cash flows from investing activities is primarily due to: • no acquisitions in Q2 2023 as compared to acquisitions of assets in Q2 2022, partially offset by: • higher additions to PP&E and intangible assets.

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2023 YTD and 2022 YTD using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(6.7)	Change in cash flows from operating activities is primarily due to: • lower NOI from LTC discontinued operations, and • higher interest paid, partially offset by: • changes in working capital.
Financing activities	(68.6)	Change in cash flows from financing activities is primarily due to: • lower draws in Q2 2023 on our credit facilities, • a new term loan in Q2 2022 for which there is not a comparable amount in Q2 2023, and • higher additions to finance costs, partially offset by: • higher proceeds from mortgage financing activities, and • lower mortgage repayments.
Investing activities	128.6	Change in cash flows from investing activities is primarily due to: • no acquisitions in Q2 2023 as compared to acquisitions of assets in Q2 2022, partially offset by: • higher additions to PP&E and intangible assets.

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2023 and Q2 2022 using our statements of cash flows for our LTC Discontinued Operations:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(1.8)	Change in cash flows from operating activities is primarily due to change in working capital and lower interest paid.
Financing activities	(1.1)	Change in cash flows from financing activities is due to higher mortgage repayments.
Investing activities	(0.4)	Change in cash flows from investing activities is primarily due to higher additions to PP&E.

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2023 YTD and 2022 YTD using our statements of cash flows for our LTC Discontinued Operations:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(5.8)	Change in cash flows from operating activities is primarily due to lower adjusted NOI, change in working capital and lower interest paid.
Financing activities	(1.1)	Change in cash flows from financing activities is due to higher mortgage repayments.
Investing activities	(1.1)	Change in cash flows from investing activities is primarily due to higher additions to PP&E.

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, secured and unsecured term loans, senior unsecured debentures and equity financing.

At June 30, 2023, our liquidity was \$155.3 million as presented in the following table:

(\$000s)	June 30, 2023	December 31, 2022
Cash and cash equivalents	7,479	28,469
Available under Credit Facilities ⁽¹⁾	147,796	136,425
Total	155,275	164,894

(1) Refer to the "Liquidity and Capital Resources - Credit Facilities" section on page 29 of this MD&A for the determination and calculation of this amount.

In addition, at June 30, 2023, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$7.9 million.

As at June 30, 2023, our current liabilities were \$1,075.2 million, exceeding our current assets of \$277.5 million, resulting in a working capital deficiency of \$797.7 million. Current liabilities include \$394.6 million of current mortgages payable, \$199.9 million (\$200.0 million face value at maturity) of senior unsecured debentures maturing in December 2023, and \$124.8 million of term loans maturing May 31, 2024.

We expect to refinance or repay this maturing debt and meet all of our other obligations as they become due utilizing some or all of the following sources of liquidity, subject to market conditions:

- (i) cash flow generated from our operations,
- (ii) proceeds from the LTC Transactions and other non-core asset sales,
- (iii) property-specific mortgages,
- (iv) secured and unsecured Credit Facilities,
- (v) secured and unsecured term loans, and
- (vi) new equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, Credit Facilities, Term Loans, and Debentures. Our debt management objective is to maximize financial flexibility and to maintain a strong balance sheet by:

- accessing low-cost, long term, fixed-rate debt and short-term, variable-rate financing
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of the principal 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 June 30, 2023 and December 31, 2022 for our continuing operations:

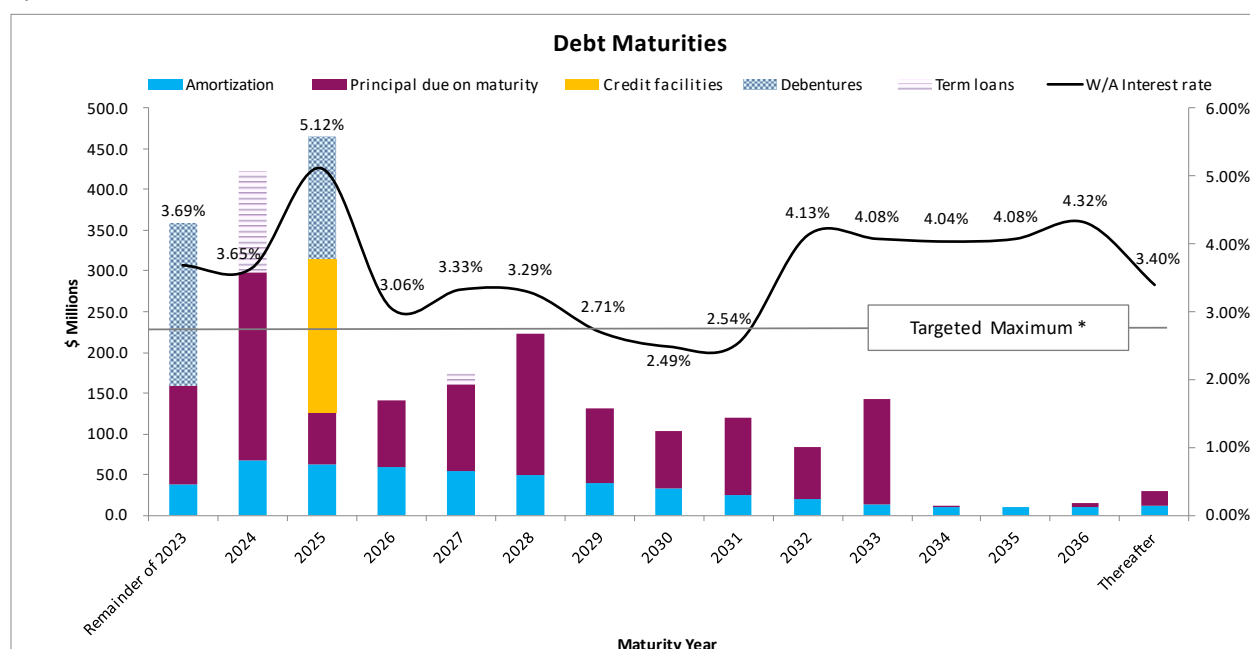
(\$000s)	June 30, 2023	December 31, 2022
Mortgages payable	1,753,823	1,701,668
Credit Facilities	189,000	184,000
Term Loans		
Unsecured term loans	125,000	125,000
Secured term loan	13,600	13,600
Debentures		
Series A Debentures	200,000	200,000
Series B Debentures	150,000	150,000
Total	2,431,423	2,374,268

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at June 30, 2023 for our continuing operations:

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate ⁽¹⁾	Term Loans	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate ⁽¹⁾	Debentures	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
Remainder of 2023	37,022	121,537	158,559	3.56%	-	-	-	-	200,000	3.79%	358,559	3.69%
2024	67,690	229,862	297,552	3.52%	125,000	3.95%	-	-	-	-	422,552	3.65%
2025	61,502	64,707	126,209	2.79%	-	-	189,000	7.39%	150,000	4.21%	465,209	5.12%
2026	59,161	81,872	141,033	3.06%	-	-	-	-	-	-	141,033	3.06%
2027	54,785	105,443	160,228	3.24%	13,600	4.44%	-	-	-	-	173,828	3.33%
2028	49,599	173,195	222,794	3.29%	-	-	-	-	-	-	222,794	3.29%
2029	40,033	90,583	130,616	2.71%	-	-	-	-	-	-	130,616	2.71%
2030	32,676	70,723	103,399	2.49%	-	-	-	-	-	-	103,399	2.49%
2031	24,922	94,588	119,510	2.54%	-	-	-	-	-	-	119,510	2.54%
2032	18,884	65,133	84,017	4.13%	-	-	-	-	-	-	84,017	4.13%
2033	13,586	129,641	143,227	4.08%	-	-	-	-	-	-	143,227	4.08%
2034	10,157	1,621	11,778	4.04%	-	-	-	-	-	-	11,778	4.04%
2035	9,755	-	9,755	4.08%	-	-	-	-	-	-	9,755	4.08%
2036	9,044	6,173	15,217	4.32%	-	-	-	-	-	-	15,217	4.32%
Thereafter	11,121	18,808	29,929	3.40%	-	-	-	-	-	-	29,929	3.40%
Total	499,937	1,253,886	1,753,823	3.28%	138,600	4.00%	189,000	7.39%	350,000	3.97%	2,431,423	3.74%

(1) For variable rate instruments the weighted average interest rate in 2024 is based on the 2023 weighted average interest rate.

