

CHARTWELL RETIREMENT RESIDENCES

DISTRIBUTION REINVESTMENT PLAN

INTRODUCTION

This Unitholder distribution reinvestment plan (the “Plan”) is being offered to certain eligible holders of units of Chartwell Retirement Residences (“Chartwell”). The Plan is administered by the Agent (as defined herein).

Purpose

The Plan enables Eligible Holders (as defined herein) to invest any and all cash distributions on Eligible Units (as defined herein) in additional Units. All such additional Units are purchased directly from Chartwell by the Agent, which acts as agent for the Eligible Holders under the Plan.

Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

“**Average Market Price**” means the volume-weighted average of the closing price for a board lot (100 Units) of Units of Chartwell quoted in Canadian dollars on the Toronto Stock Exchange for the five trading days immediately preceding the relevant Distribution Date.

“**Agent**” means Computershare Trust Company of Canada or such other agent as may be appointed by the Trustees from time to time.

“**Authorization Form**” means the authorization form attached hereto as Schedule “A”.

“**Bonus Units**” has the meaning ascribed to such term under the heading “Features”.

“**Business Day**” means any day on which the Plan Agent’s principal offices in Toronto, Ontario are generally open for the transaction of commercial business but does not, in any event, include a day on which the Toronto Stock Exchange is not open for trading, a Saturday, Sunday or any day that is a statutory or municipal holiday in Toronto, Ontario.

“**CDS**” means The Canadian Depositary for Securities Limited.

“**CDS Participant**” means a broker or other investment dealer recognized by CDS as such.

“**Close of Business**” means 5:00 p.m. (Toronto time) on a Business Day.

“**Distribution Date**” means on or about the 15th day of each calendar month (other than January 15) and December 31 in each calendar year or such other dates as the Trustees may determine.

“**Distribution Record Date**” means the last business day of each month except for December which shall be December 31, or such other dates as the Trustees may determine.

“Eligible Holders” means registered holders and Unitholders holding one Unit or more through a broker or other investment dealer recognized by CDS, who are Canadian residents.

“Eligible Units” means Units held by Eligible Holders.

“Participant” means an Eligible Holder who has elected, in accordance with the terms hereof, to participate in the Plan.

“Unit” means a trust unit (other than a special voting unit) of Chartwell.

“Unitholder” means a holder of a Unit.

“Trustees” means trustees of Chartwell.

Features

As registrations and transfers of Units are made only through the book-entry system operated by CDS, enrolment and participation in the Plan may be effected only through CDS Participants.

Under the Plan, a Participant may purchase additional Units with the cash distributions paid on the Eligible Units which are registered in the name of the Participant or held in a Participant’s account maintained pursuant to the Plan and, pursuant to the Plan, will receive an additional amount equal in value to 3% of each cash distribution which will be reinvested in additional Units (the “Bonus Units”). The price at which Units will be issued from treasury with cash distributions will be calculated by reference to the Average Market Price. No commissions, service charges or brokerage fees are payable by Participants in connection with the Plan.

Because fractions of Units will not be issued to Participants, a cash payment will be made in lieu of any issue of fractional Units, based on the Average Market Price on the relevant Distribution Date. Distributions in respect of whole Units purchased under the Plan will be credited to a Participant’s account maintained by his or her CDS Participant and will be automatically invested under the Plan in additional Units (provided that the CDS Participant has standing instructions for automatic reinvestment) until such time as the Participant’s participation in the Plan is terminated.

ADMINISTRATION

Chartwell shall promptly pay over to the Plan Agent, on behalf of Participants, all cash distributions paid on their Units. The Plan Agent shall use such funds to purchase additional Units for the Participants directly from treasury based on the Average Market Price as determined by Chartwell. Additional Units purchased under the Plan shall be registered in the name of CDS, and Unitholders will receive confirmation of their purchase of Units under the Plan from their CDS Participants only, in accordance with their usual practice.

