



CHARTwell
retirement residences



**MANAGEMENT'S
DISCUSSION & ANALYSIS**

FOR THE YEAR ENDED
DECEMBER 31

2023



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

For the Year Ended December 31, 2023

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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 year ended December 31, 2023. This MD&A should be read in conjunction with Chartwell's audited consolidated financial statements for the years ended December 31, 2023 and 2022, and the notes thereto (the "Financial Statements"). 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, 2023, dated March 7, 2024 (the "AIF"), can be found on SEDAR+ at www.sedarplus.com.

The discussion and analysis in this MD&A is based on information available to management as of March 7, 2024.

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 IFRS Accounting Standards 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.

Unless otherwise indicated, all comparisons of results for 2023 and Q4 2023 are in comparison to results from 2022 and Q4 2022, 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, Adjusted Operating Margin, 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, Adjusted Operating Margin, 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 this MD&A, and our 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 70 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.

<i>Our Vision</i>	Making People's Lives BETTER
<i>Our Mission</i>	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.
<i>Our Values</i>	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
<i>Our Portfolio</i>	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:

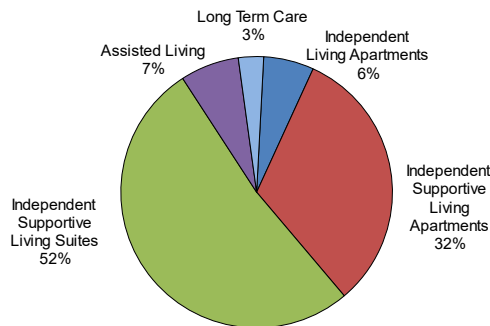
Independent Living Apartments ("IL")	Apartments / townhouses/ bungalows/ with full kitchens, availability of dining, life enrichment and housekeeping services.
Independent Supportive Living – Apartments ("ISLA")	Apartments/ townhouses/ bungalows/ with full kitchens, with availability of dining, life enrichment, housekeeping, personal assistance, and care services.
Independent Supportive Living – Suites ("ISLS")	Suites with availability of dining, life enrichment, housekeeping, personal assistance, and care services.
Assisted Living ("AL")	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.
Long Term Care ("LTC")	Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding are overseen by local government agencies in each province.

Composition of Our Portfolio

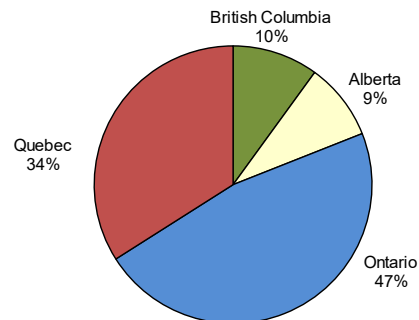
The following presents the composition of our owned and managed portfolio of residences in our Retirement Operations at December 31, 2023:

	Owned			Managed	Total
	100% Owned	Partially Owned ⁽¹⁾⁽²⁾	Total Owned	Total Managed ⁽³⁾	
Residences	111	49	160	9	169
Suites/Beds	14,434	9,496	23,930	2,471	26,401

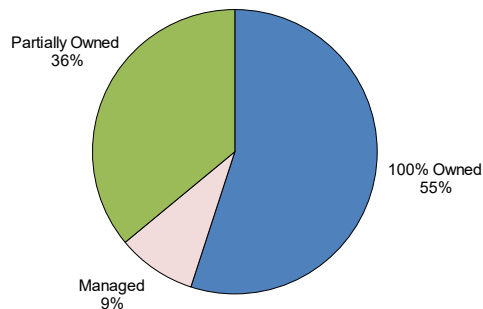
Level of Care ⁽⁴⁾⁽⁵⁾



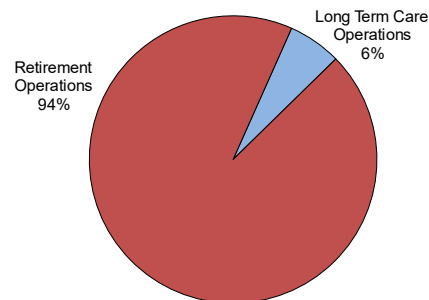
Geographic Location ⁽⁵⁾



Ownership Interest ⁽²⁾



Adjusted NOI by Operating Segment ⁽⁴⁾⁽⁵⁾⁽⁶⁾



- (1) Includes 39 residences (8,074 suites) that are part of the Welltower Transaction agreement. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (2) We have a 42.5% ownership interest in three residences (909 suites), a 45% ownership interest in one residence (332 suites), a 50% ownership interest in 41 residences (7,669 suites), a 60% ownership interest in one residence (165 suites) and an 85% ownership interest in three residences (421 suites).
- (3) Includes two residences (314 suites) that are managed for Welltower. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (4) On September 6, 2023, we closed on the previously announced sale of our Long Term Care Operations in Ontario. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (5) Based on Chartwell's share of ownership interest at December 31, 2023.
- (6) Adjusted NOI % represents Chartwell's share of ownership interest for the 12 months ended December 31, 2023.

Property Portfolio Groupings

We use groupings of our properties to evaluate and monitor our financial and operating performance. Our portfolio groupings are: same property, growth, 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 December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations ⁽¹⁾	101	12,866	12,551

(1) Excludes 38 properties (7,902 suites) that are part of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

Growth Portfolio

Our growth portfolio, previously 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. Additionally, our growth portfolio includes properties for which we will acquire incremental ownership interest in the current or next fiscal year.

The following table summarizes the composition of our growth portfolio as at December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations ⁽¹⁾	29	5,508	3,519

(1) Includes 16 properties (3,480 suites) in which we will acquire Welltower's interests, and excludes one property (172 suites) moved to the repositioning portfolio under the terms of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

Repositioning Portfolio

Our repositioning portfolio, previously dispositions and repositioning portfolio, includes 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 changes in capacity or use.

The following table summarizes the composition of our repositioning portfolio as at December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations ⁽¹⁾⁽²⁾	30	5,556	3,191

(1) Includes three properties (358 beds) which were previously reported in Long Term Care Operations that are now monitored and reported with our Retirement Operations, and one property (61 suites) which we have subsequently sold on February 1, 2024; the suites of which were removed from our available capacity effective January 1, 2023 and accordingly are not included in the suite count.

(2) Includes 23 properties (4,594 suites) in which we will sell our interests to Welltower under the terms of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

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."

Objectives:

We believe that only **highly engaged employees** will deliver the exceptional resident experiences fulfilling our vision of Making People's Lives Better and driving high resident satisfaction scores. We know that **very satisfied residents** are much more likely to recommend their residence to their friends and be Chartwell ambassadors in their local communities. We know that the majority of our new resident move-ins are based on such recommendations. Therefore, by focusing our efforts and investments in the areas of employee engagement and resident satisfaction, we expect to generate **high occupancy rates** which, in turn, should drive strong growth in earnings. We elected to measure this earnings growth by utilizing an Internal Funds from Operations ("IFFO") metric on a per unit basis ("**IFFOPU**"). IFFO is calculated by adding to FFO the following: (a) lease-up-losses and imputed financing costs related to our development properties, (b) current income taxes, and (c) income guarantees due from vendors of certain acquired properties. IFFO is a non-GAAP measure. The reconciliation of IFFO to net income/(loss) and FFO, explanations and rationale for adjustments can be found in the "Additional Information on Non-GAAP Financial Measures" section on page 50 of this MD&A.

Scope and Competitive Advantage:

Exceptional resident experience – Our customer is our resident. Our Unique Value Proposition is an exceptional resident experience, and we achieve it by providing **personalized services**. Our service standards are 'Safety, Respect, Efficiency and WOW'.

Personalized services – We treat each resident as a unique individual. We get to know them well before they come to reside with us and we tailor our service offering to their individual preferences and needs.

Our residences – We own, operate and develop our residences. With a few specific exceptions we do not manage residences for third parties, nor do we invest in residences managed by others.

Upscale to Mid-market – We target the upscale and mid retirement market. We do not operate residences with base-level services and a limited staff complement due to high operating risks. We do not operate residences with premium upscale services due to the small size and narrow focus of this niche market.

Urban and suburban – We target residences in urban and suburban areas and will not operate in markets with populations less than 25,000 within a 10 km radius of our residences. In addition, to achieve management efficiencies we will not operate residences that generate less than \$1 million of NOI at stabilized occupancy. We expect to continue to operate in the four most populous provinces of Canada (Ontario, Quebec, British Columbia, and Alberta) where we strive to be market leaders.

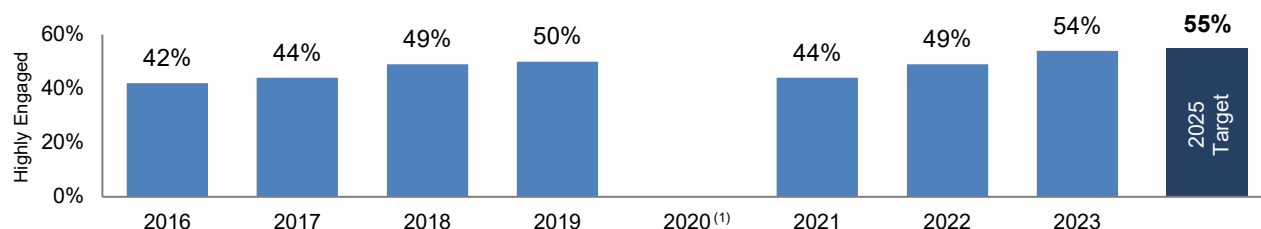
The following highlights the progress made in 2023 on the key components of our business strategy:

Employee Engagement

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

In 2023, in our retirement residences we achieved a score of 54% of employees indicating high engagement ('Strongly Agree' responses). Our combined 'Agree' and 'Strongly Agree' score was 84% in 2023 compared to 81% in 2022.

The following chart summarizes historical employee engagement survey results for our retirement residences:



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

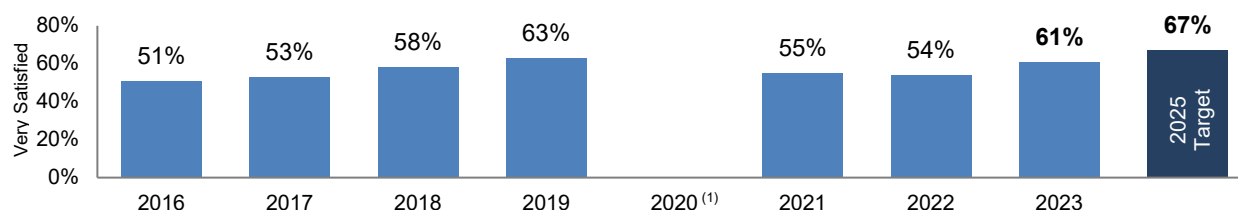
Resident Satisfaction

Our annual resident satisfaction survey includes 38 statements covering various aspects of resident experience at Chartwell with the overall score determined by the average of 'Strongly Agree' responses to the following three statements:

- I am satisfied with Chartwell as a place to live.
- It rarely crosses my mind to leave Chartwell for another retirement residence.
- When asked, I would recommend Chartwell as a place to live.

In 2023, 61% of the survey respondents indicated their high satisfaction ('Strongly Agree' responses), surpassing our 2022 results by seven percentage points. Our combined score of residents who 'Agree' and 'Strongly Agree' with the survey statements was 87% in 2023 compared to 84% in 2022.

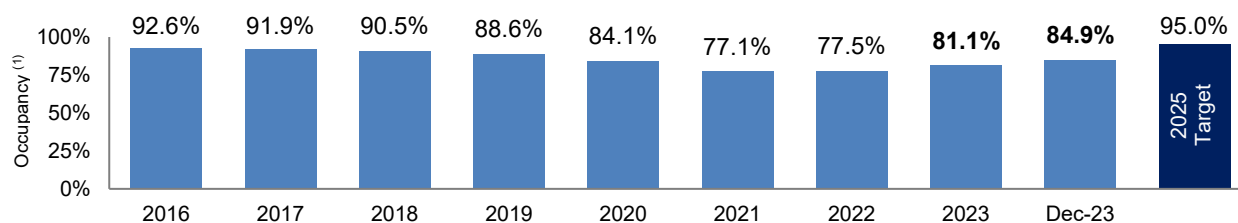
The following chart summarizes historical resident satisfaction survey results for our retirement residences:



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

Occupancy

The following chart summarizes our same property occupancy for our Retirement Operations:



(1) The same property occupancy numbers are as reported, and the composition of the same property portfolio is not the same year-over-year.

In 2023, we achieved strong occupancy growth from 79.7% in December 2022 to 84.9% in December 2023. Refer to the "2024 Outlook – Retirement Operations" section on page 9 of this MD&A for details.

Agile, Scalable Management Platform

We are building on the strength of our management platform to become a more agile and scalable organization to support growth of our portfolio successfully and profitably in the future. We believe this will be achieved through further empowerment of our residences' leaders and front-line employees and the streamlining of our corporate support functions to provide more targeted and timely assistance to our residences' teams. In 2023, we continued with the implementation of the re-aligned corporate support functions to better support the needs of our residences. We streamlined many of our corporate processes and invested in our technology platforms to enable faster information sharing, decision making, and improved focus. New technology introduced in 2023 included: enhanced business intelligence capabilities, the roll-out of an electronic health records platform, an integrated recruitment system, a workforce management tool, a new website, and marketing automation systems, among others. We also focused our sales and marketing to support local and targeted strategies for each of our residences. In addition, we implemented new operating programs for smaller residences to enhance personalization of services to the residents in these homes in a more cost-effective manner.

Portfolio Optimization and Asset Management

We accelerated the execution of our portfolio optimization strategy to become a focused operator of mid-market and upscale residences in urban and suburban areas. In 2023, we completed the sale of our Ontario LTC portfolio, and the divestiture of three non-core properties with another non-core property sold in February 2024. In addition, we announced the wind-up of our joint arrangements with Welltower Inc ("Welltower"). Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

As we continue to improve our portfolio, several other residences are currently under review for the development and execution of property-specific strategies which may include service model changes, capital upgrades, asset class repositioning, or dispositions. Our operations team has been reorganized to create a specialized team charged with oversight of certain properties which require more complex operating strategies.

Growth

The rise in both construction costs and our cost of capital has resulted in a slowdown in our development and acquisition activities in recent years. As these costs moderate, we expect to pursue growth opportunities in new developments and through acquisitions. We believe that our national management platform will continue to be our competitive advantage in pursuing these growth opportunities. We also have a number of potential acquisition opportunities of newly developed residences through our partnership with Batimo, Inc ("Batimo") in Quebec and continue to evaluate a number of development opportunities on lands we control. We are also working to build new relationships with reputable developers and investors to avail ourselves of future growth opportunities that are complementary to our portfolio.

2024 Outlook

Our 2024 outlook is based on the continuation of the favourable industry dynamics that benefitted the seniors housing sector in 2023. We expect strong demand for our services driven by demographic growth of the senior population, slower pace of construction activity, continuing shortages of long term care beds and obsolescence of some of the existing inventory. We expect these favourable conditions to support occupancy and revenue growth in our portfolio in 2024.

We expect continued moderation of inflation and interest costs in 2024, positively impacting our operating and financing costs.

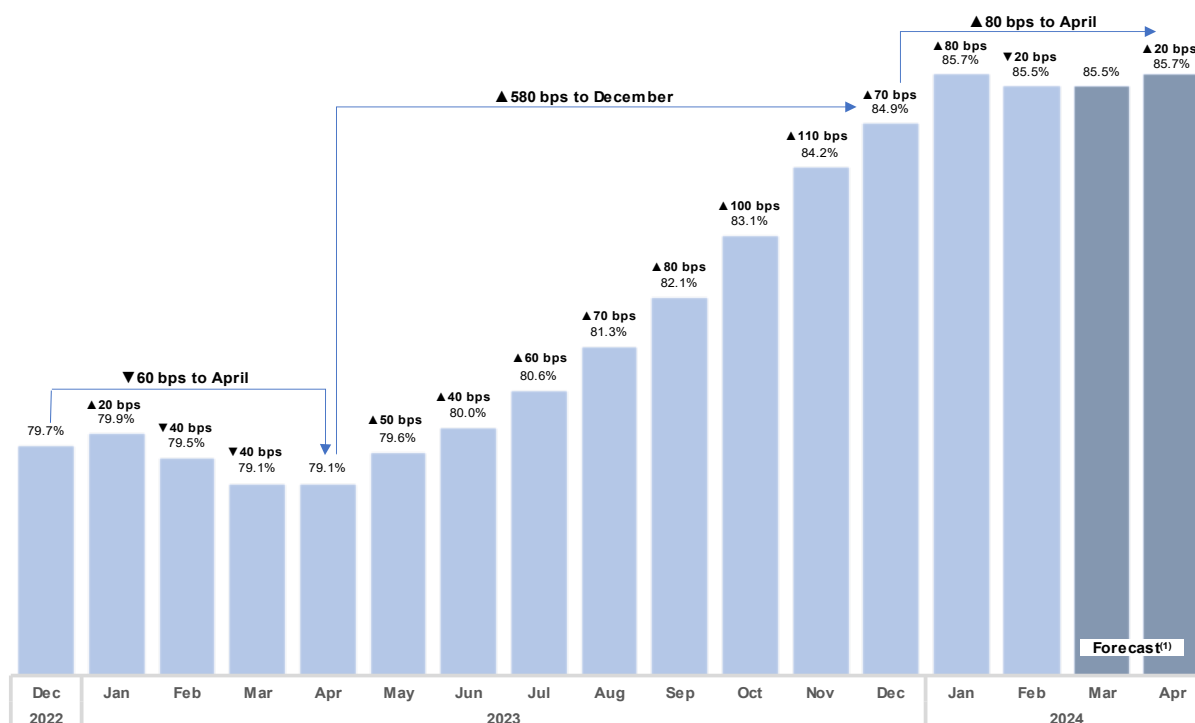
Our revenues and cost structure will further benefit from the ongoing investments we are making in our management platform including our sales and marketing strategies, technology capabilities and empowerment of our front-line leaders.