The following chart provides a breakdown of our debt maturities at June 30, 2023 for our continuing operations:



* 10% of total debt = \$243.1 million

Mortgage Debt

We generally have access to low-cost mortgage financing insured by CMHC. As of June 30, 2023, approximately 87% of our mortgage debt for our continuing operations was CMHC insured. We intend to continue financing our properties through this program including, for those properties operating at high occupancy levels, converting conventional mortgages to CMHC debt and placing mortgages on certain currently unencumbered properties.

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2023 YTD for our continuing operations:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate	% CMHC Insured
Principal balance at December 31, 2022	1,701,668	6.1	3.21%	87%
Payouts	(11,977)	N/A	N/A	100%
New mortgage financings	101,323	9.5	3.97%	100%
Amortizing principal repayments	(37,191)	N/A	N/A	N/A
Principal balance at June 30, 2023	1,753,823	5.9	3.28%	87%
Mark-to-market adjustments on assumed mortgages	1,672			
Finance costs	(50,888)			
Mortgages payable at June 30, 2023	1,704,607			

New mortgage financings include four CMHC-insured mortgages totalling \$101.3 million with a weighted average interest rate of 3.97% and a weighted average term to maturity of 9.5 years.

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

	At June 30, 2023		At December 31, 2022	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,720,599	33,224	1,753,823	1,701,668
Weighted average interest rate	3.21%	6.69%	3.28%	3.21%
Average term to maturity (years)	6.0	0.6	5.9	6.1

The following tables are supplemental information and summarize the components of our debt at June 30 2023 and December 31, 2022 for our Equity-Accounted JVs:

(\$000s)	June 30, 2023	December 31, 2022
Principal balance of mortgages payable	52,134	52,276
Finance costs	(125)	(153)
Mortgages payable	52,009	52,123

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
Remainder of 2023	144	-	144	3.98%
2024	296	26,430	26,726	2.95%
2025	308	-	308	3.98%
2026	267	24,689	24,956	3.71%
Total	1,015	51,119	52,134	3.32%

The following tables are supplemental information and summarize the components of our debt at June 30, 2023 and December 31, 2022 for our LTC Discontinued Operations:

(\$000s)	June 30, 2023	December 31, 2022
Principal balance of mortgages payable	136,486	142,076
Mark to market adjustment on assumed mortgages	3,206	3,206
Finance costs	(874)	(879)
Mortgages payable	138,818	144,403

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
Remainder of 2023	4,836	8,591	13,427	6.63%
2024	5,838	33,272	39,110	5.45%
2025	4,233	3,947	8,180	5.98%
2026	4,381	-	4,381	6.64%
2027	4,844	-	4,844	6.57%
Thereafter	31,584	34,960	66,544	5.00%
Total	55,716	80,770	136,486	5.46%

Credit Facilities

The following table summarizes the available borrowing capacity and borrowings on our Credit Facilities at June 30, 2023:

(\$000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Net Available Capacity	Borrowed	Available Borrowing Capacity	Maturity Date
Secured credit facility ⁽¹⁾	300,000	243,099	6,303	236,796	189,000	47,796	May 29, 2025
Unsecured credit facility ⁽²⁾	100,000	100,000	-	100,000	-	100,000	May 29, 2025
Total Credit Facilities	400,000	343,099	6,303	336,796	189,000	147,796	

(1) Available capacity is determined based on a formula that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of NOI for the previous four quarters, and the secured collateral.

(2) An option to increase borrowing capacity by an additional \$50.0 million is available, subject to certain conditions.

The cost of our Credit Facilities is based on our credit rating and covenant amendment premiums. At the current BBB(low) rating by DBRS, last confirmed by DBRS on April 13, 2023, with the current covenants in

place amounts borrowed under the secured credit facility bear interest at the banks' prime rate ("Prime") plus 115 bps or the Banker' Acceptance rate ("BA") plus 215 bps, and amounts borrowed under the unsecured credit facility bear interest at Prime plus 120 bps or BA plus 220 bps. Should our credit rating be revised below BBB(low), amounts borrowed under the Credit Facilities would bear higher interest by an incremental 40 bps. When the covenant amendment extensions are no longer applicable, amounts borrowed under the Credit Facilities would bear lower interest for Prime and BA borrowings by 50 bps and 50 bps respectively. The secured credit facility is secured by second-ranked charges on specific properties.

On April 19, 2023, we entered into amending agreements to extend the maturity date of the Credit Facilities by one year to May 29, 2025, with substantially the same terms.

Term Loans

The following tables summarize the Term Loans outstanding as at June 30, 2023 and December 31, 2022:

June 30, 2023	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Unsecured term loan	125,000	(181)	124,819	3.95%	May 31, 2024
Secured term loan	13,600	(74)	13,526	4.44%	May 19, 2027
Total	138,600	(255)	138,345		

December 31, 2022	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Unsecured term loan	125,000	(286)	124,714	3.95%	May 31, 2024
Secured term loan	13,600	(79)	13,521	4.44%	May 19, 2027
Total	138,600	(365)	138,235		

Interest rates on the outstanding Term Loans were fixed through interest rate swaps.

Debentures

The following tables summarize our Debentures outstanding as at June 30, 2023 and December 31, 2022:

June 30, 2023	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series A Debentures	200,000	(101)	199,899	3.786%	December 11, 2023
Series B Debentures	150,000	(252)	149,748	4.211%	April 8, 2025
Total	350,000	(353)	349,647		

December 31, 2022	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series A Debentures	200,000	(233)	199,777	3.786%	December 11, 2023
Series B Debentures	150,000	(323)	149,677	4.211%	April 8, 2025
Total	350,000	(546)	349,454		

Financial Covenants

Our Credit Facilities, Term Loans and 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 discussion provides the status of our various financial covenants related to our Credit Facilities, Term Loans and 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 the Secured and Unsecured Facilities and our credit agreements for the Term Loans (together, the "Credit Agreements"), and in the trust indentures for the 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.

As of June 30, 2023, we were in compliance with all our debt covenants.

Amendments to Covenants

Due to the uncertainty caused by the pandemic as described in the “2023 Outlook” section of our 2022 MD&A, we amended our debt service coverage and AFFO payout covenants in various credit agreements.

Credit Facilities and Term Loans

During 2021, the debt service coverage ratio covenant was reduced from 1.4 to 1.2 for the period ending December 31, 2023 for our Credit Facilities and our unsecured term loan. During 2022, these amendments were extended for the periods ending before May 29, 2024 for our Credit Facilities and May 31, 2024 for the unsecured term loan. During Q2 2023, with the extension of our Credit Facilities to May 29, 2025, these amendments were further extended for the periods ending before June 29, 2024. Refer to the “Credit Facilities” section on page 29 of this MD&A.

During 2022, we also entered into additional amending agreements to exclude incremental direct operating expenses related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

In addition, in 2022, we entered into agreements amending the AFFO payout ratio covenants for the periods January 1, 2023, to December 31, 2023 to allow for the payment of cash distributions up to 115% of AFFO plus \$20.0 million.

Mortgages

During 2021, the debt service coverage ratio covenant was reduced from 1.4 to 1.2 for the period ending at the earlier of December 31, 2023, and the maturity date of the applicable mortgages. During 2022, these amendments were extended for one property level mortgage until January 31, 2024 and our head office mortgage until December 31, 2024.