Retirement Operations

In our same property portfolio, we achieved a blended rental and service rate increase of 4.5% in 2023. In 2024 we expect this rate to grow by approximately 5%. Rate increases to our existing residents will take place throughout the year based on individual lease anniversary dates. Market rates are being assessed on an ongoing basis considering local dynamics. We expect to continue to use targeted incentives in select markets to support sustainable occupancy growth. We expect the use of these incentives to decline and growth of market rates to accelerate once properties achieve stabilized occupancy levels in line with our 2025 target of 95%.

We increased our same property occupancy by 520 basis points (“bps”) in 2023. We anticipate continuing occupancy growth in 2024 supported by the favourable market conditions and execution of our proven sales and marketing strategies.

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



(1) Forecast includes leases and notices as at February 29, 2024, and an estimate of mid-month move-ins of 30 bps for March and 50 bps for April, based on the preceding 12-month average of such activity.

Due to seasonally lower move-in activity, we have historically experienced 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 compared to a 60 bps decline in 2023. February 2024 same property occupancy was 85.5% and we expect April 2024 occupancy to be 85.7%, an increase of 80 bps from December 2023.

For our combined same property and growth portfolios, the annual revenue impact of a one percent change in rate and service fees is estimated at approximately \$6.8 million and a one percentage point change in occupied suites is estimated at \$8.4 million.

As a result of the trends discussed above and inflationary increases in our adjusted direct property operating expenses, in 2024 we expect adjusted operating margin in our same property portfolio to increase to approximately 38% from 34% in 2023. Adjusted operating margin is adjusted NOI divided by adjusted resident revenue.

General, Administrative and Trust (“G&A”) Expenses

In 2023, our G&A expenses were impacted by higher unit-based compensation due to the increase in trading price of our Trust Units, the CFO transition costs, and higher performance-based incentive compensation. As we continue building an agile and scalable operating platform through the implementation of new technology solutions and reimagining our corporate support processes, we expect to achieve reductions in our G&A expenses. We expect these cost reductions will offset the reduction in management fees associated with the wind-up of our joint arrangements with Welltower. As a result of these changes, we will incur restructuring costs in 2024.

Development

Our development activities have slowed down in the last several years due to the rapid increases in construction and financing costs as well as the impact of the pandemic. We have several development projects in planning stages on the lands we already own. We expect to begin developing these sites once conditions improve and these developments become more economically feasible. We also expect to partner with reputable developers in order to gain access to attractive sites in strong markets.

Acquisitions

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities with Batimo. Through this relationship, over time we expect to acquire ownership interests in 2,417 suites currently in various stages of lease-up and construction in the province of Quebec. 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). As of the date of this MD&A, Batimo has exercised its put option on two of the projects – Chartwell Trait-Carré and Chartwell Le Prescott. Refer to the “Significant Events – Projects by Batimo” section on page 13 of this MD&A for details.

We continue to source and evaluate other acquisition opportunities in line with our growth strategies.

Portfolio Optimization

As part of ongoing reviews of our properties, we may identify additional assets to sell that no longer fit with our strategic direction due to their location, earnings potential, age, or other attributes.

A detailed discussion on transactions undertaken as part our portfolio optimization strategy is provided in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A.

Taxation

In 2023, 27.9% of our distributions were classified as return of capital and 72.1% of our distributions were classified as eligible dividends. The eligible dividends are primarily due to the taxable capital gains on the LTC Transactions (as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A) which resulted in specified investment flow through (“SIFT”) tax payable of \$27.2 million for the 2023 taxation year.

Based on our current expectations, the Welltower Transaction (as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A) will result in SIFT taxes payable of approximately \$6.8 million in 2024. Based on current forecasts, we do not expect any other SIFT payable in 2024.

Liquidity and Financing

As at March 7, 2024, liquidity amounted to \$368.4 million, which included \$32.4 million of cash and cash equivalents and \$336.0 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. In 2024, we have \$181.6 million of mortgage debt maturing at the weighted average interest rate of 3.14%. We also have a \$125.0 million term loan maturing in May 2024. We expect to refinance or repay this loan with proceeds from the sale of our non-core assets.

As at the date of this MD&A, 10-year CMHC-insured mortgage rates are estimated at approximately 4.3% and five-year conventional mortgage financing is available at approximately 5.4%.

The following table shows the incremental and annualized effect of a 1.0 percentage point change in interest rates for 2024 and 2025 fixed-rate debt maturities:

(\$000s)	2024 Maturities			2025 Maturities		
	Maturity Principal Payment	Incremental Change ⁽¹⁾	Annualized Effect ⁽²⁾	Maturity Principal Payment	Incremental Change ⁽¹⁾	Annualized Effect ⁽²⁾
Fixed-rate mortgage renewals	181,637	683	1,816	61,849	344	618
Term Loans	125,000	731	1,250	-	-	-
Debentures	-	-	-	150,000	1,398	1,500
Total	306,637	1,414	3,066	211,849	1,742	2,118

(1) Incremental change represents a 1.0 percentage point change in interest rates effective at maturity date for the year of maturity.

(2) Annualized effect represents a 1.0 percentage point change in interest rates assuming the related debt instrument matured January 1 of the year.

In addition, as at December 31, 2023, we have \$70.0 million of variable-rate debt outstanding in respect of which a 1.0 percentage point change in interest rates would result in \$0.7 million of change in interest expense per annum.

Significant Events

In addition to the items discussed in the “2024 Outlook” section of this MD&A, the following events have had a significant effect on our financial results in 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.

Completed Developments

The following table summarizes development projects that were completed since January 1, 2023:

Project	Location	Suites / Beds	Suite Type	Chartwell Ownership Interest	Operations Start Date	Current Occupancy ⁽¹⁾	Estimated Adjusted Development Costs ⁽²⁾⁽³⁾⁽⁴⁾ (\$millions)	NOI ⁽²⁾⁽⁵⁾ (\$millions)	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy	Estimated Stabilized NOI ⁽²⁾⁽⁴⁾ (\$millions)	Expected Unlevered Yield ⁽⁴⁾
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	90	IL	100%	Q4 2023	30.4%	33.0	(0.5)	Q2 2025	95%	2.3	7.0%

(1) As of February 29, 2024.

(2) Calculated at Chartwell’s ownership interest in the project.

(3) As at December 31, 2023, includes actual Adjusted Development Costs incurred of \$30.4 million.

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

(5) For the 12 months ended December 31, 2023.

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 December 31, 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	55.5	5.4	60.9	56.8	4.1	Q2 2024	Q2 2024	N/A	N/A	N/A

(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 December 31, 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 \$10.1 million, payable at substantial completion. On March 31, 2022, we entered into a forward sale contract for this property as part of the sale of the long term care platform as described in the "Significant Events – Portfolio Optimization" section on page 15 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 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.

Chartwell Trait-Carré, Chartwell Le Montcalm, Chartwell Le Prescott, and Chartwell L'Envol have achieved the occupancy threshold giving effect to the Batimo 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. Occupancy at the property is currently 96.0%. Based on negotiations and appraisals completed to date, we expect to pay approximately \$85.0 million for an 85% interest in the property and expect to close on the acquisition in Q2 2024. During Q4 2023, Batimo exercised its put right to require Chartwell to acquire an 85% interest in the 324-suite Chartwell Le Prescott in Vaudreuil. Occupancy at the property is currently 95.8%. We estimate the current value of this residence at 100% ownership interest to be approximately \$85.0 million. Batimo has not exercised its put rights with respect to the other two properties. We estimate the current value of Chartwell Le Montcalm and Chartwell L'Envol at approximately \$150.0 million at 100% ownership interest.

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

Project	Location	Suites	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	95.8%	Q4 2023
Chartwell Le Montcalm	Candiac, QC	283	ISLA	O	September 2017	97.3%	Q4 2022
Résidence Légende ⁽³⁾	Greenfield Park, QC	368	ISLA / AL	O	June 2019	75.6%	Q3 2024
Chartwell L'Envol	Cap Rouge, QC	360	ISLA / AL	O	September 2019	91.8%	Q4 2023
Chartwell Trait-Carré	Quebec City, QC	361	ISLA / AL	O	February 2021	96.0%	Q3 2022
Le Florilège	Beauport, QC	345	ISLA / AL	O	December 2022	79.9%	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 February 29, 2024.

(3) Formerly known as Chartwell Greenfield Park.

On November 1, 2023, we advanced a \$10.0 million loan to Batimo, bearing interest at 15%, maturing on October 31, 2024, secured by third charges on Batimo's interest in two properties and a corporate guarantee. This loan was fully repaid in December 2023.

Potential Developments on Owned Lands

The following table summarizes additional development opportunities on our owned lands. While a number of these development projects are in advanced stages of pre-construction or feasibility assessments, others have a longer-term development time horizon and, in some cases, may be subject to extensive municipal approval requirements. The land values are recorded in land held for development and properties under development.

Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites ⁽¹⁾	Book Value of Land (\$millions)
Bowmanville, ON	100%	1.8	114	4.3
Brockville, ON	100%	0.5	54	0.6
Calgary, AB	100%	1.4	384	5.8
Edmonton, AB	100%	2.1	202	3.5
Gatineau, QC	100%	3.4	600	8.6
Gatineau, QC ⁽²⁾	50%	1.5	182	1.3
Morrisburg, ON	100%	1.8	24	-
Nepean, ON	100%	0.5	32	0.6
Oshawa, ON	100%	2.0	201	6.0
Pickering, ON	90%	1.3	415	5.5
Saint-Hyacinthe, QC	100%	0.8	70	0.7
Saint-Jérôme, QC ⁽²⁾	50%	6.0	410	0.5
Surrey, BC	100%	2.6	184	4.9
Victoriaville, QC ⁽²⁾	50%	1.1	66	0.1
Total ⁽³⁾		26.8	2,938	42.4

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

(2) Chartwell's ownership is expected to be 100% upon closing of the Welltower Transaction.

(3) Includes \$21.6 million in land held for development and \$20.8 million in properties under development.

Portfolio Optimization

On September 6, 2023, we completed the previously announced sale of our Long Term Care Operations in Ontario ("OLTC") to AgeCare Health Services Inc. and its affiliates ("AgeCare") and a fund managed by Axiom Infrastructure Inc. and its affiliates ("Axiom"). This sale, together, the "LTC Transactions" includes:

- 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 combined gross sale price for the LTC Transactions, including the forward sale of Ballycliffe LTC, before closing costs, taxes and working capital and other customary adjustments is \$443.2 million.

The gross sale price on September 6, 2023, excluding the forward sale of Ballycliffe LTC, was \$378.7 million. Net proceeds, after property-specific debt, working capital adjustments, transaction costs, and taxes was \$148.9 million which was used to pay down amounts outstanding on our secured credit facility.

Ballycliffe LTC is expected to be sold upon completion of its redevelopment in the first half of 2024. The contracted sale price is \$64.5 million with net proceeds, after transaction costs and taxes, and excluding working capital adjustments to be determined on closing, estimated at \$62.9 million. Either party may terminate the forward purchase agreement if the development is not completed by April 1, 2024. We do not expect to complete construction by that date and as such, may sell the property on different terms. We expect to use the proceeds, subject to market conditions, to pay down debt.

The following table summarizes non-core retirement residences closed to new admissions and sold during 2023:

	Date Closed	Suites removed from available capacity as of January 1, 2023
Chartwell Willowdale Retirement Residence	December 2022	64
Chartwell Riverpark Retirement Residence	February 2023	161
Chartwell Rideau Retirement Residence	July 2023	109
		334

For 2023, closing costs related to the above properties were \$1.6 million of which \$1.1 million was included in NOI.

On March 24, 2023, we completed the sale of Chartwell Kanata Retirement Residence (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, and \$0.6 million was provided to the purchaser as income support guarantee.

On August 23, 2023, we completed the sale of Chartwell Rideau Retirement Residence for a sale price of \$17.5 million which was paid in cash.

On November 1, 2023, we completed the sale of Chartwell Willowdale Retirement Residence for a sale price of \$2.3 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$1.8 million, bearing an interest rate of 6.0% per annum with a three-year term. The remaining purchase price was paid in cash.

On November 9, 2023, we entered into a definitive agreement with Welltower to wind-up our existing joint arrangements (the "Welltower Transaction"). Under the terms of the agreement, Chartwell will convey its ownership interest in 23 assets (the "Welltower Assets") to Welltower for consideration of: (i) Welltower's ownership interest in 16 assets (the "Chartwell Assets") and (ii) \$97.2 million in cash. Net proceeds to Chartwell after estimated transaction costs of \$12.2 million and taxes of \$6.8 million are expected to be

approximately \$78.2 million (the "Cash Consideration"). Closing of the transaction, subject to the required regulatory and lender approvals, is expected in Q2 2024 (the "Closing"). On Closing, Chartwell will assume approximately \$140.3 million in debt on the Chartwell Assets, bearing a weighted average interest rate of 2.8% and a weighted average term to maturity of 4.4 years. The net change to total debt on Chartwell's balance sheet will be a reduction of approximately \$51.0 million, before any impact of the Cash Consideration. In addition, two properties (314 suites) 100% owned by Welltower will no longer be managed by Chartwell, and one remaining co-owned property (332 suites) will continue to be operated by Chartwell.

On December 11, 2023, we completed the sale of Chartwell Riverpark Retirement Residence for a sale price of \$13.9 million which was paid in cash.

On February 1, 2024, we completed the sale of Chartwell Bridlewood Retirement Residence (61 suites) located in Ontario which was under a definitive sale contract as of November 27, 2023, for a sale price of \$3.8 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$2.8 million, maturing in February 2027, and bearing an interest rate of 8% per annum for the first two years and 10% per annum for the third year.

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 – Debt – Credit Facilities" section on page 33 of this MD&A for details of our Credit Facilities.

On August 4, 2023, we entered into an unsecured delayed draw credit facility (the "Facility") with a syndicate of Canadian financial institutions. The Facility had a maximum capacity of \$200.0 million with a maturity date of May 29, 2025. The Facility was available any time prior to December 11, 2023, as required to repay our maturing senior unsecured debentures with a face value of \$200.0 million. This facility was not used and was cancelled prior to December 11, 2023. Refer to the "Liquidity and Capital Resources – Debt – Credit Facilities" section on page 33 of this MD&A for details.

On December 8, 2023, we issued \$250.0 million of 6.000% Series C senior unsecured debentures (the "Series C Debentures") due on December 8, 2026. The net proceeds of the Series C Debentures were used to repay our maturing 3.786% \$200.0 million Series A senior unsecured debentures and for general trust purposes, including amounts outstanding on our Credit Facilities. Refer to the "Liquidity and Capital Resources – Debt – Debentures" section on page 34 of this MD&A for details.

Credit Rating

On November 28, 2023, DBRS updated the BBB(low) rating of our Issuer Rating and the Senior Unsecured Debentures Rating to a stable 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 December 31, 2023:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Joint Arrangement Type	Consolidation Method
Held directly:					
Chartwell-Welltower Landlord ("CWL")	37	7,165	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

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

On March 2, 2020, Chartwell and Welltower each acquired a 42.5% interest in Chartwell Le St-Gabriel from Batimo, with Batimo retaining the remaining 15% interest. In Q4 2023, Welltower purchased Batimo's share. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operation of the property, for which Chartwell is the manager, is held through a separate legal entity and as a result is classified as a joint venture and is accounted for using the equity method of consolidation.

On April 14, 2021, Chartwell and Welltower each acquired a 42.5% interest in Chartwell Le Teasdale II from Batimo, with Batimo retaining the remaining 15% interest in the property. Simultaneously, Chartwell completed the sale of 50% of its 85% interest in Chartwell Le Teasdale I to Welltower. In Q4 2023, Welltower purchased Batimo's share. The real estate and the operations for both properties are directly held by Chartwell and Welltower and are classified as joint operations and are accounted for on a proportionate consolidation basis.

On November 9, 2023, we entered into a definitive agreement with Welltower to wind-up our existing joint arrangements as outlined in the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

Subsequent to December 31, 2023, Welltower extended two loans to us for \$33.3 million and \$40.7 million, respectively, at an interest rate of 6.71% and 6.85%, respectively, as bridge financing for two properties with mortgages maturing in Q1 2024. One of these properties will be sold to Welltower and the associated loan of \$33.3 million related to this property will be settled upon the earlier of February 14, 2025, and the completion of the wind-up. The second loan of \$40.7 million matures on February 15, 2025.

Consolidated Results of Operations

Net Income/(Loss)

The following table summarizes select financial measures:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Resident revenue	179,946	170,467	9,479	687,324	661,029	26,295
Direct property operating expense	118,853	120,672	(1,819)	463,361	464,704	(1,343)
Net income/(loss)	(13,173)	47,463	(60,636)	128,273	49,531	78,742

For 2023, resident revenue increased \$26.3 million or 4.0%, and direct property operating expense decreased \$1.3 million or 0.3%. Refer to the “Results of Retirement Operations” section on page 22 of this MD&A for details.

For 2023, net income was \$128.3 million compared to \$49.5 million in 2022 primarily due to:

- higher gains of \$178.7 million on asset sales from discontinued operations,
 - higher deferred tax benefit and
 - higher resident revenue,
- partially offset by:
- lower gain on disposal of assets included in continuing operations,
 - negative changes in fair values of financial instruments, primarily due to increases in trading prices of our Trust Units,
 - current income tax expense of \$27.2 million primarily due to the sale of the completed LTC Transactions,
 - higher impairment losses,
 - higher G&A expenses, and
 - higher finance costs.

Fourth Quarter

For Q4 2023, resident revenue increased \$9.5 million or 5.6%, and direct property operating expense decreased \$1.8 million or 1.5%. Refer to the “Results of Retirement Operations” section on page 22 of this MD&A for details.

For Q4 2023, net loss was \$13.2 million compared to net income of \$47.5 million in Q4 2022 primarily due to:

- lower gain on asset sales,
 - negative changes in fair values of financial instruments, primarily due to increases in trading prices of our Trust Units,
 - higher impairment losses,
 - lower income from discontinued operations due to the sale of the completed LTC Transactions, and
 - higher G&A expenses,
- partially offset by:
- higher deferred tax benefit,
 - higher resident revenue, and
 - lower direct operating expenses.

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 50 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 50 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:

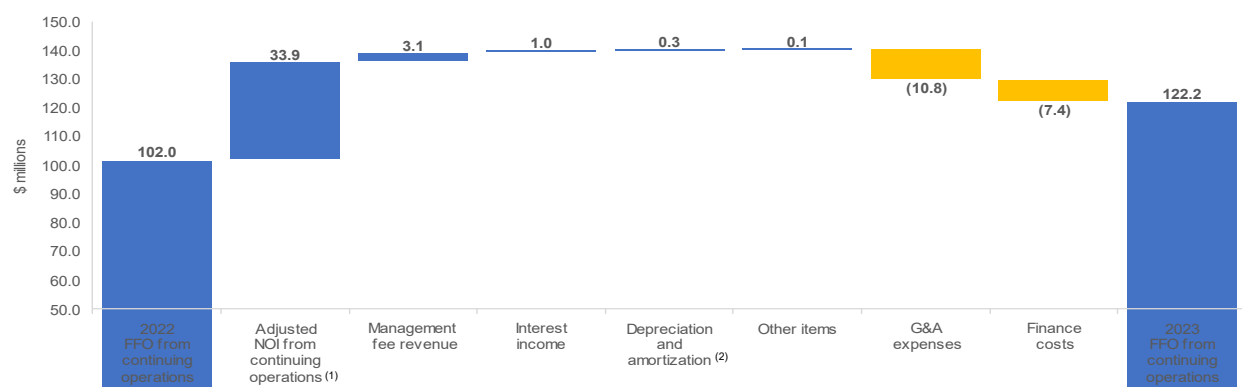
(\$000s, except per unit amounts and number of units)	Q4 2023	Q4 2022	Change	2023	2022	Change
FFO ⁽¹⁾						
Continuing operations	39,246	27,744	11,502	122,151	102,013	20,138
Total	39,099	33,357	5,742	133,190	126,917	6,273
FFOPU ⁽²⁾						
Continuing operations	0.16	0.12	0.04	0.51	0.43	0.08
Total	0.16	0.14	0.02	0.55	0.53	0.02
Weighted average number of units (000) ⁽³⁾	243,262	238,831	4,431	241,688	237,402	4,286

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Measures – FFO” section on page 50 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 55 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 55 of this MD&A.

For 2023, FFO from continuing operations was \$122.2 million or \$0.51 per unit compared to \$102.0 million or \$0.43 per unit for 2022. 2022 included recoveries of pandemic expenses for preceding years of \$2.4 million compared to \$0.2 million in 2023. The following chart summarizes the change in FFO from continuing operations:



(1) As described in the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, and Adjusted NOI” section on page 20 of this MD&A

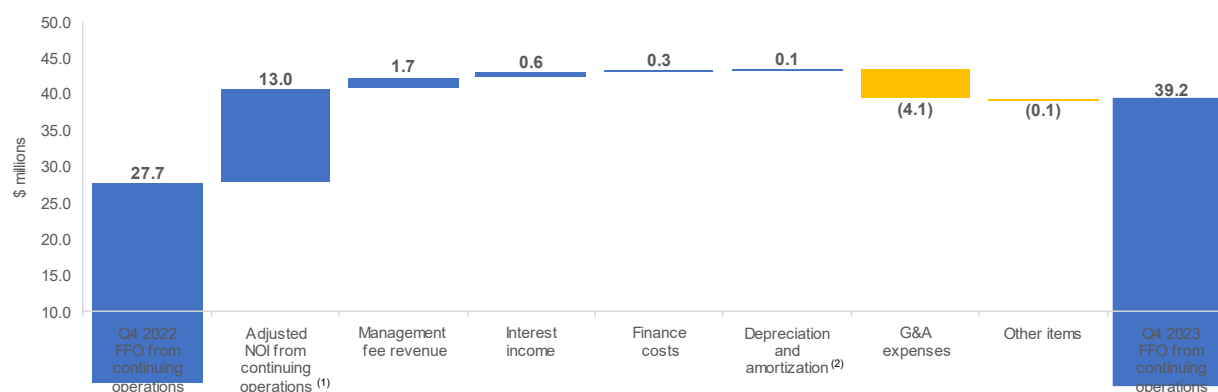
(2) Depreciation of PP&E and amortization of intangibles assets used for administrative purposes.

FFO from continuing operations for 2023 includes \$2.3 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2022 – \$4.4 million).

Total FFO, which includes results of LTC Discontinued Operations, was \$133.2 million or \$0.55 per unit in 2023, compared to \$126.9 million or \$0.53 per unit in 2022. LTC Discontinued Operations results for 2022 included recoveries of pandemic and other expenses for preceding years of \$6.2 million or \$0.03 per unit for which there was not a comparable amount in 2023.

Fourth Quarter:

For Q4 2023, FFO from continuing operations was \$39.2 million or \$0.16 per unit, compared to \$27.7 million or \$0.12 per unit for Q4 2022. The following chart summarizes the change in FFO from continuing operations:



(1) As described in the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, and Adjusted NOI” section on page 20 of this MD&A

(2) Depreciation of PP&E and amortization of intangibles assets used for administrative purposes.

For Q4 2023, FFO from continuing operations includes \$0.6 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q4 2022 – \$1.1 million).

For Q4 2023, Total FFO, which includes results of LTC Discontinued Operations, was \$39.1 million or \$0.16 per unit, compared to \$33.4 million or \$0.14 per unit in Q4 2022.

Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, Adjusted Operating Margin, and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense, adjusted operating margin and adjusted NOI, which are each non-GAAP measures, and also includes supplemental disclosure of our same property portfolio, our growth portfolio, and our repositioning portfolio. The supplemental disclosure of our same property portfolio, our growth portfolio, and our 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 growth portfolio, and our repositioning portfolio:

(\$000s, except occupancy rates)	Q4 2023	Q4 2022	Change	2023	2022	Change
Resident revenue	179,946	170,467	9,479	687,324	661,029	26,295
Add:						
Share of resident revenue from joint ventures ⁽¹⁾	33,159	30,008	3,151	126,765	115,864	10,901
Resident revenue from LTC Discontinued Operations ⁽²⁾	258	64,165	(63,907)	167,326	252,614	(85,288)
Adjusted resident revenue ⁽³⁾	213,363	264,640	(51,277)	981,415	1,029,507	(48,092)
Comprised of:						
Same property ⁽³⁾	147,279	133,382	13,897	559,795	520,586	39,209
Growth ⁽³⁾	34,905	30,733	4,172	132,669	111,673	20,996
Repositioning ⁽³⁾	31,179	100,525	(69,346)	288,951	397,248	(108,297)
Adjusted resident revenue ⁽³⁾	213,363	264,640	(51,277)	981,415	1,029,507	(48,092)
Direct property operating expense	118,853	120,672	(1,819)	463,361	464,704	(1,343)
Add:						
Share of direct property operating expense from joint ventures ⁽⁴⁾	22,566	21,138	1,428	87,219	82,533	4,686
Direct property operating expense from LTC Discontinued Operations ⁽²⁾	405	56,884	(56,479)	151,671	220,729	(69,058)
Adjusted direct property operating expense ⁽³⁾	141,824	198,694	(56,870)	702,251	767,966	(65,715)
Comprised of:						
Same property ⁽³⁾	96,415	91,502	4,913	370,783	355,202	15,581
Growth ⁽³⁾	21,938	20,452	1,486	84,801	75,281	9,520
Repositioning ⁽³⁾	23,471	86,740	(63,269)	246,667	337,483	(90,816)
Adjusted direct property operating expense ⁽³⁾	141,824	198,694	(56,870)	702,251	767,966	(65,715)
NOI	61,093	49,795	11,298	223,963	196,325	27,638
Add:						
Share of NOI from joint ventures	10,593	8,870	1,723	39,546	33,331	6,215
Adjusted NOI from continuing operations	71,686	58,665	13,021	263,509	229,656	33,853
Add:						
NOI from LTC Discontinued Operations	(147)	7,281	(7,428)	15,655	31,885	(16,230)
Adjusted NOI ⁽³⁾	71,539	65,946	5,593	279,164	261,541	17,623
Comprised of:						
Same property ⁽³⁾	50,864	41,880	8,984	189,012	165,384	23,628
Growth ⁽³⁾	12,967	10,281	2,686	47,868	36,392	11,476
Repositioning ⁽³⁾	7,708	13,785	(6,077)	42,284	59,765	(17,481)
Adjusted NOI ⁽³⁾	71,539	65,946	5,593	279,164	261,541	17,623
Weighted average occupancy rate:						
Same property portfolio	84.1%	79.5%	4.6pp	81.1%	78.6%	2.5pp
Growth portfolio	79.8%	74.6%	5.2pp	76.5%	72.4%	4.1pp
Repositioning portfolio	83.7%	81.4%	2.3pp	87.1%	80.4%	6.7pp
Total portfolio	83.3%	79.3%	4.0pp	81.9%	78.2%	3.7pp

(1) Non-GAAP; 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 16 of this MD&A.

(2) Refer to the "LTC Discontinued Operations" section on page 56 of this MD&A.

(3) Non-GAAP; refer to the preamble to this table and the "Results of Retirement Operations" section on page 22 of this MD&A for explanations and discussion of the significance of these metrics.

(4) Non-GAAP; 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 16 of this MD&A.

In 2023 and Q4 2023, adjusted resident revenue and adjusted direct property operating expense decreased primarily due to the completed LTC Transactions as discussed in the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

The results of our continuing operations are discussed in the "Results of Retirement Operations" section on page 22 of this MD&A.

Results of Retirement Operations

Prior to Q3 2023, we monitored and reported our Retirement Operations and Long Term Care Operations segments separately. On March 31, 2022, with the announcement of the sale of our Long Term Care portfolio, we classified the Long Term Care Operations segment as “LTC Discontinued Operations”. This sale closed September 6, 2023, as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A, and as such, our continuing operations consists only of Retirement Operations. Results of the LTC Discontinued Operations are provided under the “LTC Discontinued Operations” section on page 56 of this MD&A.

The measure of 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.

The following table summarizes the composition of our Retirement Operations as at December 31, 2023:

	Properties	Composition of Suites/Beds						Total at Chartwell's Share of Ownership
		IL	ISLA	ISLS	AL	LTC	Total	
Same property								
100% Owned	94	662	2,636	7,477	965	201	11,941	11,941
Partially Owned ⁽¹⁾	7	17	421	487	-	-	925	610
Total same property	101	679	3,057	7,964	965	201	12,866	12,551
Growth								
100% Owned	11	226	306	904	95	-	1,531	1,531
Partially Owned ⁽²⁾	18	322	1,980	1,420	255	-	3,977	1,988
Total growth	29	548	2,286	2,324	350	-	5,508	3,519
Repositioning								
100% Owned ⁽³⁾	6	-	495	73	36	358	962	962
Partially Owned ⁽²⁾	24	251	2,767	1,325	251	-	4,594	2,229
Total repositioning	30	251	3,262	1,398	287	358	5,556	3,191
Total	160	1,478	8,605	11,686	1,602	559	23,930	19,261

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

(2) We own a 60% interest in one property, a 50% interest in 37 properties, a 45% interest in one property, and a 42.5% interest in three properties.

(3) Includes three long term care homes (358 beds) which were previously reported in our Long Term Care Operations segment and are now monitored and reported with our Retirement Operations, and one property (61 suites) which we have subsequently sold on February 1, 2024, the suites of which were removed from available capacity effective January 1, 2023 and are not included in the suite count.

The following table presents the results of our Retirement Operations as at December 31, 2023:

(\$000s, except occupancy rates)	Q4 2023	Q4 2022	Change	2023	2022	Change
Adjusted resident revenue ⁽¹⁾	213,105	200,475	12,630	814,089	776,893	37,196
Comprised of:						
Same property ⁽²⁾	147,279	133,382	13,897	559,795	520,586	39,209
Growth ⁽²⁾	34,905	30,733	4,172	132,669	111,673	20,996
Repositioning ⁽²⁾	30,921	36,360	(5,439)	121,625	144,634	(23,009)
Adjusted direct property operating expense ⁽¹⁾	141,419	141,810	(391)	550,580	547,237	3,343
Comprised of:						
Same property ⁽²⁾	96,415	91,502	4,913	370,783	355,202	15,581
Growth ⁽²⁾	21,938	20,452	1,486	84,801	75,281	9,520
Repositioning ⁽²⁾	23,066	29,856	(6,790)	94,996	116,754	(21,758)
Adjusted NOI ⁽¹⁾	71,686	58,665	13,021	263,509	229,656	33,853
Comprised of:						
Same property ⁽²⁾	50,864	41,880	8,984	189,012	165,384	23,628
Growth ⁽²⁾	12,967	10,281	2,686	47,868	36,392	11,476
Repositioning ⁽²⁾	7,855	6,504	1,351	26,629	27,880	(1,251)
Weighted average occupancy rate:						
Same property portfolio	84.1%	79.5%	4.6pp	81.1%	78.6%	2.5pp
Growth portfolio	79.8%	74.6%	5.2pp	76.5%	72.4%	4.1pp
Repositioning portfolio	83.7%	74.3%	9.4pp	81.5%	73.3%	8.2pp
Total portfolio	83.3%	77.7%	5.6pp	80.4%	76.5%	3.9pp

(1) Non-GAAP; refer to the preamble in this section 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', 'Growth', and 'Repositioning' and the significance of these metrics.

For 2023, adjusted resident revenue increased 4.8% primarily due to:

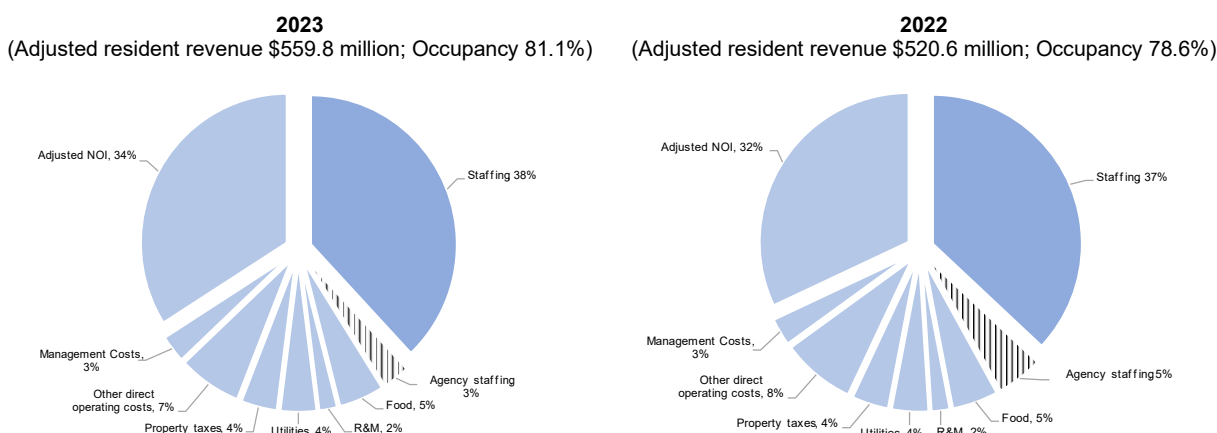
- higher same property adjusted resident revenue of 7.5% from rental and service rate increases and higher occupancy, and
 - higher revenue from our growth portfolio,
- partially offset by:
- dispositions and closure of properties.

For 2023, adjusted direct property operating expense increased 0.6% primarily due to:

- higher same property adjusted direct operating expenses of 4.4% due to higher staffing costs, higher food, repairs and maintenance, marketing, and property tax expenses,
 - additional expenses in our growth portfolio, and
 - expenses of \$1.1 million relating to the closure of properties during 2023,
- partially offset by:
- lower expenses as a result of the disposition of properties and lower staffing costs in our properties being closed and repositioned.

As a result, for 2023, adjusted NOI increased \$33.9 million or 14.7%, including an increase in same property adjusted NOI of \$23.6 million or 14.3%. Same property adjusted operating margin also increased in 2023 to 34% from 32% in 2022.

The following charts summarize the breakdown of our same property adjusted NOI and adjusted direct property operating expenses as a percentage of adjusted resident revenue for 2023 and 2022:



In 2023, agency cost as a percentage of total staffing costs declined to 7% from 13% in 2022. In Q4 2023, agency cost as a percentage of total staffing costs declined to 5% from 14% in Q4 2022 and is now below pre-pandemic levels.

The following identifies same property adjusted NOI trends by platform for 2023:

- Our Western Canada platform same property adjusted NOI increased \$5.4 million or 9.9%. 2023 same property adjusted NOI included a reversal of certain staffing accruals of \$1.3 million upon settlement of contracts.
- Our Ontario platform same property adjusted NOI increased \$13.0 million or 14.0%. 2022 included recoveries of pandemic expenses of \$1.4 million for which there is not a comparable amount in 2023.
- Our Quebec platform same property adjusted NOI increased \$5.2 million or 28.9%, and benefitted by \$0.8 million from lower staffing costs as compensation increases were more-than-offset by lower agency usage.