During 2022, we entered into additional amending agreements for the one property level mortgage and our head office mortgage to exclude incremental direct operating expenses related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

In 2022, we also entered into agreements amending the AFFO payout ratios for the periods January 1, 2023, to December 31, 2023 to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million.

Large Borrower Agreement (“LBA”) with CMHC

The debt service coverage ratio was reduced from 1.37 to 1.2 for the period ending at the earlier of December 31, 2023, and the maturity date of the applicable credit agreement. In Q1 2023, these amendments were extended for periods ending on or before June 30, 2024.

During 2022, we entered into additional amending agreements to exclude incremental direct operating expenses related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

In Q1 2023, we also entered into agreements amending the AFFO payout ratios for the periods January 1, 2023 to December 31, 2023, to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million. This amendment is effective for periods ending on or before June 30, 2024.

Credit Facilities and Term Loans

1. Debt Service Coverage Ratio for Credit Facilities and Term Loans

We are required to maintain a minimum debt service coverage ratio of 1.20 on a rolling 12-month basis. Refer to the “Financial Covenants – Amendments to Covenants” section on page 31 of this MD&A.

(\$000s, except debt service coverage ratio)	12 months June 30, 2023	12 months December 31, 2022
Consolidated EBITDA for Credit Facilities and Term Loans ⁽¹⁾	244,619	253,415
Consolidated interest expense for Credit Facilities and Term Loans ⁽²⁾	97,168	91,657
Consolidated regularly scheduled debt principal payments for Credit Facilities and Term Loans ⁽³⁾	86,368	87,271
Consolidated debt service payments for Credit Facilities and Term Loans	183,536	178,928
Debt service coverage ratio for Credit Facilities and Term Loans	1.33	1.42

(1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures” section on page 35 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities and Term Loans.

(2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities, Term Loans, and Debentures” section on page 36 of this MD&A for the calculation of consolidated interest expense for Credit Facilities and Term Loans.

(3) Refer to the “Supporting Covenant Calculations – 3. Regularly Scheduled Debt Principal Payments for Credit Facilities” section on page 36 of this MD&A for the calculation of consolidated regularly scheduled debt principal payments for Credit Facilities and Term Loans.

2. Total Leverage Ratio for Credit Facilities and Term Loans

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

(\$000s, except total leverage ratio)	As at June 30, 2023	As at December 31, 2022
Consolidated indebtedness for Credit Facilities and Term Loans ⁽¹⁾	2,639,568	2,588,463
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans ⁽²⁾	5,190,833	5,164,122
Total leverage ratio for Credit Facilities and Term Loans	50.9%	50.1%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 37 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities and Term Loans.

(2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures” section on page 37 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

3. Adjusted Consolidated Unitholders’ Equity Ratio for Credit Facilities and Term Loans

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 June 30, 2023, the minimum adjusted consolidated unitholders’ equity requirement was \$1,338 million.

(\$000s)	As at June 30, 2023	As at December 31, 2022
Unitholders’ equity per Financial Statements	699,123	769,802
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans ⁽¹⁾⁽²⁾	1,450,685	1,400,176
Class B Units	14,493	12,916
Deferred Trust Units (“DTUs”)	12,722	10,525
Adjusted consolidated unitholders’ equity for Credit Facilities and Term Loans	2,177,023	2,193,419

(1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$33.1 million at June 30, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$285.8 million at June 30, 2023 (\$279.9 million at December 31, 2022).

(2) Includes accumulated depreciation of PP&E and amortization of intangible assets for LTC Discontinued Operations of \$72.7 million at June 30, 2023 (\$72.7 million at December 31, 2022) and fully amortized assets of \$1.6 million at June 30, 2023 (\$1.6 million at December 31, 2022).

4. Payment of Cash Distributions for Credit Facilities and Term Loans

For the period ended March 31, 2023, our Credit Facilities require that our cash distributions do not exceed 115% of our AFFO plus \$20.0 million.

(\$000s, except percentage of AFFO)	12 Months June 30, 2023	12 Months December 31, 2022
Distributions declared on Trust Units ⁽¹⁾	144,768	143,548
Distributions on Class B Units	937	937
Distributions on DTUs	753	704
Total distributions for Credit Facilities and Term Loans	146,458	145,189
Less:		
Non-cash distributions settled by DRIP	35,112	34,967
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	1,201	1,150
Non-cash distributions applied to DTUs	753	704
Cash distributions for Credit Facilities and Term Loans	109,392	108,368
AFFO for Credit Facilities and Term Loans ⁽²⁾	120,547	134,826
Add:		
Adjustment based on covenant amendment ⁽³⁾	20,000	-
AFFO adjusted for covenant amendment	140,547	134,826
Cash distributions as a percentage of AFFO for Credit Facilities	77.8%	80.4%

(1) "Trust Units" are the units of Chartwell, other than the special voting units of Chartwell.

(2) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities and Term Loans" section on page 38 of this MD&A for the calculation of AFFO for Credit Facilities and Term Loans.

(3) The AFFO payout ratios for the periods January 1, 2023, to December 31, 2023 were amended to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million from 100% of AFFO previously.

5. Investment Restrictions for Credit Facilities and Term Loans

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

(\$000s)	Threshold as of June 30, 2023	As at June 30, 2023	As at December 31, 2022
Non-qualifying joint ventures and investments ⁽¹⁾	259,542	-	-
Loans receivable ⁽²⁾	778,625	11,909	8,009
Investments in property held for development/construction as defined in the Credit Facilities and Term Loans ⁽²⁾	778,625	135,629	119,480
Combined ⁽³⁾	1,297,708	147,538	127,489

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

The following financial covenants are only applicable to the unsecured credit facility and Term Loans:

6. Secured Indebtedness Ratio for the unsecured credit facility and Term Loans

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 June 30, 2023	As at December 31, 2022
Secured indebtedness for the unsecured credit facility and Term Loans ⁽¹⁾	2,145,043	2,093,620
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans ⁽²⁾	5,190,833	5,164,122
Secured indebtedness ratio for the unsecured credit facility and Term Loans	41.3%	40.5%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 37 of this MD&A for the calculation of secured indebtedness for Credit Facilities and Term Loans.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures" section on page 37 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

7. Unencumbered Property Asset Ratio for the unsecured credit facility and Term Loans

We are required to maintain the unencumbered property asset value at more than 1.3 times our consolidated unsecured indebtedness.

(\$000s, except unencumbered property asset ratio)	As at June 30, 2023	As at December 31, 2022
Unencumbered property asset value for the unsecured credit facility and Term Loans ⁽¹⁾	944,850	1,120,500
Unsecured indebtedness for the unsecured credit facility and Term Loans ⁽²⁾	494,525	494,843
Unencumbered property asset ratio for the unsecured credit facility and Term Loans	1.9	2.3

(1) Includes 34 properties valued at \$944.9 million of which four properties valued at \$49.9 million relate to our LTC Discontinued Operations as of June 30, 2023 (four properties valued at \$49.9 million as of December 31, 2022). The property values are based on third-party appraisals that are dated no longer than two years from the applicable determination date.

(2) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 37 of this MD&A for the calculation of unsecured indebtedness for the Credit Facilities and Term Loans.

Debentures

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

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

(\$000s, except Interest Coverage Ratio)	12 months June 30, 2023	12 months December 31, 2022
Consolidated EBITDA for Debentures ⁽¹⁾	229,089	229,632
Consolidated interest expense for Debentures ⁽²⁾	98,901	91,321
Interest Coverage Ratio for Debentures	2.3	2.5

(1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures” section on page 35 of this MD&A for the calculation of consolidated EBITDA for Debentures.

(2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities, Terms Loans, and Debentures” section on page 36 of this MD&A for the calculation of consolidated interest expense for Debentures.

2. Indebtedness Percentage for 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)	June 30, 2023	December 31, 2022
Consolidated indebtedness for Debentures ⁽¹⁾	2,617,168	2,544,665
Aggregate adjusted assets for Debentures ⁽²⁾	5,175,460	5,127,478
Indebtedness percentage for Debentures	50.6%	49.6%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 37 of this MD&A for the calculation of consolidated indebtedness for Debentures.