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

	2023	2022	Change
Western Canada	88.5%	85.5%	3.0pp
Ontario	78.7%	76.6%	2.1pp
Quebec	79.0%	76.3%	2.7pp
Same Property Retirement	81.1%	78.6%	2.5pp

In 2023, weighted average occupancy in our retirement same property portfolio was 81.1%, a 2.5 percentage point increase from 2022. All platforms experienced occupancy gains in 2023 compared to 2022.

Fourth Quarter:

For Q4 2023, adjusted resident revenue increased 6.3% primarily due to:

- higher same property adjusted resident revenue of 10.4% from rental and service rate increases and higher occupancy, and
 - higher revenue from our growth portfolio,
- partially offset by:
- dispositions and closure of properties.

For Q4 2023, adjusted direct property operating expense decreased 0.3% primarily due to:

- lower expenses as a result of the disposition of properties, partially offset by:
- higher same property adjusted direct operating expenses of 5.4% due to higher staffing costs, higher food, marketing, and repairs and maintenance expenses, and
- additional expenses in our growth portfolio.

As a result, for Q4 2023, adjusted NOI increased \$13.0 million or 22.2% including an increase in same property adjusted NOI of \$9.0 million or 21.5%. Same property adjusted operating margin also increased to 35% in Q4 2023 from 31% in Q4 2022.

The following identifies same property adjusted NOI trends by platform for Q4 2023:

- Our Western Canada platform same property adjusted NOI increased \$1.7 million or 11.6%.
- Our Ontario platform same property adjusted NOI increased \$5.5 million or 24.0%.
- Our Quebec platform same property adjusted NOI increased \$1.8 million or 39.0%.

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

	Q4 2023	Q4 2022	Change	Q3 2023	Change
Western Canada	91.4%	87.1%	4.3pp	88.8%	2.6pp
Ontario	81.4%	77.2%	4.2pp	78.8%	2.6pp
Quebec	82.5%	77.1%	5.4pp	79.5%	3.0pp
Same property retirement	84.1%	79.5%	4.6pp	81.4%	2.7pp

In Q4 2023, weighted average occupancy in our Retirement Operations same property portfolio was 84.1%, compared to 79.5% in Q4 2022, an increase of 4.6 percentage points. All platforms experienced occupancy gains in Q4 2023 compared to Q4 2022. Q4 2023 Retirement Operations same property portfolio occupancy increased 2.7 percentage points from Q3 2023.

Management and Other Fees

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Welltower	1,907	1,372	535	7,637	5,930	1,707
Long Term Care Homes ⁽¹⁾	478	394	84	1,860	1,586	274
Batimo	994	(41)	1,035	2,813	1,801	1,012
Other	344	311	33	1,193	1,047	146
Total management and other fees	3,723	2,036	1,687	13,503	10,364	3,139

(1) Includes management fees relating to four third-party owned long term care homes up to September 6, 2023. As of September 6, 2023, includes \$0.5 million in Q4 2023 and \$0.8 million in 2023 relating to temporary transition services for the LTC Transactions.

Management and other fees increased \$3.1 million and \$1.7 million in 2023 and Q4 2023, respectively, primarily due to higher performance based fees. To facilitate a smooth transition for the LTC Transactions, we provided temporary transition services to AgeCare for a fee.

Interest Income

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Interest income on loans receivable	569	202	367	1,402	801	601
Other interest income	365	142	223	917	390	527
Total interest income	934	344	590	2,319	1,191	1,128

Interest income on loans receivables increased \$0.6 million and \$0.4 million in 2023 and Q4 2023, primarily due to higher loan balances outstanding.

Other interest income fluctuates period-to-period based on cash balances. Other interest income increased in 2023 and Q4 2023 primarily due to higher interest rates.

General, Administrative and Trust Expenses

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
G&A expenses	13,455	9,334	4,121	60,450	49,641	10,809

For 2023, G&A expenses increased \$10.8 million primarily due to higher unit-based compensation costs of \$4.7 million due to the increase in value of our Trust Units, CFO transition costs of \$2.4 million, and \$1.6 million of higher performance-based compensation costs.

For Q4 2023, G&A expenses increased \$4.1 million primarily due to higher unit-based compensation costs of \$2.8 million due to the increase in value of our Trust Units, and \$0.7 million of higher performance-based compensation costs.

Finance Costs

The following table applies to continuing operations:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Contractual interest expense on mortgages	13,823	13,853	(30)	55,873	55,031	842
Comprised of:						
Same property ⁽¹⁾	9,476	11,283	(1,807)	37,203	45,851	(8,648)
Growth ⁽¹⁾	2,537	2,127	410	11,262	7,114	4,148
Repositioning ⁽¹⁾	1,810	443	1,367	7,408	2,066	5,342
Interest expense on Debentures ⁽²⁾	4,004	3,501	503	14,392	13,888	504
Interest expense on Credit Facilities	1,862	3,295	(1,433)	12,023	7,731	4,292
Interest expense on Term Loans ⁽³⁾	1,399	1,319	80	5,524	4,992	532
	21,088	21,968	(880)	87,812	81,642	6,170
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	1,926	1,197	729	6,488	4,788	1,700
	23,014	23,165	(151)	94,300	86,430	7,870
Interest capitalized to properties under development	(657)	(529)	(128)	(2,735)	(2,276)	(459)
Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
Total finance costs – continuing operations	22,591	22,870	(279)	92,501	85,091	7,410

(1) Non-GAAP; refer to the “Property Portfolio Groupings” section on page 5 of this MD&A for explanations of ‘Same property’, ‘Growth’, and ‘Repositioning’ and the significance of these metrics.

(2) “Debentures” refers collectively to the “Series A Debentures”, the “Series B Debentures”, and the “Series C Debentures”. Refer to the “Liquidity and Capital Resources – Debt – Debentures” section on page 27 of the Q1 2023 MD&A for details.

(3) “Term Loans” refers collectively to the ‘unsecured term loan’ and the ‘secured term loan’. Refer to the “Liquidity and Capital Resources – Debt – Term Loans” section on page 27 of the Q1 2023 MD&A for details.

Contractual interest expense on mortgages increased \$0.9 million in 2023 primarily due to financing for mortgage renewals and refinancing. Contractual interest expense on mortgages decreased \$0.1 million in Q4 2023, primarily due to lower balances outstanding.

Interest expense on our Credit Facilities increased in 2023 due to higher balances outstanding and higher interest rates. Interest expenses on our credit facilities in Q4 2023 decreased to lower balances outstanding.

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

Interest capitalized to properties under development increased in 2023 and Q4 2023 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)	Q4 2023	Q4 2022	Change	2023	2022	Change
Contractual interest expense on mortgages	435	425	10	1,729	1,761	(32)
Comprised of:						
Same property ⁽¹⁾	240	224	16	958	972	(14)
Growth ⁽¹⁾	195	201	(6)	771	789	(18)
Amortization of finance costs	15	14	1	59	57	2
Total finance costs	450	439	11	1,788	1,818	(30)

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

Other Income/(Expense)

The following table applies to our continuing operations:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Transaction costs arising on dispositions	(192)	(1,792)	1,600	(1,167)	(1,992)	825
Impairment losses	(10,273)	-	(10,273)	(10,898)	-	(10,898)
Gain on sale of assets	5,770	70,125	(64,355)	12,074	71,751	(59,677)
Other income	-	123	(123)	-	864	(864)
Total other income/(expense)	(4,695)	68,456	(73,151)	9	70,623	(70,614)

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

Impairment losses of \$10.9 million in 2023 relates to the write down in the carrying value of two retirement residences located in Quebec and one retirement residence in Ontario. The Q4 2023 impairment loss of \$10.3 million relates to the write down in the carrying value of two retirement residences in Quebec. The impairment loss resulted from a decline in the operating performance of the properties due to competitive pressures.

Gain on sale of assets decreased \$59.7 million in 2023. For 2023, gain on sale of assets relates primarily to the sale of four non-core properties in Ontario. Gain on sale of assets in 2022 primarily relates to the sale of two long term care homes in British Columbia. For Q4 2023, gain on sale of assets relates primarily to sale of two non-core properties located in Ontario as compared to the Q4 2022 gain of \$70.2 million which relates to the sale of two long term care homes in British Columbia.

Other Items

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Depreciation of PP&E and amortization of intangible assets	(39,587)	(40,255)	668	(156,695)	(156,136)	(559)
Change in fair value of financial instruments	(10,752)	2,929	(13,681)	(21,964)	21,785	(43,749)
Current income tax expense	869	-	869	(27,231)	-	(27,231)
Deferred income tax benefit/(expense)	3,419	(16,849)	20,268	24,510	(14,131)	38,641

For 2023, depreciation of PP&E and amortization of intangible assets increased \$0.6 million, primarily due to higher depreciation on buildings, including property acquisitions and developments, partially offset by lower depreciation due to property portfolio dispositions and transfers to assets held for sale. Depreciation of PP&E and amortization of intangible assets decreased \$0.7 million in Q4 2023 primarily due to property portfolio dispositions and transfer to assets held for sale partially offset by increase in PP&E additions.

In 2023 and Q4 2023, 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.

Current income tax expense of \$27.2 million in 2023 primarily related to the gain on sale from the completed LTC Transactions.

Deferred income tax benefit changed by \$38.6 million in 2023 primarily due to the reversal of temporary differences between the accounting carrying amount and tax cost base of the investment in the long term care segment upon completion of the LTC Transactions.

Deferred income tax expense decreased by \$20.3 million in Q4 2023 primarily due to changes in fair value adjustments from year to year, and due to utilization of non-capital loss carry forwards against taxable capital gains in Q4 2022 which was partially offset by the non-taxable portion of capital gains on dispositions.

Cash Flow Analysis

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

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	19.7	Change in cash flows from operating activities is primarily due to: • higher NOI from continuing operations, • changes in working capital, and • higher interest income, partially offset by: • higher interest paid.
Financing activities	(201.1)	Change in cash flows from financing activities is primarily due to: • repayment of credit facilities with the proceeds from the completed LTC Transactions, • lower proceeds from mortgage financing activities, and • higher additions to finance costs. partially offset by: • lower mortgage repayments, and • proceeds from senior unsecured debentures.
Investing activities	244.5	Change in cash flows from investing activities is primarily due to: • proceeds from the completed LTC Transactions and dispositions of non-core assets, and • acquisitions in 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 Q4 2023 and Q4 2022 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	15.8	Change in cash flows from operating activities is primarily due to: • higher NOI from continuing operations, • changes in working capital, and • lower interest paid, partially offset by: • lower interest income.
Financing activities	68.7	Change in cash flows from financing activities is primarily due to: • higher draws on our Credit Facilities, • higher proceeds from mortgage financing activities, and • proceeds from debenture financing, partially offset by: • higher mortgage repayments, and • higher additions to finance costs.
Investing activities	(89.4)	Change in cash flows from investing activities is primarily due to: • lower proceeds from the dispositions of assets, and • higher additions to PP&E and intangible assets.

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 business, subject to market conditions, through the use of property-specific mortgages, secured and unsecured Credit Facilities, secured and unsecured term loans, senior unsecured debentures and equity financing.

At December 31, 2023, our liquidity was \$348.6 million as presented in the following table:

(\$000s)	December 31, 2023	December 31, 2022
Cash and cash equivalents	24,619	28,469
Available under Credit Facilities ⁽¹⁾	324,012	136,425
Total	348,631	164,894

(1) Refer to the "Credit Facilities" section on page 33 of this MD&A for the determination and calculation of this amount.

In addition, at December 31, 2023, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$12.6 million.

As at December 31, 2023, our current liabilities were \$760.8 million, exceeding our current assets of \$343.9 million, resulting in a working capital deficiency of \$416.9 million. Current liabilities include \$246.3 million of current mortgages payable, \$124.9 million of term loans maturing May 31, 2024, and \$194.0 million of liabilities related to assets held for sale.

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

- (i) cash flow generated from our operations,
- (ii) proceeds from 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 December 31, 2023 and December 31, 2022:

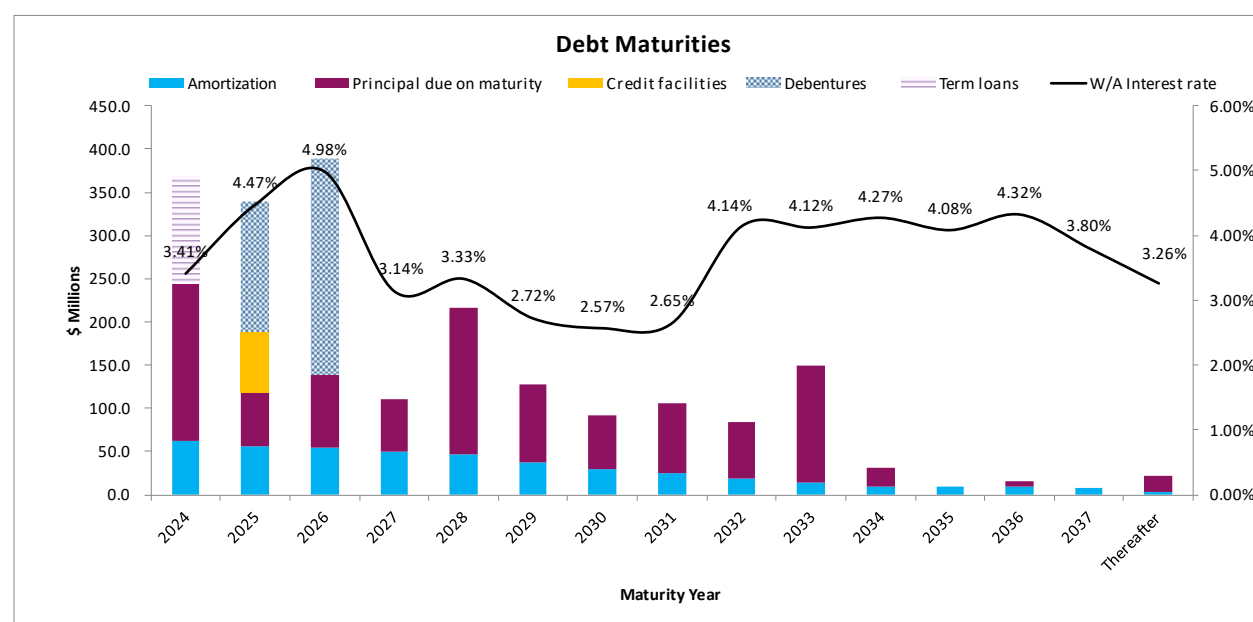
(\$000s)	December 31, 2023	December 31, 2022
Mortgages payable	1,469,304	1,701,668
Credit Facilities	70,000	184,000
Term Loans		
Unsecured term loan	125,000	125,000
Secured term loan	-	13,600
Debentures		
Series A Debentures	-	200,000
Series B Debentures	150,000	150,000
Series C Debentures	250,000	-
Total	2,064,304	2,374,268

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at December 31, 2023:

(\$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
2024	62,194	181,637	243,831	3.14%	125,000	3.95%	-	-	-	-	368,831	3.41%
2025	56,818	61,849	118,667	3.03%	-	-	70,000	7.48%	150,000	4.21%	338,667	4.47%
2026	53,977	84,713	138,690	3.15%	-	-	-	-	250,000	6.00%	388,690	4.98%
2027	50,380	59,468	109,848	3.14%	-	-	-	-	-	-	109,848	3.14%
2028	46,226	169,463	215,689	3.33%	-	-	-	-	-	-	215,689	3.33%
2029	36,810	90,583	127,393	2.72%	-	-	-	-	-	-	127,393	2.72%
2030	30,374	61,206	91,580	2.57%	-	-	-	-	-	-	91,580	2.57%
2031	24,760	80,334	105,094	2.65%	-	-	-	-	-	-	105,094	2.65%
2032	18,930	65,133	84,063	4.14%	-	-	-	-	-	-	84,063	4.14%
2033	13,543	135,482	149,025	4.12%	-	-	-	-	-	-	149,025	4.12%
2034	9,536	20,984	30,520	4.27%	-	-	-	-	-	-	30,520	4.27%
2035	9,755	-	9,755	4.08%	-	-	-	-	-	-	9,755	4.08%
2036	9,044	6,172	15,216	4.32%	-	-	-	-	-	-	15,216	4.32%
2037	7,744	-	7,744	3.80%	-	-	-	-	-	-	7,744	3.80%
Thereafter	3,376	18,813	22,189	3.26%	-	-	-	-	-	-	22,189	3.26%
Total	433,467	1,035,837	1,469,304	3.26%	125,000	3.95%	70,000	7.48%	400,000	5.33%	2,064,304	3.84%

(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 December 31, 2023:



Mortgage Debt

We generally have access to low-cost mortgage financing insured by CMHC. As of December 31, 2023, approximately 93% of our mortgage debt 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 debt portfolio in 2023:

	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 and matured in the period	(102,871)	-	3.71%	20%
New mortgage financings	127,816	9.7	4.05%	100%
Amortizing principal repayments	(74,521)	N/A	N/A	94%
Mortgages transferred to assets and liabilities held for sale	(182,788)	4.1	3.67%	82%
Principal balance at December 31, 2023	1,469,304	6.2	3.26%	93%
Mark-to-market adjustments on assumed mortgages	1,134			
Finance costs	(44,953)			
Mortgages payable at December 31, 2023	1,425,485			

New mortgage financings include five CMHC-insured mortgages totalling \$127.8 million with a weighted average interest rate of 4.05% and a weighted average term to maturity of 9.7 years.

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

	At December 31, 2023		At December 31, 2022	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,469,304	-	1,469,304	1,701,668
Weighted average interest rate	3.26	-	3.26	3.21%
Average term to maturity (years)	6.2	-	6.2	6.1

The following tables are supplemental information and summarize the components of our mortgage debt portfolio for our Equity-Accounted JVs:

(\$000s)	December 31, 2023	December 31, 2022
Principal balance of mortgages payable	51,990	52,276
Finance costs	(96)	(153)
Mortgages payable	51,894	52,123

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
2024	297	26,431	26,728	2.95%
2025	310	-	310	3.98%
2026	266	24,686	24,952	3.71%
Total	873	51,117	51,990	3.32%

Credit Facilities

The following table summarizes the available borrowing capacity and borrowings on our Credit Facilities at December 31, 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	300,000	5,988	294,012	70,000	224,012	May 29, 2025
Unsecured credit facility ⁽²⁾	100,000	100,000	-	100,000	-	100,000	May 29, 2025
Total Credit Facilities	400,000	400,000	5,988	394,012	70,000	324,012	

(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 November 28, 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. When the covenant amendment extensions are no longer applicable, the interest rate for the Credit Facilities would be reduced by 50 bps. The secured credit facility is secured by first and 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.

On August 4, 2023, we entered into an unsecured delay draw credit facility for \$200.0 million with a syndicate of Canadian financial institutions which was available any time prior to December 11, 2023 to repay our Series A Debentures. The delay draw facility was cancelled upon the refinancing of our Series A Debentures.

Term Loans

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

December 31, 2023	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Unsecured term loan	125,000	(76)	124,924	3.95%	May 31, 2024
Total	125,000	(76)	124,924		

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 December 31, 2023 and December 31, 2022:

December 31, 2023	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series B Debentures	150,000	(192)	149,808	4.211%	April 28, 2025
Series C Debentures	250,000	(827)	249,173	6.000%	December 8, 2026
Total	400,000	(1,019)	398,981		

December 31, 2022	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series A Debentures	200,000	(223)	199,777	3.786%	December 11, 2023
Series B Debentures	150,000	(323)	149,677	4.211%	April 28, 2025
Total	350,000	(546)	349,454		

On December 8, 2023, we issued \$250.0 million of 6.000% Series C senior unsecured debentures due on December 8, 2026, with semi-annual interest payments due on June 8 and December 8 of each year. Debt financing costs of \$0.8 million were incurred and are being amortized.

On December 11, 2023, we repaid our maturing \$200.0 million of 3.786% Series A senior unsecured debentures.

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 December 31, 2023, we were in compliance with all our debt covenants.

Amendments to Covenants

Due to the uncertainty caused by the pandemic 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. This amendment is applicable for the periods ending before June 29, 2024. Refer to the "Credit Facilities" section on page 33 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 June 30, 2024 and the maturity date of the applicable credit agreement.

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 “Amendments to Covenants” section on page 34 of this MD&A.

(\$000s, except ratio)	12 months December 31, 2023	12 months December 31, 2022
Consolidated EBITDA for Credit Facilities and Term Loans ⁽¹⁾	243,403	253,415
Consolidated interest expense for Credit Facilities and Term Loans ⁽²⁾	94,727	91,657
Consolidated regularly scheduled debt principal payments for Credit Facilities and Term Loans ⁽³⁾	82,252	87,271
Consolidated debt service payments for Credit Facilities and Term Loans	176,979	178,928
Debt service coverage ratio for Credit Facilities and Term Loans	1.38	1.42

- (1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures” section on page 40 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 40 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 41 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 ratio)	As at December 31, 2023	As at December 31, 2022
Consolidated indebtedness for Credit Facilities and Term Loans ⁽¹⁾	2,327,306	2,588,463
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans ⁽²⁾	4,754,053	5,164,122
Total leverage ratio for Credit Facilities and Term Loans	49.0%	50.1%

- (1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 42 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 December 31, 2023, the minimum adjusted consolidated unitholders’ equity requirement was \$1,338 million.

(\$000s)	As at December 31, 2023	As at December 31, 2022
Unitholders’ equity per Financial Statements	791,461	769,802
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans ⁽¹⁾⁽²⁾	1,317,674	1,400,176
Class B Units	17,877	12,916
Deferred Trust Units (“DTUs”)	15,858	10,525
Adjusted consolidated unitholders’ equity for Credit Facilities and Term Loans	2,142,870	2,193,419

- (1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$24.7 million at December 31, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$278.4 million at December 31, 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 December 31, 2022 and fully amortized assets of \$1.6 million at December 31, 2022.

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

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

<i>(\$000s, except percentage of AFFO)</i>	12 Months December 31, 2023	12 Months December 31, 2022
Distributions declared on Trust Units ⁽¹⁾	146,037	143,548
Distributions on Class B Units	936	937
Distributions on DTUs	810	704
Total distributions for Credit Facilities and Term Loans	147,783	145,189
Less:		
Non-cash distributions settled by DRIP	36,086	34,967
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	1,241	1,150
Non-cash distributions applied to DTUs	810	704
Cash distributions for Credit Facilities and Term Loans	109,646	108,368
AFFO for Credit Facilities and Term Loans ⁽²⁾	122,235	134,826
Add:		
Adjustment based on covenant amendment ⁽³⁾	20,000	-
AFFO adjusted for covenant amendment	142,235	134,826
Cash distributions as a percentage of AFFO for Credit Facilities	77.1%	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 42 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:

<i>(\$000s)</i>	Threshold as of December 31, 2023	As at December 31, 2023	As at December 31, 2022
Non-qualifying joint ventures and investments ⁽¹⁾	237,703	-	-
Loans receivable ⁽²⁾	713,108	15,305	8,009
Investments in property held for development/construction as defined in the Credit Facilities and Term Loans ⁽²⁾	713,108	120,009	119,480
Combined ⁽³⁾	1,188,513	135,314	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 ratio)	As at December 31, 2023	As at December 31, 2022
Secured indebtedness for the unsecured credit facility and Term Loans ⁽¹⁾	1,787,682	2,093,620
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans ⁽²⁾	4,754,053	5,164,122
Secured indebtedness ratio for the unsecured credit facility and Term Loans	37.6%	40.5%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 41 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 42 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 ratio)	As at December 31, 2023	As at December 31, 2022
Unencumbered property asset value for the unsecured credit facility and Term Loans ⁽¹⁾	881,250	1,120,500
Unsecured indebtedness for the unsecured credit facility and Term Loans ⁽²⁾	539,624	494,843
Unencumbered property asset ratio for the unsecured credit facility and Term Loans	1.6	2.3

(1) Includes 28 properties valued at \$881.3 million as of December 31, 2023 (39 properties valued at \$1,120.5 million as of December 31, 2022 which includes four properties valued at \$49.9 million relating to our LTC Discontinued Operations). The property values are based on third-party appraisals that are dated no longer than two years from the applicable determination date. On closing of the Welltower transaction, our unencumbered asset pool will decline by approximately \$25.0 million.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 41 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 ratio)	12 months December 31, 2023	12 months December 31, 2022
Consolidated EBITDA for Debentures ⁽¹⁾	223,009	229,632
Consolidated interest expense for Debentures ⁽²⁾	95,153	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 40 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 40 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)	December 31, 2023	December 31, 2022
Consolidated indebtedness for Debentures ⁽¹⁾	2,283,580	2,544,665
Aggregate adjusted assets for Debentures ⁽²⁾	4,716,878	5,127,478
Indebtedness percentage for Debentures	48.4%	49.6%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 42 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)	December 31, 2023	December 31, 2022
Unencumbered aggregate adjusted assets for Debentures ⁽¹⁾	881,250	1,120,500
Unsecured indebtedness for Debentures ⁽²⁾	533,073	487,689
Coverage ratio for Debentures	1.7	2.3

(1) Includes 28 properties valued at \$881.3 million as of December 31, 2023 (39 properties valued at \$1,120.5 million as of December 31, 2022 which includes four properties valued at \$49.9 million relating to our LTC Discontinued Operations). 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 41 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, 2023	12 months December 31, 2022
Net income	128,273	49,531
Gain on disposal of assets ⁽¹⁾	(190,748)	(71,767)
Transaction costs ⁽¹⁾	1,665	2,727
Impairment losses	10,980	-
Non-cash change in fair value of financial instruments ⁽¹⁾	23,212	(24,816)
Consolidated net income/(loss) for Credit Facilities and Term Loans	(26,618)	(44,325)
Consolidated finance costs ⁽¹⁾	99,493	95,057
Consolidated depreciation of PP&E and amortization of intangible assets ⁽¹⁾	160,611	160,962
Consolidated income tax expense/(benefit)	2,721	14,131
Principal portion of capital funding	3,764	6,746
Net pandemic expenses ⁽²⁾	3,432	20,844
Consolidated EBITDA for Credit Facilities and Term Loans	243,403	253,415
Proforma adjustments ⁽³⁾	(16,962)	(2,939)
Less: Net pandemic expenses ⁽²⁾	(3,432)	(20,844)
Consolidated EBITDA for Debentures	223,009	229,632

(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 January 1, 2023 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 \$0.1 million of prior-period reimbursement recognized in 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, 2023	12 months December 31, 2022
Interest on mortgages ⁽¹⁾	62,788	65,046
Interest on Debentures	14,392	13,888
Interest on Credit Facilities	12,023	7,731
Interest on Term Loans	5,524	4,992
Consolidated interest expense for Credit Facilities and Term Loans	94,727	91,657
Proforma adjustments ⁽²⁾	426	(336)
Consolidated interest expense for Debentures	95,153	91,321

(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.

	12 months December 31, 2023	12 months December 31, 2022
(\$000s)		
Regularly scheduled debt principal payments per Financial Statements	81,967	86,997
Regularly scheduled debt principal payments for equity-accounted entities	285	274
Regularly scheduled debt principal payments for Credit Facilities and Term Loans	82,252	87,271

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.

	December 31, 2023	December 31, 2022
(\$000s)		
Principal balance of mortgages payable	1,469,304	1,701,668
Principal balance of mortgages payable related to assets held for sale	182,788	-
Principal balance of mortgages payable related to Equity-Accounted JVs	51,990	52,276
Principal balance of mortgages payable related to LTC Discontinued Operations	-	142,076
Outstanding amount on secured credit facility	70,000	184,000
Outstanding amount on secured term loan	-	13,600
Outstanding amount on secured term loan related to assets held for sale	13,600	-
Secured indebtedness for the unsecured credit facility and Term Loans	1,787,682	2,093,620
Principal balance of Debentures	400,000	350,000
Unsecured term loans	125,000	125,000
Capital lease obligations ⁽¹⁾	8,073	12,689
Unsecured indebtedness for Debentures	533,073	487,689
Outstanding letters of credit	5,988	6,273
Third-party guarantees	563	881
Unsecured indebtedness for Credit Facilities and Term Loans	539,624	494,843
Consolidated indebtedness for Credit Facilities and Term Loans	2,327,306	2,588,463
<i>Add (Subtract):</i>		
Outstanding letters of credit	(5,988)	(6,273)
Third-party guarantees	(563)	(881)
Cash and cash equivalents	(24,619)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(12,556)	(8,175)
Consolidated indebtedness for Debentures	2,283,580	2,544,665

(1) Includes capital lease obligations related to LTC Discontinued Operations of \$4.2 million at December 31, 2022 and capital lease obligations related to joint ventures of \$0.1 million at December 31, 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)	December 31, 2023	December 31, 2022
Book value of assets ⁽¹⁾	3,288,280	3,565,802
Gross book value adjustment on IFRS transition ⁽²⁾	148,099	198,144
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans ⁽³⁾⁽⁴⁾	1,317,674	1,400,176
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans	4,754,053	5,164,122
Add (Subtract):		
Cash and cash equivalents	(24,619)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(12,556)	(8,175)
Aggregate adjusted assets for Debentures	4,716,878	5,127,478

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

(2) Includes gross book value adjustment on IFRS transition for LTC Discontinued Operations of \$57.4 million at December 31, 2022.

(3) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$24.7 million at December 31, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$278.4 million at December 31, 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 December 31, 2022 and fully amortized assets of \$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)	2023	2022
FFO ⁽¹⁾	133,190	126,917
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	3,764	6,746
Income guarantees ⁽²⁾	-	-
Amortization of finance costs and fair value adjustments on assumed mortgages ⁽³⁾	3,198	2,695
Finance cost reserve	(1,721)	(1,786)
Net pandemic expense ⁽⁴⁾	3,432	20,844
AFFO for Credit Facilities and Term Loans before capital maintenance reserve	141,863	155,416
Capital maintenance reserve - 2% of property revenue	(19,628)	(20,590)
AFFO for Credit Facilities and Term Loans	122,235	134,826

- (1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 50 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; 2023 excludes \$3.4 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 January 1, 2023 to March 31, 2023 and net reimbursement of such expenses (if any) and as such excludes \$0.1 million of prior-period reimbursements recognized in 2023.

Total Equity

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

	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	3,867,229	-	-	-	3,867,229
Trust Units issued under EUPP	-	333,377	-	-	333,377
Trust Units released on settlement of EUPP receivable	145,091	(145,091)	-	-	-
Exchange of Class B Units into Trust Units	5,000	-	(5,000)	-	-
DTUs issued	-	-	-	89,604	89,604
Distributions on DTUs	-	-	-	84,195	84,195
Exchange of DTUs into Trust Units	67,727	-	-	(67,727)	-
Balance December 31, 2023	238,837,656	2,076,419	1,525,360	1,353,281	243,792,716

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

As of March 7, 2024, the Trust has 241,490,515 Trust Units outstanding and Chartwell Master Care LP has 1,519,360 Class B Units outstanding which are exchangeable for 1,519,360 Trust Units.

Distributions

The following table summarizes distributions declared on Trust Units in Q4 2023, 2023, 2022 and 2021 in relation to cash flows from operating activities and net income/(loss):

(\$000s)	Q4 2023	2023	2022	2021
Cash flows from operating activities	56,717	157,425	137,709	156,323
Net income/(loss)	(13,173)	128,273	49,531	10,132
Finance costs included in cash flow from financing activities	(1,353)	(9,212)	(8,944)	(8,434)
Distributions declared on Trust Units	36,737	146,037	143,548	136,227
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	19,980	11,388	(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	18,627	2,176	(14,783)	11,662
Excess/(deficit) of net income over distributions declared on Trust Units	(49,910)	(17,764)	(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.

In 2023 we achieved positive operating cash flows over distributions along with an excess of cash flows from operating activities (net of finance costs in cash flows from financing activities) over 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 2024 and our distributions are sustainable.

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 2023, our average DRIP participation was 24.7% compared to 24.8% participation in 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, pandemic-related restrictions, in many cases, limited access to our residences and as a result capital investments in 2022 were lower than 2023.

The following table summarizes our capital investments in 2023 and 2022:

(\$000s)	2023	2022
Building improvements	34,007	31,193
Mechanical and electrical ("M&E")	13,083	12,567
Suite improvements and upgrades	25,147	17,795
Interior improvements and upgrades	7,093	5,019
Furniture, fixtures and equipment	6,779	6,437
Communications and information systems	6,049	2,471
Properties under development	92,158	75,482
Land under development	31,164	32,048
	-	192
Total capital investments ⁽¹⁾	123,322	107,722

(1) Includes 160 properties (19,261 suites) at Chartwell's share of ownership in 2023, and 160 properties (19,355 suites) at Chartwell's share of ownership in 2022.

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	2022
Capital investments in Equity-Accounted JVs	1,190	1,535

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, we completed 119 major building improvement projects valued over \$50,000 each, totalling \$30.0 million (2022 – 121 projects totalling \$29.8 million). In addition, included in this category are the acquisitions of eight condominium suites at two of our properties in British Columbia totalling \$3.1 million (2022 – four condominium suites for \$1.7 million).

Mechanical and Electrical

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

In 2023, we completed 93 major M&E projects valued over \$50,000 each, totalling \$11.3 million (2022 – 81 projects totalling \$10.5 million).

Suite Improvements and Upgrades

This category includes capital investments in resident suites. We have developed and implemented 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, we invested in strategic suite upgrade programs in 56 properties (2022 – 59 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, we invested in strategic common area upgrade programs in 39 properties (2022 – 31 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.

Balance Sheet Analysis

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

	Increase (Decrease) (\$millions)	Explanation
Total assets	(276.3)	Total assets decreased primarily due to decreases in PP&E, other assets, trade and other receivables, cash, and intangible assets, partially offset by increases in loans receivables and investment in joint ventures.
Total liabilities	(297.9)	Total liabilities decreased primarily due to lower draws on our credit facilities, decreases in deferred tax liabilities, accounts payable and mortgage payable, partially offset by increases of senior unsecured debentures, income tax payable, and other liabilities.
Equity	21.7	The increase in equity is primarily due to net income for the period and issuance of Trust Units under DRIP, partially offset by distributions.

Commitments and Contingencies

Contractual Obligations and Guarantees

The following table summarizes the maturities on major financial liabilities as at December 31, 2023, excluding future interest payments:

(\$000s)	Contractual Value	2024	2025	2026	2027	2028	Thereafter
Mortgages payable	\$1,469,304	243,831	118,667	138,690	109,848	215,689	642,579
Credit facilities	70,000	-	70,000	-	-	-	-
Term loans	125,000	125,000	-	-	-	-	-
Senior unsecured debentures	400,000	-	150,000	250,000	-	-	-
Accounts payable and accrued liabilities	119,743	119,743	-	-	-	-	-
Income tax payable	27,231	27,231	-	-	-	-	-
Distributions payable	12,364	12,364	-	-	-	-	-
Resident deposits	5,203	5,203	-	-	-	-	-
Lease obligations	8,073	751	737	128	-	-	6,457
Total maturities	2,236,918	534,123	339,404	388,818	109,848	215,689	649,036

The following table summarizes the maturities on major financial liabilities as at December 31, 2023 excluding future interest payments for our liabilities held for sale:

(\$000s)	Contractual Value	2024	2025	2026	2027	2028	Thereafter
Mortgages payable	182,788	55,977	17,378	7,943	51,768	8,558	41,164
Secured term loans	13,600	-	-	-	13,600	-	-
Total maturities	196,388	55,977	17,378	7,943	65,368	8,558	41,164

We have recorded lease obligations with respect to leases of land, office space and equipment.