(2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures” section on page 37 of this MD&A for the calculation of aggregate adjusted assets for Debentures.

3. Coverage Ratio for 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 1.3 on a proforma basis giving effect to the transactions completed to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

(\$000s, except ratio)	June 30, 2023	December 31, 2022
Unencumbered aggregate adjusted assets for Debentures ⁽¹⁾	944,850	1,120,500
Unsecured indebtedness for Debentures ⁽²⁾	487,498	487,689
Coverage ratio for Debentures	1.9	2.3

(1) Includes 34 properties valued at \$944.9 million as of June 30, 2023 of which four properties valued at \$49.9 million relate to our LTC Discontinued Operations (four properties valued at \$49.9 million as of December 31, 2022). The property values are based on third-party appraisals that are dated no longer than two years from the applicable determination date.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 37 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities, Term Loans, and Debentures.

(\$000s)	12 months December 31, 2022	Subtract: 2022 YTD	Add: 2023 YTD	12 months June 30, 2023
Net income	49,531	(2,210)	(16,710)	35,031
Gain on disposal of assets ⁽¹⁾	(71,767)	(970)	(3,414)	(74,211)
Transaction costs ⁽¹⁾	2,727	704	628	2,651
Impairment losses	-	-	-	-
Non-cash change in fair value of financial instruments ⁽¹⁾	(24,816)	(12,469)	5,578	(6,769)
Consolidated net income/(loss) for Credit Facilities and Term Loans	(44,325)	(14,945)	(13,918)	(43,298)
Consolidated finance costs ⁽¹⁾	95,057	45,284	51,229	101,002
Consolidated depreciation of PP&E and amortization of intangible assets ⁽¹⁾	160,962	79,051	80,595	162,506
Consolidated income tax expense/(benefit)	14,131	(470)	(9,817)	4,784
Principal portion of capital funding	6,746	3,352	2,948	6,342
Net pandemic expenses ⁽²⁾	20,844	10,993	3,432	13,283
Consolidated EBITDA for Credit Facilities and Term Loans	253,415	123,265	114,469	244,619
Proforma adjustments ⁽³⁾	(2,939)			(2,247)
Less: Net pandemic expenses ⁽²⁾	(20,844)	(10,993)	(3,432)	(13,283)
Consolidated EBITDA for Debentures	229,632			229,089

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

(2) Amended to exclude incremental direct operating expenses from July 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA for the purpose of the calculation of our debt service coverage for the periods ending at the earlier of December 31, 2023 and the maturity of the applicable credit agreement and as such excludes \$0.5 million of prior-period reimbursement recognized in the twelve months ended June 30, 2023.

(3) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period, on a proforma basis.

2. Consolidated Interest Expense for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities, Term Loans, and Debentures.

(\$000s)	12 months December 31, 2022	Subtract: 2022 YTD	Add: 2023 YTD	12 months June 30, 2023
Interest on mortgages ⁽¹⁾	65,046	32,395	32,396	65,047
Interest on Debentures	13,888	6,887	6,887	13,888
Interest on Credit Facilities	7,731	1,974	7,056	12,813
Interest on Term Loans	4,992	2,309	2,737	5,420
Consolidated interest expense for Credit Facilities and Term Loans	91,657	43,565	49,076	97,168
Proforma adjustments ⁽²⁾	(336)			1,733
Consolidated interest expense for Debentures	91,321			98,901

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

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

3. Regularly Scheduled Debt Principal Payments for Credit Facilities and Term Loans

The following table summarizes regularly scheduled principal debt payments for the Credit Facilities and Term Loans.

(\$000s)	12 months December 31, 2022	Subtract: 2022 YTD	Add: 2023 YTD	12 months June 30, 2023
Regularly scheduled debt principal payments per Financial Statements	86,997	43,690	42,782	86,089
Regularly scheduled debt principal payments for equity-accounted entities	274	136	141	279
Regularly scheduled debt principal payments for Credit Facilities and Term Loans	87,272			86,368
Regularly scheduled debt principal payments for LTC Discontinued Operations	3,612			5,590

4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities, Term Loans, and Debentures.

(\$000s)	June 30, 2023	December 31, 2022
Principal balance of mortgages payable	1,753,823	1,701,668
Principal balance of mortgages payable related to Equity-Accounted JVs	52,134	52,276
Principal balance of mortgages payable related to LTC Discontinued Operations	136,486	142,076
Outstanding amount on secured credit facility	189,000	184,000
Outstanding amount on secured term loan	13,600	13,600
Secured indebtedness for the unsecured credit facility and Term Loans	2,145,043	2,093,620
Principal balance of Debentures	350,000	350,000
Unsecured term loans	125,000	125,000
Capital lease obligations ⁽¹⁾	12,498	12,689
Unsecured indebtedness for Debentures	487,498	487,689
Outstanding letters of credit	6,303	6,273
Third-party guarantees	724	881
Unsecured indebtedness for Credit Facilities and Term Loans	494,525	494,843
Consolidated indebtedness for Credit Facilities and Term Loans	2,639,568	2,588,463
<i>Add (Subtract):</i>		
Outstanding letters of credit	(6,303)	(6,273)
Third-party guarantees	(724)	(881)
Cash and cash equivalents	(7,479)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(7,894)	(8,175)
Cash and cash equivalents of LTC Discontinued Operations	-	-
Consolidated indebtedness for Debentures	2,617,168	2,544,665

(1) Includes capital lease obligations related to LTC Discontinued Operations of \$4.1 million at June 30, 2023 (\$4.2 million at December 31, 2022) and capital lease obligations related to joint ventures of \$0.2 million at June 30, 2023 (\$0.4 million at December 31, 2022).

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures

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

(\$000s)	June 30, 2023	December 31, 2022
Book value of assets ⁽¹⁾	3,539,080	3,565,802
Gross book value adjustment on IFRS transition ⁽²⁾	201,068	198,144
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans ⁽³⁾⁽⁴⁾	1,450,685	1,400,176
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans	5,190,833	5,164,122
<i>Add (Subtract):</i>		
Cash and cash equivalents	(7,479)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(7,894)	(8,175)
Cash and cash equivalents of LTC Discontinued Operations	-	-
Aggregate adjusted assets for Debentures	5,175,460	5,127,478

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

(2) Includes gross book value adjustment on IFRS transition for LTC discontinued operations of \$57.4 million at June 30, 2023 (\$57.4 million at December 31, 2022).

(3) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$33.1 million at June 30, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$285.8 million at June 30, 2023 (\$279.9 million at December 31, 2022).

(4) Includes accumulated depreciation of PP&E and amortization of intangible assets for LTC Discontinued Operations of \$72.7 million at June 30, 2023 (\$72.7 million at December 31, 2022) and fully amortized assets of \$1.6 million at June 30, 2023 (\$1.6 million at December 31, 2022).

6. Adjusted Funds from Operations for Credit Facilities and Term Loans

AFFO for Credit Facilities and Term Loans 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 and LTC Discontinued Operations:

Principal portion of capital funding receivable: This item represents the principal portion of the cash flow stream provided in the respective period by the Ontario Ministry of Long Term Care to long term care homes which meet certain design criteria.

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

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

Finance cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 bps, 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.

Net Pandemic Expense: Amendment to exclude incremental direct operating expenses directly related to the COVID-19 pandemic for the period from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) for the periods ending at the earlier of December 31, 2023 and the maturity of the applicable credit agreement.

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

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

(\$000s)	12 Months June 30, 2023	12 Months December 31, 2022
FFO ⁽¹⁾	120,326	126,917
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	6,342	6,746
Income guarantees ⁽²⁾	-	-
Amortization of finance costs and fair value adjustments on assumed mortgages ⁽³⁾	3,011	2,695
Finance cost reserve	(1,620)	(1,786)
Net pandemic expense ⁽⁴⁾	13,283	20,844
AFFO for Credit Facilities and Term Loans before capital maintenance reserve	141,342	155,416
Capital maintenance reserve - 2% of property revenue	(20,795)	(20,590)
AFFO for Credit Facilities and Term Loans	120,547	134,826

(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; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(3) Non-GAAP; Q2 2023 excludes \$2.3 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2022 - \$2.0 million).