We have entered into various construction contracts related to our development projects. As at December 31, 2023, the remaining commitments under these contracts amounted to approximately \$3.4 million (2022 - \$23.8 million).

Guarantees

We remain a guarantor of the mortgage on one property sold in 2014 with the outstanding balance as of December 31, 2023 of \$0.6 million. The purchasers of this property have indemnified us with respect to this guarantee.

As of December 31, 2023, together with our partners we have jointly and severally guaranteed loans on certain joint arrangements to an aggregate maximum amount of \$565.4 million. As at December 31, 2023, outstanding balances on these loans were \$449.9 million.

Other Contracts

Upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, have provided mezzanine loans for.

As of December 31, 2023, there were seven projects with 2,417 suites that were subject to these arrangements. Four of the Batimo projects, Chartwell Trait-Carré, Chartwell Le Montcalm, Chartwell Le Prescott and Chartwell L'Envol achieved the occupancy threshold giving effect to the Batimo put rights. A summary and status of Batimo projects is provided under the "Significant Events – Projects by Batimo" section on page 13 of this MD&A.

Letters of Credit

As at December 31, 2023, we were contingently liable for letters of credit in the amount of \$6.0 million.

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 was certified on March 7, 2024. 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 December 31, 2023. The contingencies associated with these long term care homes remain with Chartwell upon sale.

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. Notwithstanding the closing of the sale of the long-term segment in 2023, 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 significant 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.

Summary of Select Financial Information

Annual Financial Information

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

<i>(\$000s, except per unit amounts)</i>	2023	2022	2021
Resident revenue	687,324	661,029	627,975
Total revenues	738,554	707,992	677,734
Direct property operating expense	463,361	464,704	423,884
Net income	128,273	49,531	10,132
Total assets	3,234,076	3,510,342	3,417,253
Total non-current liabilities	1,681,845	1,995,906	2,081,722
Total liabilities	2,442,615	2,740,540	2,591,142
Distributions declared per unit	0.6120	0.6120	0.6120

Our annual results for the past three years have been primarily affected by acquisitions, developments, and dispositions. For all three years, our results have been impacted by the pandemic. Refer to the “2024 Outlook” section on page 9 of this MD&A.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information for:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	193,455	186,041	180,771	178,287	181,699	180,516	175,873	169,904
Direct property operating expense	(118,853)	(113,344)	(113,290)	(117,874)	(120,672)	(117,811)	(112,434)	(113,787)
Depreciation and amortization	(39,587)	(38,593)	(38,539)	(39,976)	(40,255)	(39,767)	(38,749)	(37,365)
Share of net income/(loss) from joint ventures	(568)	1,023	(197)	(2,070)	(1,200)	(1,015)	(933)	(161)
G&A expenses	(13,455)	(14,403)	(17,163)	(15,429)	(9,334)	(11,215)	(15,264)	(13,828)
Other income/(expense)	(4,695)	1,789	605	2,310	68,456	718	774	675
Finance costs	(22,591)	(23,395)	(23,709)	(22,806)	(22,870)	(21,978)	(20,943)	(19,300)
Changes in fair value of financial instruments	(10,752)	(5,622)	(3,081)	(2,509)	2,929	9,054	7,161	2,641
Current income tax benefit/(expense)	869	(28,100)	-	-	-	-	-	-
Deferred income tax benefit/(expense)	3,419	11,274	2,340	7,477	(16,849)	2,248	1,111	(641)
Net income/(loss) from continuing operations	(12,758)	(23,330)	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)
Net income/(loss) from LTC Discontinued Operations	(415)	181,486	4,806	3,337	5,559	3,528	4,510	8,546
Net income/(loss) for the period	(13,173)	158,156	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)
FFO ⁽¹⁾								
Continuing operations	39,246	36,087	25,900	20,918	27,744	28,290	25,719	20,259
Total	39,099	39,002	30,751	24,338	33,357	31,880	30,355	31,324
FFOPU ⁽¹⁾								
Continuing operations	0.16	0.15	0.11	0.09	0.12	0.12	0.11	0.09
Total	0.16	0.16	0.13	0.10	0.14	0.13	0.13	0.13
IFFO ⁽¹⁾								
Continuing operations	39,878	36,602	26,255	21,676	28,877	29,535	26,785	21,279
Total	39,731	39,518	31,106	25,096	34,490	33,125	31,421	32,344
IFFOPU ⁽¹⁾								
Continuing operations	0.16	0.15	0.11	0.09	0.12	0.13	0.11	0.09
Total	0.16	0.16	0.13	0.10	0.14	0.14	0.13	0.14
Weighted average number of units (000) ⁽²⁾	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures" section on page 50 of this MD&A.

(2) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 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 12 and the "2023 Outlook" section on page 9 of this MD&A and in our 2022 MD&A,
- pandemic impacts,
- changes in fair value of financial instruments,
- deferred income taxes,
- current income taxes,
- gain on the LTC Transactions, and
- impairment charges.

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 based on 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)	Q4 2023	Q4 2022	Change	2023	2022	Change
Net income/(loss)	(12,758)	41,904	(54,662)	(60,941)	27,388	(88,329)
<i>Add (Subtract):</i>						
B Depreciation of PP&E	38,955	39,482	(527)	154,005	152,988	1,017
D Amortization of limited life intangible assets	632	773	(141)	2,690	3,148	(458)
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	(1,127)	(1,181)	54	(4,461)	(4,791)	330
E Loss/(gain) on disposal of assets	(5,770)	(70,125)	64,355	(12,074)	(71,751)	59,677
J Transaction costs arising on dispositions	192	1,792	(1,600)	1,167	1,992	(825)
H Impairment losses	10,273	-	10,273	10,898	-	10,898
F Tax on gains or losses on disposal of properties	(869)	-	(869)	27,231	-	27,231
G Deferred income tax	(3,419)	16,849	(20,268)	(24,510)	14,131	(38,641)
O Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
M Changes in fair value of financial instruments	10,752	(2,929)	13,681	21,964	(21,785)	43,749
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	2,151	945	1,206	5,246	(244)	5,490
FFO ⁽²⁾	39,246	27,744	11,502	122,151	102,013	20,138
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	632	1,133	(501)	2,260	4,464	(2,204)
IFFO ⁽⁵⁾	39,878	28,877	11,001	124,411	106,477	17,934
Weighted average number of units (000) ⁽⁶⁾	243,262	238,831	4,431	241,688	237,402	4,286
FFOPU ⁽⁷⁾	0.16	0.12	0.04	0.51	0.43	0.08
IFFOPU ⁽⁷⁾	0.16	0.12	0.04	0.51	0.45	0.06

(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 19 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 12 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 55 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 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)	Q4 2023	Q4 2022	Change	2023	2022	Change
B Depreciation of PP&E and amortization of intangible assets	813	957	(144)	3,916	2,808	1,108
E Loss/(gain) on disposal of assets	(1)	(16)	15	-	(21)	21
H Impairment losses	82	-	82	82	-	82
M Change in fair value of financial instruments	1,257	4	1,253	1,248	(3,031)	4,279
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	2,151	945	1,206	5,246	(244)	5,490

(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)	Q4 2023	Q4 2022	Change	2023	2022	Change
Net income/(loss)	(13,173)	47,463	(60,636)	128,273	49,531	78,742
<i>Add (Subtract):</i>						
B Depreciation of PP&E	38,955	39,482	(527)	154,005	154,804	(799)
D Amortization of limited life intangible assets	632	773	(141)	2,690	3,350	(660)
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	(1,127)	(1,181)	54	(4,461)	(4,791)	330
E Loss/(gain) on disposal of assets	(5,539)	(70,122)	64,583	(190,747)	(71,743)	(119,004)
J Transaction costs arising on dispositions	229	1,843	(1,614)	1,665	2,727	(1,062)
H Impairment losses	10,273	-	10,273	10,898	-	10,898
F Tax on gains or losses on disposal of properties	(869)	-	(869)	27,231	-	27,231
G Deferred income tax	(3,419)	16,849	(20,268)	(24,510)	14,131	(38,641)
O Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
M Changes in fair value of financial instruments	10,752	(2,929)	13,681	21,964	(21,785)	43,749
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	2,151	945	1,206	5,246	(244)	5,490
FFO ⁽²⁾	39,099	33,357	5,742	133,190	126,917	6,273
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	632	1,133	(501)	2,260	4,464	(2,204)
IFFO ⁽⁵⁾	39,731	34,490	5,241	135,450	131,381	4,069
Weighted average number of units (000) ⁽⁶⁾	243,262	238,831	4,431	241,688	237,402	4,286
FFOPU ⁽⁷⁾	0.16	0.14	0.02	0.55	0.53	0.02
IFFOPU ⁽⁷⁾	0.16	0.14	0.02	0.56	0.55	0.01

(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 19 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 12 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 55 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 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:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(12,758)	(23,330)	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)
Add (Subtract):								
B Depreciation of PP&E	38,955	38,027	37,786	39,237	39,482	38,958	37,927	36,621
D Amortization of limited life intangible assets	632	566	753	739	773	809	822	744
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	(1,127)	(1,093)	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)
E Loss/(gain) on disposal of assets	(5,770)	(2,883)	(709)	(2,712)	(70,125)	(656)	(425)	(545)
J Transaction costs arising on dispositions	192	469	104	402	1,792	122	23	55
H Impairment losses	10,273	625	-	-	-	-	-	-
F Tax on gains or losses on disposal of properties	(869)	28,100	-	-	-	-	-	-
G Deferred income tax	(3,419)	(11,274)	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641
O Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	234	234
M Changes in fair value of financial instruments	10,752	5,622	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	2,151	1,024	348	1,720	945	561	17	(1,766)
FFO ⁽²⁾	39,246	36,087	25,900	20,918	27,744	28,290	25,719	20,259
Add (Subtract):								
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	632	515	355	758	1,133	1,245	1,066	1,020
Income guarantees ⁽⁴⁾	-	-	-	-	-	-	-	-
IFFO ⁽⁵⁾	39,878	36,602	26,255	21,676	28,877	29,535	26,785	21,279
Weighted average number of units (000) ⁽⁶⁾	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU ⁽⁷⁾	0.16	0.15	0.11	0.09	0.12	0.12	0.11	0.09
IFFOPU ⁽⁷⁾	0.16	0.15	0.11	0.09	0.12	0.13	0.11	0.09

(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 19 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 12 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 55 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 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:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(13,173)	158,156	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)
<i>Add (Subtract):</i>								
B Depreciation of PP&E	38,955	38,027	37,786	39,237	39,482	38,958	37,927	38,437
D Amortization of limited life intangible assets	632	566	753	739	773	809	822	946
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	(1,127)	(1,093)	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)
E Loss/(gain) on disposal of assets	(5,539)	(181,794)	(714)	(2,701)	(70,122)	(655)	(423)	(545)
J Transaction costs arising on dispositions	229	809	154	474	1,843	183	147	556
H Impairment losses	10,273	625	-	-	-	-	-	-
F Tax on gains or losses on disposal of properties	(869)	28,100	-	-	-	-	-	-
G Deferred income tax	(3,419)	(11,274)	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641
O Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	234	234
M Changes in fair value of financial instruments	10,752	5,622	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	2,151	1,024	348	1,720	945	561	17	(1,766)
FFO ⁽²⁾	39,099	39,002	30,751	24,338	33,357	31,880	30,355	31,324
<i>Add (Subtract):</i>								
Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	632	515	355	758	1,133	1,245	1,066	1,020
Income guarantees ⁽⁴⁾	-	-	-	-	-	-	-	-
IFFO ⁽⁵⁾	39,731	39,517	31,106	25,096	34,490	33,125	31,421	32,344
Weighted average number of units (000) ⁽⁶⁾	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU ⁽⁷⁾	0.16	0.16	0.13	0.10	0.14	0.13	0.13	0.13
IFFOPU ⁽⁷⁾	0.16	0.16	0.13	0.10	0.14	0.14	0.13	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 19 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 12 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 55 of this MD&A.

(7) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 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)	Q4 2023	Q4 2022	Change	2023	2022	Change
Weighted average number of units ⁽¹⁾	243,262	238,831	4,431	241,688	237,402	4,286

(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 December 31, 2023, and December 31, 2022:

(\$000s, except ratio)	December 31, 2023	December 31, 2022
Consolidated Indebtedness for Debentures ⁽¹⁾	2,283,580	2,544,665
Consolidated EBITDA for Debentures ⁽²⁾	223,009	229,632
Net Debt to Adjusted EBITDA ratio	10.2	11.1

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 41 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 40 of this MD&A for the calculation of this amount.

The Net Debt to Adjusted EBITDA ratio in 2022 and 2023 was impacted by lower EBITDA as a result of reduced occupancy and higher direct property operating expense primarily as a result of the pandemic, which started to rebound in the latter half of 2023. Additionally, financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution also impacted this ratio.

LTC Discontinued Operations

On September 6, 2023, we completed the sale of our long term care operations as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A.

The results of the LTC Discontinued Operations are included in the repositioning portfolio grouping. We continue to own two long term care homes which were included in the LTC Discontinued Operations reportable segment prior to the sale. Upon completion of the sale, these two homes are reported with our retirement residences as part of our Retirement Operations segment in the repositioning portfolio.

The following table summarizes the composition of the Long Term Care Operations as at September 6, 2023:

	Properties	Composition of Suites/Beds		Total at Chartwell's Share of Ownership
		ISLS	LTC	
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 the Long Term Care Operations as at December 31, 2023:

(\$000s, except occupancy rates)	Q4 2023	Q4 2022	2023	2022
Adjusted resident revenue⁽¹⁾	258	64,165	167,326	252,614
Comprised of:				
Repositioning ⁽²⁾	258	64,165	167,326	252,614
Adjusted direct property operating expense⁽¹⁾	405	56,884	151,671	220,729
Comprised of:				
Repositioning ⁽²⁾	405	56,884	151,671	220,729
Adjusted NOI⁽¹⁾	(147)	7,281	15,655	31,885
Comprised of:				
Repositioning ⁽²⁾	(147)	7,281	15,655	31,885
Weighted average occupancy rate				

(1) Non-GAAP, refer to the “Results of Retirement Operations” section on page 22 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 ‘Repositioning’ and the significance of this metric.

The following tables provide supplemental information related to LTC Discontinued Operations:

Finance Costs

(\$000s)	Q4 2023	Q4 2022	2023	2022
Contractual interest expense on mortgages	-	1,988	5,186	8,254
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	-	(51)	18	(106)
Total finance costs – LTC Discontinued Operations	-	1,937	5,204	8,148

Other Items

(\$000s)	Q4 2023	Q4 2022	2023	2022
Other income/(expense)	(268)	(54)	178,175	(743)
Depreciation of PP&E	-	-	-	(1,816)
Amortization of intangible assets	-	-	-	(202)

Other income/(expense) in 2023 includes \$178.7 million gain on sale and transaction costs related to the LTC Transactions.

Cash Flow Analysis (between 2023 and 2022)

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	4.8	Change in cash flows from operating activities is primarily due to change in working capital and lower interest paid.
Financing activities	(3.8)	Change in cash flows from financing activities is due to higher mortgage repayments.
Investing activities	218.0	Change in cash flows from investing activities is primarily due to higher proceeds from dispositions of PP&E and lower additions to PP&E.

Cash Flow Analysis (between Q4 2023 and Q4 2022)

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(6.1)	Change in cash flows from operating activities is primarily due to sale of long term care operations in 2023 as compared to adjusted NOI, change in working capital and interest paid in Q4 2022.
Financing activities	2.4	Change in cash flows from financing activities is due to due to sale of long term care operations in 2023 as compared to mortgage repayments in Q4 2022.
Investing activities	0.2	Change in cash flows from investing activities is primarily due to sale of long term operations in 2023 as compared to additions to PP&E in Q4 2022.

Capital Investments

(\$000s)	2023	2022
Capital Investments	-	5,924
Properties under development	-	278
Total capital investments ⁽¹⁾	-	6,202

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

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)	Q4 2023	Q4 2022	2023	2022
Net income/(loss)	(415)	5,559	189,214	22,143
Add (Subtract):				
Depreciation of PP&E	-	-	-	1,816
Amortization of limited life intangible assets	-	-	-	202
Loss/(gain) on disposal of assets	231	3	(178,673)	8
Transaction costs arising on dispositions	37	51	498	735
FFO ⁽¹⁾	(147)	5,613	11,039	24,904
IFFO ⁽²⁾	(147)	5,613	11,039	24,904
Weighted average number of units (000) ⁽³⁾	243,262	238,831	241,688	237,402
FFOPU ⁽⁴⁾	-	0.02	0.04	0.10
IFFOPU ⁽⁴⁾	-	0.02	0.05	0.10

(1) Non-GAAP; refer to the "Consolidated Results of Operations – FFO" section on page 19 of this MD&A for a discussion of the significance of this metric.

(2) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures – IFFO" section on page 51 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 of this MD&A.

(4) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(415)	181,486	4,806	3,337	5,559	3,528	4,510	8,546
Add (Subtract):								
Depreciation of PP&E	-	-	-	-	-	-	-	1,816
Amortization of limited life intangible assets	-	-	-	-	-	-	-	202
Loss/(gain) on disposal of assets	231	(178,911)	(5)	11	3	1	2	-
Transaction costs arising on dispositions	37	340	50	72	51	61	124	501
FFO ⁽¹⁾	(147)	2,915	4,851	3,420	5,613	3,590	4,636	11,065
IFFO ⁽²⁾	(147)	2,915	4,851	3,420	5,613	3,590	4,636	11,065
Weighted average number of units (000) ⁽³⁾	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU ⁽⁴⁾	-	0.01	0.02	0.01	0.02	0.01	0.02	0.04
IFFOPU ⁽⁴⁾	-	0.01	0.02	0.01	0.02	0.01	0.02	0.04

- (1) Non-GAAP; refer to the "Consolidated Results of Operations – FFO" section on page 19 of this MD&A for a discussion of the significance of this metric.
- (2) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures – IFFO" section on page 51 of this MD&A for a discussion of the significance of this metric.
- (3) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 of this MD&A.
- (4) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 of this MD&A for a discussion of the calculation of the per unit amounts.

Critical Accounting Policies and Estimates

Critical Accounting Judgments, Estimates and Assumptions in Applying Accounting Policies

Our material accounting policies for the year ended December 31, 2023 are referred to in note 3 of our Financial Statements. Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Our estimates are based on past experience and other factors that we believe are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Valuation of PP&E and Intangibles

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

Our Financial Statements are affected by fair value measures. The most significant areas affected are as follows:

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

PP&E and intangible assets represent more than 90% of our assets.

At each reporting date we assess whether there is an indication, based on internal or external sources of information, that an asset or a Cash Generating Unit ("CGU") in PP&E may be impaired. When indicators of impairment exist, we evaluate whether the recoverable amount of a CGU exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business.

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

The assessment of asset impairment requires us to make significant assumptions about the selection of discount rates, capitalization rates and terminal capitalization rates used to determine the fair value of a CGU. Significant assumptions are also required to estimate future stabilized cash flows, which include assumptions about rental rates and occupancy rates. Such assumptions can be significantly impacted by current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Management also applies adjustments to reflect the expectations of market participants. Estimates and assumptions used in the determination of the recoverable amounts were based upon information that was known at the time, along with the future outlook. Actual results can, and often do, differ from these estimates, and can have either a positive or negative impact on the estimate and whether an impairment situation exists. In addition, when impairment tests are performed, the estimated useful lives of the properties are reassessed, with any change accounted for prospectively. Intangible assets that have indefinite useful lives are tested for impairment annually, or more frequently, if events or circumstances indicate that the assets might be impaired. Goodwill is tested for impairment at least annually or whenever indicators of impairment of the CGU to which the goodwill relates have occurred. Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate the carrying amount may not be recoverable.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Changes in Accounting Estimates and Changes in Accounting Policies

Our material accounting policies are described in Note 3 of our 2023 Financial Statements. Note 3(n) outlines future accounting policy changes. There were no significant changes to our accounting policies in 2023 or following the date of our 2023 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 11 of our Financial Statements.

Controls and Procedures

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

Disclosure Controls and Procedures

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

An evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control – Integrated Framework – 2013 (COSO Internal Control Framework – 2013). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective as at December 31, 2023.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2023, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO Internal Control Framework – 2013.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 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

- **General Business Risks:** We are subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include general economic conditions, health-related risks, disease outbreaks (for example, COVID-19) and control risks, fluctuations in occupancy levels, the inability to achieve economic residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs, and other operating costs including the costs of utilities, possible future changes in labour relations, reduction in personnel below acceptable levels (e.g. due to events such as a pandemic or disease outbreak), competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and, the imposition of increased taxes or new taxes, capital expenditure requirements, changes in interest rates, and changes in the availability and cost of money for long term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that expected demographic trends will continue or that the occupancy levels achieved to date at the Properties and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect our cash available to, or the financial position of Chartwell.

There are inherent legal, reputational and other risks involved in providing housing and health care services to seniors. The vulnerability and limited mobility of some seniors increases such risks. Such risks include disease outbreak, fires or other catastrophic events at a property which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with our residents, and unforeseen events at Chartwell or even non-Chartwell properties that result in damage to our brand or reputation or to the industry as a whole.

- **Occupancy, Business Volumes, and Competition:** Revenue and operating results depend significantly on the occupancy levels at our residences. Numerous other developers, managers and owners of seniors housing residences compete with us in seeking residents. The existence of competing developers, managers and owners and competition for our residents may adversely affect our ability to find residents for our seniors housing residences and on the level of rents or rental rate which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we operate may have an impact on the demand for suites in such residences. Our ability to compete successfully depends on a number of factors, including the number of competitors in the local market, the types of services available, our reputation in the local area, cost of services and the location, physical condition and age of the residences.
- **Access to Capital, Interest Rate Risk and Other Debt and Financing Risk:** We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of the mortgages, term loans, debentures and indebtedness under our credit facilities. Our level of indebtedness could adversely affect its business and results of operations, including: limiting its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general business purposes; restricting Chartwell's flexibility and discretion to operate its business; limiting our ability to make Distributions; having to dedicate a portion of cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes; exposing our business to increased debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing us to increased interest expense on borrowings at variable rates; limiting our ability to adjust to changing market conditions; and making us vulnerable in a downturn in general economic conditions.

We intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and its cash flow from operations, additional indebtedness and public or private sales of equity or debt securities. In the event that we require additional equity or debt financing for any reason, there can be no assurance that such financing will be available when required or on commercially favourable terms or on terms that are otherwise satisfactory to us. We

are also subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of its existing indebtedness. This may be due to factors including our financial condition, results of operations and cash flows, the terms of our existing indebtedness, general economic conditions and volatility, disruption and other unfavourable trends in the North American capital and credit markets. In particular, we currently have access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. We entered into the LBA with CMHC in December 2015. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future so as to make costs of obtaining mortgage insurance prohibitive or so as to restrict access to the insurance program in the future. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, We may be required to use a conventional mortgage or other financing alternatives which may be less favourable to us than a CMHC-insured mortgage. No assurance can be given that we will be successful in obtaining additional financing, or refinancing existing indebtedness, on acceptable terms, at reasonable cost and at the required times, or at all. If we cannot obtain financing on acceptable terms, at reasonable cost and at the required times, our operations, liquidity and financial condition may be materially adversely affected and we may have to forgo, delay, or abandon some or all of its planned capital expenditures or any development, investment, or acquisition opportunities that we identify, which could adversely affect our revenues and results of operations.

Increases in market interest rates could significantly increase our debt servicing costs, which could have a material adverse effect on our business and results of operations. A portion of our cash flow is devoted to servicing its debt, and there can be no assurance that we will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we are unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

If we fail to comply with the covenants, restrictions and requirements of any of its debt obligations, it could be in default under the relevant agreement which could have a material adverse effect on our liquidity, financial condition and results of operations. A default under one debt financing arrangement could cause cross-defaults under other financing arrangements, including our mortgages, term loans, debentures and our credit facilities. For example, because the terms of our debt contain cross-default provisions, a default by us related to one debt instrument could affect a significant number of our other properties and corresponding mortgages, term loans, debentures and credit facilities. In the event of any such default, if we failed to obtain replacement financing or amendments to or waivers under the applicable financing arrangement, its lenders could cease making further advances, declare our debt to be immediately due and payable, impose significant restrictions and requirements on our operations, institute foreclosure procedures against their collateral, or impose significant fees and transaction costs. If debt acceleration occurs, economic conditions may make it difficult or expensive to refinance the accelerated debt or we may have to issue equity, which would have dilutive effects on unitholders. Even if new financing is made available to us, credit may not be available to us on acceptable or reasonable terms. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, restrict the Distributions that may be made by us and our subsidiaries. Upon an event of default under such indebtedness, our ability to make Distributions will be adversely affected.

- **Human Capital:** We compete in local markets with other health care providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of qualified personnel may require us to enhance our wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or if they do increase, they can be matched by corresponding increases in rental or management revenue. The health care industry continues to face shortages of qualified personnel, including but not limited to nurses and personal support workers, particularly in non-urban settings. Continuation of such shortages could impact the delivery of services to residents in increased competition for staff and increased labour costs. This shortage, along with general inflationary pressures, may require us to enhance our pay and benefits package to effectively compete for qualified personnel. We may not be able to recover such added costs through increased government funding or

increased rates charged to residents. The inability to retain and/or attract qualified personnel may result in: a reduction in occupancy levels or services provided; use of staffing agencies at added cost; and an increased risk of deficiencies in operations which could potentially result in fines or penalties. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect our business, results of operations and financial condition.

- **Economic and Financial Conditions:** Adverse changes to the economic and financial conditions in Canada, the United States and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position. In addition to labour costs, supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation. Although historically we have generally been able to implement cost control measures, proactive procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that we will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and our financial condition. Similarly, such inflationary pressures, as well as strengthening competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.
- **Joint-Venture Interests:** We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing residences including those risks described above and provide us with access to properties and development sites we would otherwise have. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint-venturer may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venturer's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.
- **Labour Relations:** We, directly or indirectly employ 11,452 people in Canada. Excluding managers, approximately 70% of the employees working in the residences are represented by labour unions or employee associations. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. However, most seniors housing residences in the Province of Ontario fall under the jurisdiction of the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector. Therefore, collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration in Ontario.

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

In 1995, certain participating Ontario LTC homes and their respective unions agreed to a framework using the proxy method for a new pay equity plan that resulted in pay equity being achieved by

2005 under the Pay Equity Act. The Ontario government directly funded these pay equity obligations. Litigation commenced in 2010, when two unions asserted that the participating LTC homes were required to make further pay equity adjustments. The Ontario Pay Equity Tribunal ("the Tribunal") found generally in favour of the participating LTC homes and also confirmed that there is an on-going obligation to maintain pay equity. The appellate courts, on the appeal of the Tribunal decision, found in favour of the unions and referred the matter back to the Pay Equity Tribunal to determine the procedure to be used to provide bargaining unit members access to male comparators in order to maintain pay equity. The Ontario government and the participating LTC homes appealed the appellate court decision.

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal 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 court decision. Chartwell owns four LTC homes that are respondents to this decision. In addition, Chartwell owns seven LTC homes that also used the proxy method to achieve pay equity which could also be affected by this decision. Notwithstanding the closing of the LTC Transaction in 2023, 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 significant number of uncertainties related to how the appellate court decision should be implemented. The discussions between the affected parties regarding the development of an appropriate framework and resolution to this matter have not yet 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 government has been recognized in Chartwell's financial statements. An increase in labour costs as a result of any unfunded adjustments could adversely affect the financial condition of Chartwell.

- **Workplace Health and Safety:** We recognize that ensuring a healthy and safe workplace reduces work-related injury, illness and disability, improves productivity, lowers absenteeism and helps minimize any liability or penalties which could be incurred in connection with workplace injuries or illness. Chartwell has occupational health and safety programs in place and has established policies, procedures and training aimed at ensuring compliance with applicable legislative requirements. Failure to comply with workplace health and safety policies and procedures or applicable legislative requirements could result in increased work-related injury or illness, fines and/or penalties and damage to our reputation and thus have a material adverse effect on the business, results of operations and financial condition of Chartwell.
- **Pandemic, Epidemic or Outbreak of Disease:** The occurrence of a pandemic, epidemic, or other outbreak of an infectious disease, such as COVID-19, or other public health crisis in areas in which we operate could have a material adverse effect on our business, results of operations, liquidity, borrowing capacity and financial condition. Federal, provincial or local health agencies may, or we may choose to, restrict, limit or suspend in-person tours by or on behalf of prospective residents and/or admissions to our residences as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in decreased occupancy. Even in the absence of any such restriction, limit or suspension, prospective residents may delay or defer moving into a residence due to negative perceptions of congregate living and/or in an attempt to avoid possible exposure to infectious diseases. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure to infectious diseases or to address actual outbreaks in our residences (for example, enhanced screening, personal protective equipment, increased disinfection, mandatory vaccination policies, rapid testing and other health and safety measures) would result in increased costs. A pandemic, epidemic or other outbreak may also adversely affect operations by causing staffing and supply shortages. Although government funding or assistance may mitigate some of these impacts, there is no certainty of the extent to which that will be the case. There is uncertainty regarding the implementation and impact of any

government funding, pandemic-related legislation and any other future COVID-19 relief measures. In addition, outbreaks, such as COVID-19, cause our staff and our management team to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Further, a pandemic, epidemic or contagious disease outbreak may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for us to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things refinancings and our development plans and timelines. A pandemic, epidemic, or other outbreak of an infectious disease may result in an increased risk that we may be subject to litigation related to our handling of the pandemic, epidemic or other outbreak of infectious disease at its residences, which, even if not meritorious, and even if covered by our insurance, could result in increased operating costs to defend. See the “2024 Outlook” section on page 9 of this MD&A.

- **Growth:** The ability to grow may require the issuance of additional Units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in acquiring or developing new properties. Depending on the duration of this timing difference, this may be dilutive. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.
- **Maintenance of Assets:** We are committed to keeping our communities in a good state of repair. We fundamentally believe that investing back into communities increases resident and staff satisfaction, which ultimately makes the business more profitable. In 2023, we invested \$92.2 million of capital back into our property portfolio. In addition to recurring capital maintenance projects, these investments include large, often multi-phased, renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities, projects that improve the revenue-generating potential of our properties and projects identified during acquisition due diligence. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the capital maintenance requirements of our residences when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact our cash availability.
- **Acquisitions, Disposition and Development:** Agreements to acquire or sell, as well as development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on our operations and financial results. Representations and warranties given by such third parties to us may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

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

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

We are pursuing several development activities. These activities create development-specific risks, including the risk of subcontractors placing liens on projects, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with development partners.

- **Government Regulation:** Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed

and regulated health care systems. These changes favour larger operators having the resources to provide more cost-effective management services and well developed staff training programs on a regional basis. There can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry will not adversely affect us.

In all provinces, LTC homes are subject to government oversight, regulation and licensing requirements, which may change or become more onerous in the future. For example, in Ontario, LTC home licences are issued for a fixed term which shall not exceed 30 years, after which the operators of an LTC home may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. While we endeavour to comply with all regulatory requirements in our LTC homes, it is not unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is our intention to correct deficiencies which have been legitimately identified within the time frames allowed.

We no longer operate any LTC homes in Ontario, but currently retain ownership in three LTC homes managed by a third party. Upon closing of the Ballycliffe Transaction, we will retain an ownership in one Class B LTC home and one Class C LTC home, one licence for 56 beds is set to expire in 2025 and the other licence for 202 beds is set to expire in 2030. Under the FLTC Act that governs LTC homes in Ontario, the Director of Long-Term Care may make a policy regarding the obligation of a licensee that applies at the end of the term of a licence, but no such policy has yet been published. As the scope of any such policy is still unknown, we cannot be certain that once published, we will not incur additional costs to comply with any such policy.

- **Management Contracts:** We receive management fees from non-owned residences that we manage for others and earns management fees from co-owned properties. We will not receive this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of Management Agreements on properties with secured mezzanine loans advanced by us.
- **Liability and Insurance:** The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. We expect that from time to time we may be subject to such lawsuits as a result of the nature of its businesses. In addition, attempts to advance class action lawsuits have become prevalent in senior care. There can be no assurance that we will not face risks of this nature. We maintain business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms or that coverage for certain risks such as infectious diseases will continue to be available at all. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand our businesses and will require management to devote time to these matters rather than to the operation of the business.
- **Real Property Ownership and Lack of Diversity:** Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market and do not benefit from a diversification of our portfolio by property type.
- **Geographic Concentration:** Our business and operations are conducted within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the "Business Overview" section on page 3 of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.

- **Conflicts of Interest:** The Chartwell Trustees, CSH Trustees and, Directors will, from time to time, in their individual capacities deal with parties with whom we may be dealing or may be seeking investments similar to those desired by us. The relevant constating documents of Chartwell, CSH Trust and Master LP contain conflict of interest provisions requiring our Chartwell Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.
- **Loans Receivable:** Our loans receivable are generally secured by subordinated charges of the borrowers' interests in real estate and rank behind senior financing. Similarly, the vendor take back mortgages provided by Master LP are secured by subordinate charges on properties. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all properties that we are entitled or required to acquire from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.
- **Environmental Liabilities:** Environmental legislation and policies have become increasingly important in recent years. Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations in some cases regardless of whether or not we knew of or was responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

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

- **Privacy and Cyber Security:** As a custodian of a large amount of personal information and personal health information relating to our employees and our residents, we are exposed to the legal and reputational risk of the loss, misuse or theft of any such information. We mitigate this risk by deploying appropriate technology and training for preventing unauthorized access or theft for our employees relating to the safeguarding of such information and we maintain cybersecurity insurance in amounts and with such coverage as deemed appropriate based on the nature and risks of the business.

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for us and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. In particular, in connection with our business we maintain a large amount of personal health information about our residents. If we were to experience a security breach resulting in unauthorized access to our use or disclosure of such information, we could be exposed to complaints, investigations or litigation and our reputation may be negatively affected. As a result, while we continually monitor for malicious threats and adapt accordingly in an effort to ensure we

maintain high privacy and security standards, invest in cyber defense technologies to support our business model and to protect our systems, residents and employees, employing industry best practices, there can be no assurance that these measures will prevent loss, misuse or theft of any such information.

- **Climate Change Risk:** We are exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to our investment properties. These adverse weather and natural events could cause substantial damage and/or revenue losses as well as cost increases. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed ours or our residents' property insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable.

Over time, climate change may also affect our operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require us to spend more on our new development properties without a corresponding increase in revenue. Chartwell management reports on climate change risks, regularly to our Board of Directors, including mitigation strategies with respect to this risk.