(4) Incremental direct operating expenses directly related to the COVID-19 pandemic for the period from July 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) and as such excludes \$0.5 million of prior-period reimbursements recognized in the twelve months ended June 30, 2023.

Total Equity

The following table summarizes changes in the number of outstanding units during 2023 YTD:

	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total Equity ⁽¹⁾
Balance December 31, 2022	234,752,609	1,888,133	1,530,360	1,247,209	239,418,311
Trust Units issued pursuant to DRIP	2,005,054	-	-	-	2,005,054
Trust Units issued under EUPP	-	264,645	-	-	264,645
Trust Units released on settlement of EUPP receivable	58,720	(58,720)	-	-	-
DTUs issued	-	-	-	53,102	53,102
Distributions on DTUs	-	-	-	43,249	43,249
Balance June 30, 2023	236,816,383	2,094,058	1,530,360	1,343,560	241,784,361

(1) Non-GAAP; includes Class B Units and DTUs which are classified as liabilities in our Financial Statements.

As of August 10, 2023, the Trust has 239,228,315 trust units outstanding and Chartwell Master Care LP has 1,530,360 Class B Units outstanding which are exchangeable for 1,530,360 trust units.

Distributions

The following table summarizes distributions declared on Trust Units in Q2 2023, 2023 YTD, 2022 and 2021 in relation to cash flows from operating activities and net income/(loss):

(\$000s)	Q2 2023	2023 YTD	2022	2021
Cash flows from operating activities	28,868	48,223	137,709	156,323
Net income/(loss)	(7,457)	(16,710)	49,531	10,132
Finance costs included in cash flow from financing activities	(4,359)	(7,294)	(8,944)	(8,434)
Distributions declared on Trust Units	36,436	72,716	143,548	136,227
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	(7,568)	(24,493)	(5,839)	20,096
Excess/(deficit) of cash flows from operating activities less finance costs included in cash flow from financing activities over distributions declared on Trust Units	(11,927)	(31,787)	(14,783)	11,662
Excess/ (Deficit) of net income over distributions declared on Trust Units	(43,893)	(89,426)	(94,017)	(126,095)

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 Trustees do not use net income/(loss) as determined in accordance with GAAP as the basis for establishing the level of distributions to unitholders as it includes items that we do not believe are informative or reflective of the factors described above that are used in and considered relevant in setting the distribution rate. The items that are included in net income/(loss) and are not used or considered relevant include, among other items, distributions on Class B Units which are recorded as interest expense, non-cash depreciation and amortization, changes in fair values of certain liabilities and impairment losses. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

The pandemic introduced significant uncertainties as discussed in our 2022 MD&A. The Trustees continue to monitor the impact of the pandemic, including expected timing and pace of occupancy recovery and expense stabilization on Chartwell's business and will exercise their discretion with respect to setting the distribution rate accordingly.

The excess of distributions over cash flows from operating activities in Q2 2023 and 2023 YTD and the excess of distributions over cash flows from operating activities less finance costs included in cash flow from financing activities in Q2 2023 and 2023 YTD are primarily due to the impact of the pandemic on our operations and timing in working capital changes which have been financed utilizing our Credit Facilities.

Throughout the pandemic we prioritized the needs of our residents and support for our employees, while balancing interests of our stakeholders, including unitholders, and we chose to maintain our distributions. The impact of the pandemic on our occupancies, NOI, FFO and cash flows has been significant. As a result, our current cash flow from operating activities does not fully cover our finance costs, capital investments and distributions.

Our operational, sales, marketing, and portfolio optimization strategies have produced improvements in our occupancies and reductions in agency staffing and pandemic expenses. We believe that these trends will continue in 2023 and beyond. We believe that with our operating cash flows, the available capacity on our Credit Facilities, access to CMHC insured mortgages and other financing sources, and the expected proceeds from previously announced asset sales, we will have sufficient liquidity to finance our planned business activities and distributions.

Unitholders who are Canadian residents are eligible to participate in our DRIP, which allows reinvestment of their distributions into new units of Chartwell, including a 3% bonus distribution with no commissions. This facilitates unitholders' ability to realize the benefits of compound growth in their investment. Unitholders can enroll in our DRIP by contacting their investment advisor. In Q2 2023, our average DRIP participation was 24.0% compared to 24.6% participation in Q2 2022.

Capital Investments

In normal circumstances, we regularly reinvest capital in our owned property portfolio with the goal of growing our property NOI and protecting and maintaining our properties. In 2022 YTD, pandemic related restrictions, in many cases, limited access to our residences and as a result capital investments in 2022 YTD were lower than 2023 YTD.

The following table summarizes our capital investments in 2023 YTD and 2022 YTD for our continuing operations:

(\$000s)	2023 YTD ⁽¹⁾	2022 YTD ⁽²⁾
Building improvements	14,569	15,878
Mechanical and electrical ("M&E")	8,058	7,292
Suite improvements and upgrades	13,826	8,283
Interior improvements and upgrades	3,898	2,336
Furniture, fixtures and equipment	4,891	3,547
Communications and information systems	227	1,006
Properties under development	45,469	38,342
Land under development	16,149	13,948
	-	-
Total capital investments	61,618	52,290

(1) Includes 159 properties (18,895 suites) at Chartwell's share of ownership.

(2) Includes 162 properties (19,793 suites) at Chartwell's share of ownership.

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2023 YTD and 2022 YTD not included in the table above:

(\$000s)	2023 YTD	2022 YTD
Capital investments in Equity-Accounted JVs	480	1,132

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 our properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (e.g., parking rates) and operating cost savings (e.g., energy efficient windows and doors, improved building insulation).

In 2023 YTD, we completed 76 major building improvement projects valued over \$50,000 each, totalling \$13.7 million (2022 YTD – 82 projects totalling \$14.9 million). In addition, included in this category are the acquisitions of three condominium suites at one of our properties in British Columbia totalling \$1.2 million (2022 YTD – two condominium suites for \$0.8 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 2023 YTD, we completed 54 major M&E projects valued over \$50,000 each, totalling \$5.8 million (2022 YTD – 38 projects totalling \$4.9 million).

Suite Improvements and Upgrades

This category includes capital investments in resident suites. We have a developed and maintain 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/or, full renovations of bathrooms and kitchens.

In 2023 YTD, we invested in strategic suite upgrade programs in 43 properties (2022 YTD – 34 properties).

Interior Improvements and Upgrades

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

In 2023 YTD, we invested in strategic common area upgrade programs in nine properties (2022 YTD – 21 properties).

Furniture, Fixtures and Equipment

This category primarily includes investments in resident common 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 and computer hardware.

LTC Discontinued Operations

The following table is supplemental information and summarizes capital investments in our LTC Discontinued Operations in 2023 YTD and 2022 YTD not included in the table above and related discussion:

(\$000s)	2023 YTD ⁽¹⁾	2022 YTD ⁽¹⁾
Capital Investments	3,080	3,754
Properties under development	-	247
Total capital investments	3,080	4,001

(1) Includes 17 properties (2,418 suites) at Chartwell's share of ownership.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for June 30, 2023 compared to December 31, 2022 including those in our LTC Discontinued Operations.

	Increase (Decrease) (\$millions)	Explanation
Total assets	(26.3)	Total assets decreased primarily due to decreases in cash, PP&E, investment in joint ventures and intangible assets partially offset by increases in trade and other receivables, loans receivables and other assets.
Total liabilities	44.4	Total liabilities increased primarily due to increases in mortgages payable, draws on credit facilities and accounts payable partially offset by decrease in deferred tax liabilities.
Equity	(70.7)	The decrease in equity is primarily due to distributions and net loss for the period partially offset by issuance of trust units under DRIP.