- **Distributions:** Our distributions are made at the discretion of the Trustees based on forward-looking cash flow information, including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. Items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions to Chartwell Retirement Residences may affect Distributions. We may be required to decrease our distributions in order to accommodate any such items.
- **Redemption Right:** It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments (see "Chartwell, CSH Trust and Master LP – Redemption Right"). Cash redemptions are subject to limitations. Securities which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and may not be qualified investments under the Tax Act for Plans. No established market is expected to develop in such notes and they may be subject to resale under applicable securities laws.
- **Dilution:** We may, in our sole discretion, issue additional Units from time to time, and the interests of the Unitholders may be diluted thereby.
- **Nature of Units:** The Units are not traditional equity investments. The Units represent an undivided ownership interest in Chartwell. Our primary assets are CSH Trust Units. The Units do not represent a direct investment in the business of Master LP and should not be viewed by investors as direct securities of Master LP or its subsidiaries. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights to dissent from fundamental transactions undertaken by a corporation and to apply to court to be paid "fair value" for their securities. As well, Chartwell may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

The Units are not debt instruments and are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Further, cash Distributions are not guaranteed amounts and may fluctuate with the performance of the entities in which we invests. The trading price of the Units will be greatly affected by such performance and the anticipated Distributions of Chartwell. The market

value of the Units may deteriorate if we are unable to maintain its cash Distribution levels in the future and that deterioration may be significant.

- **Unitholder Liability:** The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Québec, Alberta and British Columbia (and in those jurisdictions in certain circumstances), there remains a minimal risk, which is considered by us to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for our obligations to the extent that claims are not satisfied out of the our assets. Our affairs are conducted to seek to minimize such risk wherever possible.
- **Market for Units and Unit Price:** The Units are listed on the TSX. There can be no assurance that an active public market for Units will be sustained. One of the factors that may influence the market price of the Units is the annualized yield on the Unit price from Distributions. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which could adversely affect the market price of the Units. The market price of the Units does not necessarily reflect our net asset value. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors outside of our control which may cause the market price of Units to change in a manner which is different from the change in value of the underlying real estate assets.

- **Taxation:**

The SIFT Rules

The SIFT Rules, which relate to the federal income taxation of certain publicly-traded trusts and certain other publicly-traded flow-through entities, were enacted on June 22, 2007. Generally, under the SIFT Rules, certain distributions from a “SIFT trust” (as defined in the Tax Act) will not be deductible in computing the trust’s taxable income, and the trust will be subject to tax on such distributions at a rate that is comparable to the general tax rate applicable to a Canadian corporation. To the extent that a distribution attracts this tax, it will be taxed in the hands of the receiving Unitholder (whether received in cash, additional Units or otherwise) as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit (an “eligible dividend”).

The SIFT Rules are not applicable to certain real estate investment trusts that meet certain conditions (as provided in the Tax Act) relating to the nature of their revenues and investments (the “REIT Conditions”). As currently structured, we do not meet the REIT Conditions. Chartwell has been a SIFT trust since 2007 and, unless we change our structure and the nature of our operations, we expect to be a SIFT trust for 2024 and future years.

In 2023, 27.9% of our distributions were classified as return of capital and 72.1% of our distributions were classified as eligible dividends. The eligible dividends are primarily due to the LTC Transaction which resulted in SIFT tax payable of \$27.2 million.

The Welltower Transaction will result in taxes payable of approximately \$6.8 million in 2024. Based on our current forecasts, we do not expect any other tax to be payable by us under the SIFT Rules in 2024.

Tax Status

If we cease to qualify as a “mutual fund trust” for the purposes of the Tax Act or the Units ceased to be “qualified investments” under the Tax Act, the Canadian federal income tax considerations applicable to us and our Unitholders would be materially and adversely different in certain respects.

We will endeavour to ensure that we continue to qualify as a mutual fund trust and the Trust Units continue to be qualified investments under the Tax Act for Plans but there is no assurance that we will be able to do so. Generally, Trust Units will be qualified investments for Plans if, at the relevant time (a) the Trust Units are listed on the TSX (or other designated stock exchanges for the purposes of the Tax Act), (b) the Trust Units are registered investments under the Tax Act or (c) if we qualify as a mutual fund trust (as defined in the Tax Act). The Tax Act may impose penalties for the

acquisition or holding of non-qualified investments by a Plan. Any property distributed to a Unitholder on an in-specie redemption of Trust Units may not be a qualified investment under the Tax Act for a Plan. There can be no assurance that Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the CRA and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Net income and net realized capital gains in excess of the cash distributions we make in a year may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income, notwithstanding that they do not directly receive a cash Distribution.

Although we are of the view that all expenses to be claimed by us and our subsidiaries will be reasonable and deductible, that the tax filing positions taken by us are reasonable, and that the cost amount and capital cost allowance claims of such entities will have been correctly determined and that the allocation of Master LP's income for tax purposes among its partners is reasonable, there can be no assurance that CRA will agree. If CRA successfully challenges us and/or our subsidiaries in any of these respects, the taxable income of Chartwell and the Unitholders, will increase or change.

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

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 Ballycliffe LTC in first half of 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, 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 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 of adjusted operating margin,
- 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,
- 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 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.

Supplemental Information

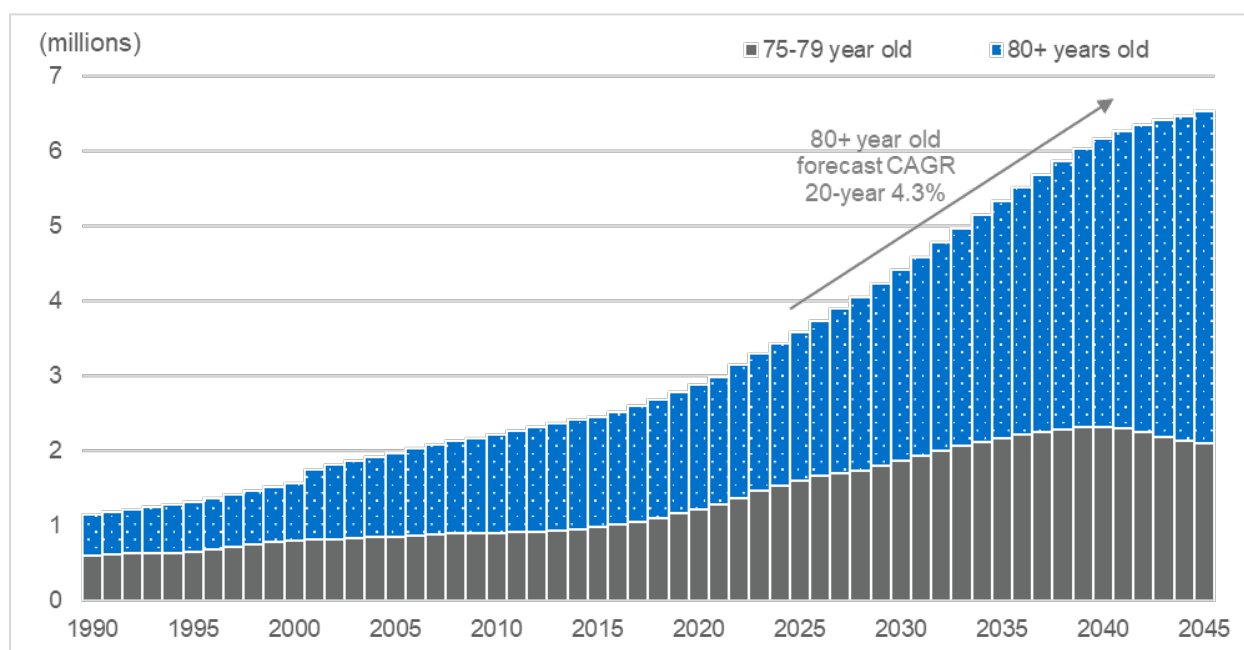
Significant Future Demand

Based on the forecasted ratios of retirement suites to the population of people over the age of 75, the demand for retirement suites is expected to accelerate over the next 20 years.

Demand for retirements suites will further benefit from the following:

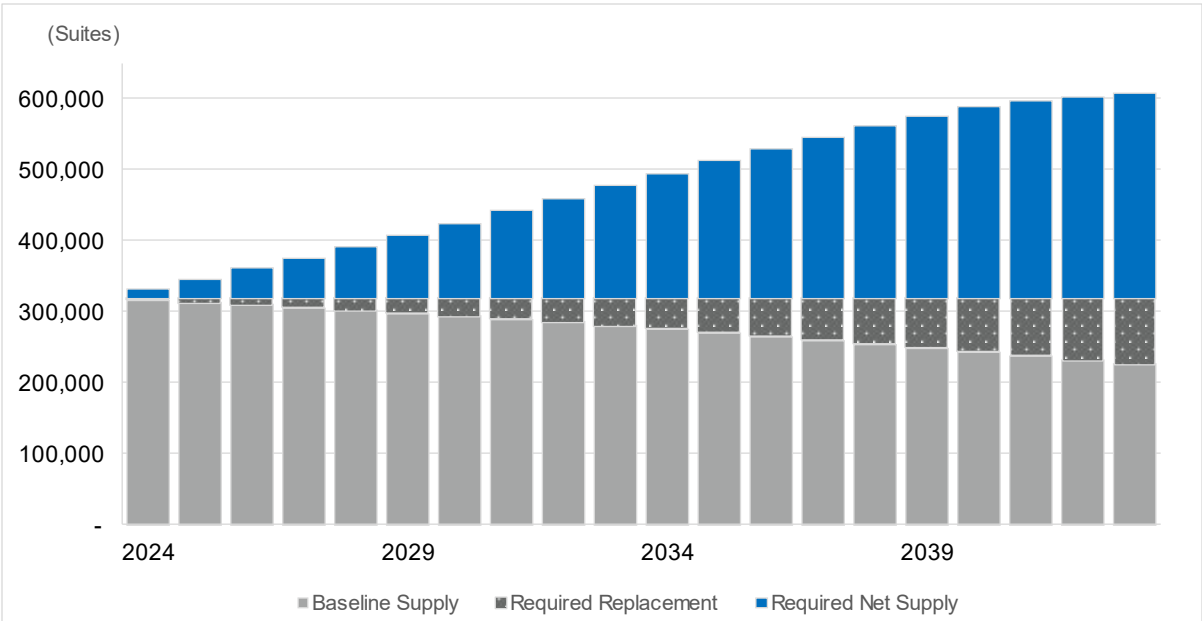
- If governments are unable to fully address demand growth for government-funded long term care spaces, there may be additional demand for retirement suites.
- The existing inventory of retirement suites includes a number of older properties which may become obsolete over time, further increasing demand for newer suites.
- We believe that there is pent-up demand for retirement accommodation and services, that built up through the pandemic, driven by the increased ageing population and disruptions of community-based support services for seniors during the pandemic.
- The acceptance of retirement living is significantly higher in Quebec. We believe the introduction of more flexible service offering and pricing options, including a-la-carte services, across the country, may further increase consumer interest in retirement living and drive higher demand.

Population of Age 75+ Year Olds



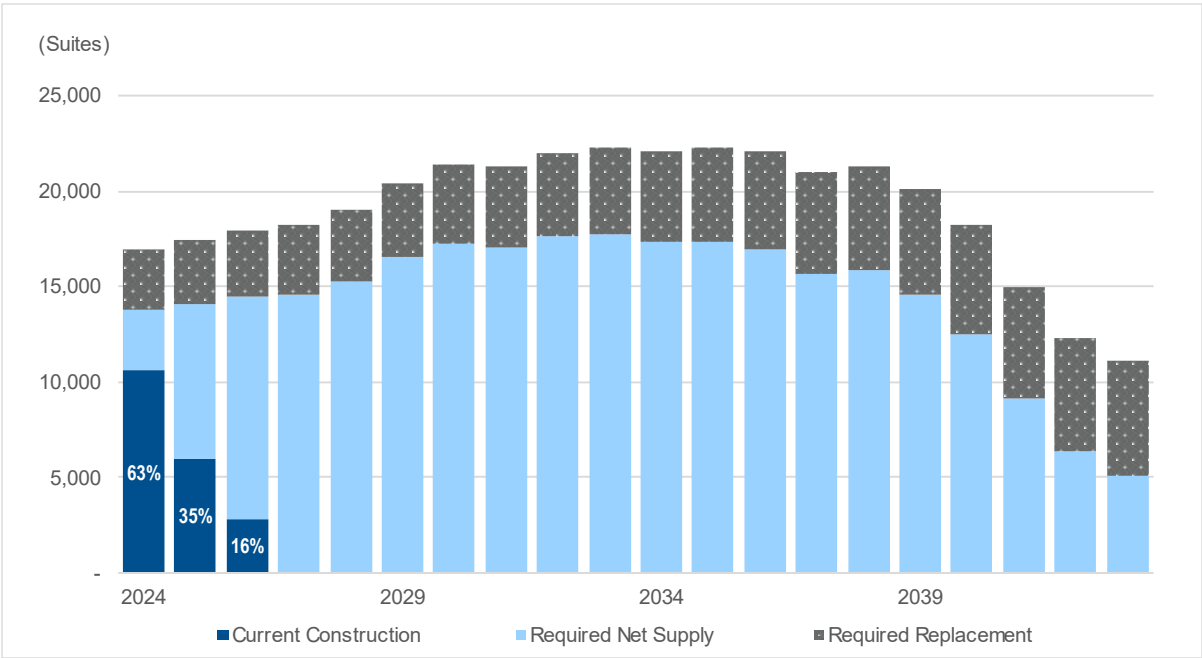
Sources: Statistics Canada and Cushman & Wakefield ULC.

New Supply Required to Maintain Market Equilibrium



Source: Cushman & Wakefield ULC.

Required Net-New Supply vs. Lifecycle Replacement of Existing Inventory



Source: Cushman & Wakefield ULC.

Chartwell Top 15 Markets – Supply and Demand Data

Supply

Location ⁽⁴⁾	Chartwell Portfolio ⁽¹⁾		Existing Inventory ⁽²⁾		Immediate Competition Impact ⁽³⁾			
	Total		Total		Chartwell Exposure		New Construction opening within 5km of a Chartwell Property	
	# of Properties	# of Suites	# of Properties	# of Suites	# of Properties	# of Suites	# of Properties	# of Suites
Greater Montreal Area	16	3,756	376	63,719	1	564	1	476
Gatineau	9	1,735	23	4,147	4	895	1	66
Greater Vancouver Area	13	1,598	152	14,809	3	383	3	282
Quebec City	5	1,524	150	19,277	0	0	0	0
Greater Ottawa Area	9	1,038	91	10,788	6	730	7	1,889
Edmonton	6	1,200	90	10,269	0	0	0	0
Toronto	7	1,208	73	8,124	4	887	4	471
Kitchener/Waterloo/Cambridge/Guelph	10	1,016	61	5,643	0	0	0	0
Ontario North	9	850	42	3,601	0	0	0	0
York	8	858	42	4,811	3	336	2	177
Calgary	5	641	75	9,345	4	525	3	595
Durham	5	586	35	4,857	2	236	4	592
Windsor/Essex County	6	603	27	2,443	0	0	0	0
Halton	5	555	33	3,806	1	131	2	416
Peel	3	517	29	4,070	1	323	1	246
Subtotal (Top 15 Markets)	116	17,685	1,299	169,709	29	5,010	28	5,210
Other	41	5,887						
Grand Total	157	23,572						

- (1) Retirement Operations; excludes three long term care homes (358 beds) which were previously reported in our Long Term Care Operations segment.
- (2) Source: Cushman & Wakefield ULC.
- (3) Summarizes Chartwell's existing properties impacted by competing properties in construction located within a five kilometer radius.
- (4) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin").

Demand

Location ⁽³⁾	Demographic Information ⁽¹⁾				Demographic Data 75+ yrs ⁽¹⁾	
	2023				2023	
	Total Population	Median Household Income (\$)	Avg House Value (\$)	Unemployment Rate %	Total Population	10 yr Growth %
Greater Montreal Area	4,463,919	83,420	515,428	6.1%	377,962	40.9%
Gatineau	362,275	92,592	409,645	4.6%	24,773	61.0%
Greater Vancouver Area	3,268,857	100,182	1,234,482	5.9%	253,393	54.5%
Quebec City	854,952	82,493	347,372	2.6%	87,061	42.6%
Greater Ottawa Area	1,116,218	110,451	627,320	5.0%	83,731	48.3%
Edmonton	1,534,381	104,110	437,277	6.7%	91,892	61.0%
Toronto	3,035,455	91,634	1,067,263	6.8%	240,147	37.8%
Kitchener/Waterloo/Cambridge/Guelph	962,689	102,711	741,117	6.7%	68,067	47.9%
Ontario North	811,512	80,893	351,162	8.6%	81,943	37.5%
York	1,276,245	124,274	1,226,023	6.8%	97,700	63.7%
Calgary	1,620,362	106,494	574,855	5.7%	87,902	76.8%
Durham	769,717	118,531	813,406	7.2%	51,284	56.4%
Windsor/Essex County	433,045	91,027	461,294	7.8%	38,388	39.5%
Halton	651,001	134,453	1,118,822	6.8%	49,593	45.7%
Peel	1,626,520	121,658	980,046	6.8%	102,469	65.6%
Subtotal/Average (Top 15 Markets)	22,787,148	102,995⁽²⁾	727,034⁽²⁾	6.3%⁽²⁾	1,736,305	51.9%⁽²⁾

- (1) Sources: Cushman & Wakefield provided by Environics Analytics 2023, and Statistics Canada. Table 14-10-0354-01 Regional unemployment rates used by the Employment Insurance program, three-month moving average, seasonally adjusted.
- (2) Average.
- (3) Locations follow CMHC's region and naming convention except for Greater Vancouver (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa") and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo, Wellington & Dufferin").