Commitments and Contingencies

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2022 MD&A. There were no significant changes in our contractual obligations and guarantees in Q2 2023 which are outside the ordinary course of business.

Litigation, Claims and Contingencies

In 2020, Chartwell was named in three proposed class action lawsuits related to our handling of the COVID-19 pandemic in our Ontario Long Term Care homes which were subsequently consolidated into one proceeding (the "Consolidated Claim"). The Consolidated Claim has not been certified. Our insurer has assigned defense counsel and is responding to the Consolidated Claim through the appropriate court process. On November 20, 2020, Bill 218, Supporting Ontario's Recovery and Municipal Elections Act, 2020 (the "Recovery Act") received Royal Assent and came into effect. The Recovery Act, which applies retroactively to March 17, 2020, provides protections from liability to businesses that make good faith efforts to comply with public health guidelines and laws regarding exposure to COVID-19, provided the business was not grossly negligent. We did not record a provision with respect to the Consolidated Claims as at June 30, 2023.

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal for Ontario in Attorney General of Ontario et al. v. Ontario Nurses' Association, et al. was dismissed by the Supreme Court of Canada, thus upholding the appellate decision. The Court of Appeal decision held that LTC homes that used proxy comparators to develop pay equity plans have not met their maintenance requirements. We continue to work with the unions, the other participating LTC homes and the Ontario Government to reach a pay equity maintenance framework appropriate for the sector.

There are a number of uncertainties related to how the appellate court decision regarding pay equity maintenance should be implemented. Discussions between the affected parties regarding the development of an appropriate framework and resolution to this matter have not meaningfully progressed, thereby creating additional uncertainty related to potential outcomes, as well as uncertainty relating to the timing of when more information on the outcomes will be known and when the matter may be settled. As a result of the significant number of judgments that would be required, a reliable estimate of our liability for any pay equity adjustments cannot currently be made. We expect that any adjustments will be fully funded by the Ontario government. No liability for potential pay equity adjustments or expected recovery from the Ontario Government has been recognized in our financial statements. An increase in labour costs as a result of any unfunded adjustments could adversely affect our financial condition.

Further details of our litigation and claims are outlined in our 2022 MD&A. There were no significant changes in the status with respect to these litigations and claims in 2023 YTD.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information for:

(\$000s, except per unit amounts and number of units)	2023			2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	180,771	178,287	181,699	180,516	175,873	169,904	170,934	167,806
Direct property operating expense	(113,290)	(117,874)	(120,672)	(117,811)	(112,434)	(113,787)	(112,867)	(107,374)
Depreciation and amortization	(38,539)	(39,976)	(40,255)	(39,767)	(38,749)	(37,365)	(42,916)	(37,828)
Share of net income/(loss) from joint ventures	(197)	(2,070)	(1,200)	(1,015)	(933)	(161)	(3,309)	(1,293)
G&A expenses	(17,163)	(15,429)	(9,334)	(11,215)	(15,264)	(13,828)	(9,669)	(9,652)
Other income/(expense)	605	2,310	68,456	718	774	675	36,326	(55)
Finance costs	(23,709)	(22,806)	(22,870)	(21,978)	(20,943)	(19,300)	(19,486)	(20,441)
Changes in fair value of financial instruments	(3,081)	(2,509)	2,929	9,054	7,161	2,641	2,248	4,274
Deferred income tax benefit/(expense)	2,340	7,477	(16,849)	2,248	1,111	(641)	(4,346)	2,724
Net income/(loss) from continuing operations	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)	16,915	(1,839)
Net income/(loss) from LTC Discontinued Operations	4,806	3,337	5,559	3,528	4,510	8,546	1,817	2,756
Net income/(loss) for the period	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)	18,732	917
FFO ⁽¹⁾								
Continuing operations	25,900	20,918	27,744	28,290	25,719	20,259	23,856	28,829
Total	30,751	24,338	33,357	31,880	30,355	31,324	28,435	33,937
FFOPU ⁽¹⁾								
Continuing operations	0.11	0.09	0.12	0.12	0.11	0.09	0.10	0.13
Total	0.13	0.10	0.14	0.13	0.13	0.13	0.12	0.15
IFFO ⁽¹⁾								
Continuing operations	26,255	21,676	28,877	29,535	26,785	21,279	25,347	30,412
Total	31,106	25,096	34,490	33,125	31,421	32,344	29,926	35,520
IFFOPU ⁽¹⁾								
Continuing operations	0.11	0.09	0.12	0.13	0.11	0.09	0.11	0.14
Total	0.13	0.10	0.14	0.14	0.13	0.14	0.13	0.16
Weighted average number of units (000) ⁽²⁾	241,240	239,948	238,831	237,837	236,859	236,048	235,268	225,074

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

(2) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 50 of this MD&A.

Our results for the past eight quarters have primarily been affected by:

- developments, acquisitions, and dispositions of properties as described in the "Significant Events" section on page 9 and the "2023 Outlook" section on page 7 of this MD&A and in our 2022 MD&A
- pandemic impacts as described in our 2022 MD&A including occupancy levels, pandemic restrictions and costs, and related levels of government recoveries
- changes in fair value of financial instruments
- deferred income taxes, and
- the issuance of 15.5 million additional Trust Units in Q3 2021.

The effect of seasonal factors on our quarterly results is primarily related to outbreaks and weather patterns which affect both direct operating expenses, primarily utilities, staffing and maintenance cost trends, and also revenue due to changes in occupancy due to new resident move-in trends.

Additional Information on Non-GAAP Measures

Throughout this MD&A, there are references to certain Non-GAAP measures. As described in the relevant sections of this MD&A, where a Non-GAAP 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 Measure. Non-GAAP Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar financial measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Measure that has not been provided elsewhere in this MD&A. We present FFO substantially consistent with the definition adopted by REALPAC.

Funds from Operations and Internal Funds from Operations

FFO

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.
- D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- E. Gains or 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. Gain or loss on the sale of an investment in a foreign operation.
- M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- N. Negative goodwill or goodwill impairment.
- O. Effects of puttable instruments classified as financial liabilities.
- P. Results of discontinued operations.
- Q. Adjustments for equity-accounted entities.
- R. Incremental leasing costs.
- S. Property taxes accounted for under IFRIC 21.
- T. Operational revenue and expenses from Right of Use assets.
- U. Non-controlling interests.

IFFO

IFFO is a Non-GAAP Financial Measure used to evaluate management performance and does not have a standardized meaning prescribed by IFRS; therefore, it is not comparable to similar measures presented by other income trusts or other companies. IFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. Chartwell calculates IFFO by adding or subtracting the following items to or from its FFO: (a) Lease-up-Losses and Imputed Cost of Debt on development properties; (b) income guarantees due from vendors of certain acquired properties; and (c) current income tax. These adjustments to FFO are made to ensure management is not incented to make short-term decisions for Chartwell by not developing new properties or acquiring properties with long term value creation potential.

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

(\$000s, except per unit amounts and number of units)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Net income/(loss)	(12,263)	(3,404)	(8,859)	(24,853)	(15,266)	(9,587)
<i>Add (Subtract):</i>						
B Depreciation of PP&E	37,786	37,927	(141)	77,023	74,548	2,475
D Amortization of limited life intangible assets	753	822	(69)	1,492	1,566	(74)
B Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,094)	(1,203)	109	(2,238)	(2,424)	186
E Loss/(gain) on disposal of assets	(709)	(425)	(284)	(3,421)	(970)	(2,451)
J Transaction costs arising on dispositions	104	23	81	506	78	428
G Deferred income tax	(2,340)	(1,111)	(1,229)	(9,817)	(470)	(9,347)
O Distributions on Class B Units recorded as interest expense	234	234	-	468	468	-
M Changes in fair value of financial instruments	3,081	(7,161)	10,242	5,590	(9,802)	15,392
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	348	17	331	2,068	(1,749)	3,817
FFO ⁽²⁾	25,900	25,719	181	46,818	45,979	839
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	355	1,066	(711)	1,113	2,086	(973)
IFFO ⁽⁵⁾	26,255	26,785	(530)	47,931	48,065	(134)
Weighted average number of units (000) ⁽⁶⁾	241,240	236,859	4,381	240,598	236,456	4,142
FFOPU ⁽⁷⁾	0.11	0.11	-	0.20	0.19	0.01
IFFOPU ⁽⁷⁾	0.11	0.11	-	0.20	0.20	-

(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 14 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt" section on page 9 of this MD&A. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(5) Non-GAAP; refer to the preamble to this table.

(6) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 50 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs:

(\$000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
B Depreciation of PP&E and amortization of intangible assets	977	973	4	2,080	919	1,161
E Loss/(gain) on disposal of assets	-	(3)	3	-	(3)	3
M Change in fair value of financial instruments	(629)	(953)	324	(12)	(2,665)	2,653
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	348	17	331	2,068	(1,749)	3,817

(1) Non-GAAP; refer to the preamble to this section.

The following table provides a reconciliation of net income/(loss) to Total FFO for total operations and Total IFFO for total operations:

(\$000s, except per unit amounts and number of units)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Net income/(loss)	(7,457)	1,106	(8,563)	(16,710)	(2,210)	(14,500)
<i>Add (Subtract):</i>						
B Depreciation of PP&E	37,786	37,927	(141)	77,023	76,364	659
D Amortization of limited life intangible assets	753	822	(69)	1,492	1,768	(276)
B Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,094)	(1,203)	109	(2,238)	(2,424)	186
E Loss/(gain) on disposal of assets	(714)	(423)	(291)	(3,415)	(968)	(2,447)
J Transaction costs arising on dispositions	154	147	7	628	703	(75)
G Deferred income tax	(2,340)	(1,111)	(1,229)	(9,817)	(470)	(9,347)
O Distributions on Class B Units recorded as interest expense	234	234	-	468	468	-
M Changes in fair value of financial instruments	3,081	(7,161)	10,242	5,590	(9,802)	15,392
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	348	17	331	2,068	(1,749)	3,817
FFO ⁽²⁾	30,751	30,355	396	55,089	61,680	(6,591)
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	355	1,066	(711)	1,113	2,086	(973)
IFFO ⁽⁵⁾	31,106	31,421	(315)	56,202	63,766	(7,564)
Weighted average number of units (000) ⁽⁶⁾	241,240	236,859	4,381	240,598	236,456	4,142
FFOPU ⁽⁷⁾	0.13	0.13	-	0.23	0.26	(0.03)
IFFOPU ⁽⁷⁾	0.13	0.13	-	0.23	0.27	(0.04)

(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 14 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt" section on page 9 of this MD&A. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(5) Non-GAAP; refer to the preamble to this table.

(6) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 50 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides a quarterly reconciliation of net income/(loss) to FFO for continuing operations and IFFO for continuing operations:

		2023			2022		2021	
(\$000s, except per unit amounts and number of units)		Q2	Q1	Q4	Q3	Q2	Q1	Q4
	Q3							
	Net income/(loss)	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)	16,915
	(1,839)							
	Add (Subtract):							
B	Depreciation of PP&E	37,786	39,237	39,482	38,958	37,927	36,621	38,649
D	Amortization of limited life intangible assets	753	739	773	809	822	744	4,267
B	Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)	(3,848)
E	Loss/(gain) on disposal of assets	(709)	(2,712)	(70,125)	(656)	(425)	(545)	(37,854)
J	Transaction costs arising on dispositions	104	402	1,792	122	23	55	858
H	Impairment losses	-	-	-	-	-	-	850
G	Deferred income tax	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641	4,346
O	Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	235
M	Changes in fair value of financial instruments	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)	(2,248)
Q	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	348	1,720	945	561	17	(1,766)	1,686
	750							
	FFO ⁽²⁾	25,900	20,918	27,744	28,290	25,719	20,259	23,856
	28,830							
	Add (Subtract):							
	Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	355	758	1,133	1,245	1,066	1,020	1,491
	Income guarantees ⁽⁴⁾	-	-	-	-	-	-	-
	90							
	IFFO ⁽⁵⁾	26,255	21,676	28,877	29,535	26,785	21,279	25,347
	30,413							
	Weighted average number of units (000) ⁽⁶⁾	241,240	239,948	238,831	237,837	236,859	236,048	235,268
	225,074							
	FFOPU ⁽⁷⁾	0.11	0.09	0.12	0.12	0.11	0.09	0.10
	0.13							
	IFFOPU ⁽⁷⁾	0.11	0.09	0.12	0.13	0.11	0.09	0.11
	0.14							

(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 14 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt" section on page 9 of this MD&A. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(5) Non-GAAP; refer to the preamble to this table.

(6) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 50 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides a quarterly reconciliation of net income/(loss) to Total FFO for total operations and Total IFFO for total operations:

		2023			2022			2021	
(\$000s, except per unit amounts and number of units)		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	Net income/(loss)	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)	18,732	917
	<i>Add (Subtract):</i>								
B	Depreciation of PP&E	37,786	39,237	39,482	38,958	37,927	38,437	41,065	39,109
D	Amortization of limited life intangible assets	753	739	773	809	822	946	4,613	1,072
B	Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)	(3,848)	(1,416)
E	Loss/(gain) on disposal of assets	(714)	(2,701)	(70,122)	(655)	(423)	(545)	(37,854)	(151)
J	Transaction costs arising on dispositions	154	474	1,843	183	147	556	858	420
H	Impairment losses	-	-	-	-	-	-	850	-
G	Deferred income tax	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641	4,346	(2,724)
O	Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	235	234
M	Changes in fair value of financial instruments	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)	(2,248)	(4,274)
Q	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	348	1,720	945	561	17	(1,766)	1,686	750
	FFO ⁽²⁾	30,751	24,338	33,357	31,880	30,355	31,324	28,435	33,937
	<i>Add (Subtract):</i>								
	Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	355	758	1,133	1,245	1,066	1,020	1,491	1,493
	Income guarantees ⁽⁴⁾	-	-	-	-	-	-	-	90
	IFFO ⁽⁵⁾	31,106	25,096	34,490	33,125	31,421	32,344	29,926	35,520
	Weighted average number of units (000) ⁽⁶⁾	241,240	239,948	238,831	237,837	236,859	236,048	235,268	225,074
	FFOPU ⁽⁷⁾	0.13	0.10	0.14	0.13	0.13	0.13	0.12	0.15
	IFFOPU ⁽⁷⁾	0.13	0.10	0.14	0.14	0.13	0.14	0.13	0.16

(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 14 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt" section on page 9 of this MD&A. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.

(5) Non-GAAP; refer to the preamble to this table.

(6) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 50 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides the reconciliation net income/(loss) of FFO from LTC Discontinued Operations and IFFO from LTC Discontinued Operations:

(\$000s, except per unit amounts and number of units)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Net income/(loss)	4,806	4,510	296	8,143	13,056	(4,913)
<i>Add (Subtract):</i>						
Depreciation of PP&E	-	-	-	-	1,816	(1,816)
Amortization of limited life intangible assets	-	-	-	-	202	(202)
Loss/(gain) on disposal of assets	(5)	2	(7)	6	2	4
Transaction costs arising on dispositions	50	124	(74)	122	625	(503)
FFO ⁽¹⁾	4,851	4,636	215	8,271	15,701	(7,430)
IFFO ⁽²⁾	4,851	4,636	215	8,271	15,701	(7,430)
Weighted average number of units (000) ⁽³⁾	241,240	236,859	4,381	240,598	236,456	4,142
FFOPU ⁽⁴⁾	0.02	0.02	-	0.03	0.07	(0.04)
IFFOPU ⁽⁴⁾	0.02	0.02	-	0.03	0.07	(0.04)

(1) Non-GAAP; refer to the preamble to this table and to the “Consolidated Results of Operations – FFO” section on page 14 of this MD&A for a discussion of the significance of this metric.

(2) Non-GAAP; refer to the preamble to this table.

(3) Non-GAAP; refer to the “Weighted Average Number of Units” section on page 50 of this MD&A.

(4) Non-GAAP; refer to the “Per Unit Amounts” section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides the quarterly reconciliation of net income/(loss) to FFO from LTC Discontinued Operations and IFFO from LTC Discontinued Operations:

(\$000s, except per unit amounts and number of units)	2023				2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Net income/(loss)	4,806	3,337	5,559	3,528	4,510	8,546	1,817	2,756	
<i>Add (Subtract):</i>									
Depreciation of PP&E	-	-	-	-	-	1,816	2,416	2,143	
Amortization of limited life intangible assets	-	-	-	-	-	202	346	210	
Loss/(gain) on disposal of assets	(5)	11	3	1	2	-	-	(2)	
Transaction costs arising on dispositions	50	72	51	61	124	501	-	-	
FFO ⁽¹⁾	4,851	3,420	5,613	3,590	4,636	11,065	4,579	5,107	
IFFO ⁽²⁾	4,851	3,420	5,613	3,590	4,636	11,065	4,579	5,107	
Weighted average number of units (000) ⁽³⁾	241,240	239,948	238,831	237,837	236,859	236,048	235,268	225,074	
FFOPU ⁽⁴⁾	0.02	0.01	0.02	0.01	0.02	0.04	0.02	0.02	
IFFOPU ⁽⁴⁾	0.02	0.01	0.02	0.01	0.02	0.04	0.02	0.02	

(1) Non-GAAP; refer to the preamble to this table and to the “Consolidated Results of Operations – FFO” section on page 14 of this MD&A for a discussion of the significance of this metric.

(2) Non-GAAP; refer to the preamble to this table.

(3) Non-GAAP; refer to the “Weighted Average Number of Units” section on page 50 of this MD&A.

(4) Non-GAAP; refer to the “Per Unit Amounts” section on page 50 of this MD&A for a discussion of the calculation of the per unit amounts.

Per Unit Amounts

In our calculations of FFOPU and IFFOPU, we add the weighted average Class B Units to the weighted average Trust Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we add Trust Units issued under EUPP and DTUs.

Weighted Average Number of Units

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

(000s)	Q2 2023	Q2 2022	Change	2023 YTD	2022 YTD	Change
Weighted average number of units ⁽¹⁾	241,240	236,859	4,381	240,598	236,456	4,142

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

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and 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 indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at June 30, 2023, and December 31, 2022:

(\$000s, except Net Debt to Adjusted EBITDA ratio)	June 30, 2023	December 31, 2022
Consolidated Indebtedness for Debentures ⁽¹⁾	2,617,168	2,544,665
Consolidated EBITDA for Debentures ⁽²⁾	229,089	229,632
Net Debt to Adjusted EBITDA ratio	11.4	11.1

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 37 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures" section on page 35 of this MD&A for the calculation of this amount.

The increase in Net Debt to Adjusted EBITDA ratio is primarily due to lower EBITDA as a result of reduced occupancy and higher direct property operating expense primarily as a result of the pandemic (as discussed in our 2022 MD&A) and financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution.

Critical Accounting Policies and Estimates

Critical Accounting Judgments, Estimates and Assumptions in Applying Accounting Policies

In our 2022 MD&A as well as in our 2022 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 to our accounting policies in 2023 YTD or following the date of our 2022 Financial Statements.

Changes in Accounting Estimates and Changes in Accounting Policies

Our significant accounting policies are described in Note 3 of our 2022 Financial Statements. Note 3(o) outlines future accounting policy changes. There were no significant changes to our accounting policies in 2023 YTD or following the date of our 2022 Financial statements.

Related Party Transactions

In the normal course of operations, Chartwell enters into various transactions with related parties. A summary of related party transactions can be found in 'Note 10 Joint Arrangements' in our Financial Statements.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. 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 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 June 30, 2023. 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 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 material changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2023, that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

Risks and Uncertainties and Forward-Looking Information

Risk and Uncertainties

Our AIF, dated March 2, 2023, and our 2022 MD&A contain detailed discussions of risk factors and uncertainties facing Chartwell. In addition, a discussion on the impact of COVID-19 on our business and certain related risks can be found in the “2023 Outlook” section of our 2022 MD&A.

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. These assumptions include, but are not limited to, expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information including the expected closing of the LTC Discontinued Operations in Q3 2023 and Ballycliffe LTC in Q1 2024, growth in revenue and service fees, growth in occupancy rates due to industry demand, continued growth in labour costs as a result of labour shortages and market conditions, COVID-19 Restrictions will not be reimposed and affect our ability to operate our business, continued access to CMHC mortgages at competitive rates; continued access to capital markets which will continue to provide Chartwell with access to equity and/or debt at reasonable rates to meet financial and operating needs, no unforeseen changes to tax laws and our ability to maintain status as a mutual fund trust.

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:

- statements regarding our business strategies, operational sales, marketing and portfolio optimization strategies, including targets, and the expected results of such strategies,
- statements and forecasts regarding occupancy trends and growth,
- statements regarding our ability to achieve improvements in our cash flows,
- our predictions and expectations with respect to the COVID-19 pandemic, related restrictions and the potential impact on Chartwell, including statements regarding the expense stabilization,
- our predictions and expectations with respect to industry trends including growth in the senior population, a deficit of long-term care beds and the slowdown of new construction starts, including statements regarding recovery of occupancy levels, growth and achievement of occupancy targets,
- our continued focus on differentiating Chartwell as a competitive employer within the industry through the implementation of various recruitment, retention and engagement focused initiatives,
- our expectations with respect to reducing our reliance on agency workers, agency staffing cost trends and cost reduction targets,
- our expectations regarding the decline and discontinuation of government funding and related impacts on our financial performance,
- our expectations with respect to provincial government directives,
- our expectations regarding our ability to meet our obligations as they become due utilizing our sources of liquidity,
- our expectations regarding achievement of certain occupancy levels and projected earnings generated

therefrom,

- our expectations regarding achievement of certain employee engagement and resident satisfaction,
- our expectations with respect to potential development projects on our owned lands,
- information related to the expected completion and expected stabilized occupancy dates of properties under development,
- the expected closings and closing dates of, taxes, proceeds and expected use of proceeds from, acquisitions and dispositions, including the LTC Transactions,
- our expectations with respect to the LTC Transactions, including timing of receipt of regulatory and other required approvals and completion of the transactions, and the impact of such transactions on the availability of our secured credit facilities,
- our expectations with respect to the balance and associated interest rates of certain mortgage debt,
- our ability to realize expected unlevered yields, occupancy rates and net operating income on our development projects,
- our expectations with respect to refinancing activities, including our ability to renew maturing debt and to obtain new financings in due course,
- our expectations regarding repayment of debt and the impact of such repayment on our unencumbered asset pool,
- our intention and ability to access low-cost mortgage financing insured by CMHC,
- the sustainability of our current distributions and plans to maintain the current level of distributions,
- our expectations regarding future development and acquisition opportunities, including but not limited to those with Batimo,
- our expectations with respect to the use of properties closed to new admissions and future disposition and asset repositioning opportunities,
- statements regarding the impact of certain litigation,
- expectations with respect to the funding of pay equity adjustments,
- statements regarding the future segment classification of certain properties,
- statements regarding the income-generating potential of our properties,
- our expectations regarding the tax classification of future distributions,
- our expectations with respect to the fluctuation in the market and fair value of our financial instruments,
- our expectations regarding taxes that are expected to be payable in the current and future years under the SIFT rules, including our expectations with respect to deductions and losses which we expect to carry forward to offset taxes under the SIFT rules, and
- our expectations regarding future demand for retirement suites and services in the provinces in which we operate.

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.