PARTICIPATION

Participation in the Plan

In order to be eligible to participate in the Plan, a holder must be a Canadian resident who is the beneficial holder of one Unit or more of record. Such a holder may enroll in the Plan at any time

up to the Close of Business one Business Day prior to the Record Date in respect of any distribution, by delivering to his or her CDS Participant a properly completed Authorization Form. Any Canadian resident who is a beneficial holder of one Unit or more may elect to become a Participant by notifying his or her CDS Participant.

If any Units are held by a non-resident of Canada, such Unitholder is not eligible to participate in the Plan. Upon ceasing to be a resident of Canada, a Participant shall forthwith notify his or her CDS Participant and terminate participation in the Plan.

An Authorization Form may be obtained from the CDS Participant at any time upon written request addressed to the CDS Participant.

No interest will be paid to Participants on any funds held for investment under the Plan.

Transfer of Participation Rights

The right to participate in the Plan may not be transferred by a Participant.

Termination of Participation

Participation in the Plan may be terminated by a Participant at any time by giving written notice to his or her CDS Participant. If written notice of termination is received by the Close of Business at least one Business Day prior to a Record Date, termination of the Participant's Participation in the Plan will be effective in respect of that Record Date. Otherwise, the termination will be effective in respect of the next succeeding Record Date. For greater certainty, a termination by a Participant will not prevent such Unitholder from Participating in the Plan at a later date.

After termination of participation in the Plan, all subsequent distributions will be paid to the former Participant in cash in the usual manner.

Amendment, Suspension or Termination of the Plan

Chartwell reserves the right to amend, suspend or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice the interest of the Participants. CDS, CDS Participants and Plan Participants will be sent written notice of any such amendment, suspension or termination.

In the event of suspension or termination of the Plan by Chartwell, no investment will be made by the Plan Agent on the Distribution Date immediately following the effective date of such suspension or termination. Any Unit distribution subject to the Plan and paid after the effective date of any such suspension or termination will be remitted by Chartwell to the Participants in cash only, in the usual manner.

Chartwell may remove the Plan Agent at any time on not less than ninety days prior notice to the Plan Agent, and appoint another person as the Plan Agent.

Similarly, the Plan Agent may resign at any time on not less than ninety days prior notice to Chartwell and upon delivery to Chartwell of all property and records held in connection with the Plan.

Rules and Regulations

Chartwell, in conjunction with the Agent, may from time to time adopt rules and regulations to facilitate the administration of the Plan. Chartwell also reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.

Rights Offering

In the event Chartwell makes available to holders of Units rights to subscribe for additional Units or other securities, rights certificates will be issued by Chartwell to CDS in respect of the whole Units held in CDS' name that were issued under the Plan on the record date for such rights issue.

Unit Splits and Unit Distributions

If Units are distributed pursuant to a Unit split or Unit distribution on Units, those Units issued to CDS under the Plan will be retained by CDS or its nominee and credited proportionately to the accounts of the Participants in the Plan by their respective CDS Participants.

Rights Attaching to Units

Unitholders are entitled to receive the distributions paid by Chartwell. Unitholders are entitled to one vote for each whole Unit held at all meetings of Unitholders. In the event of the liquidation, dissolution or winding-up of Chartwell, after payment of all outstanding debts of Chartwell, the remaining assets of Chartwell will be distributed pro rata to the holders of the Units.

PRICE OF UNITS AND COSTS

On each Distribution Date, Chartwell shall promptly pay over to the Plan Agent, on behalf of Participants, all cash distributions paid on their Units, which shall be applied to purchase additional Units from treasury at the then applicable Average Market Price (subject as hereinafter described) as determined by Chartwell. The Plan Agent shall remit such portion of the cash distributions to Chartwell concurrently with the purchase of additional Units from treasury on behalf of Participants. Chartwell will advise the Plan Agent of the Average Market Price for purposes of calculating the number of additional Units.

In addition, a Unitholder who elects to participate in the Plan will receive, from Chartwell's capital, an additional distribution of Units equal in value to 3% of each distribution that was reinvested by the Unitholder. Each Participant's account maintained by his or her CDS Participant will be credited with that number of whole Units issued to the Participant, pursuant to the Plan.

For purposes of determining the issue price per Unit of the additional Units and the Bonus Units issued pursuant to the above, the total number of Units issued, including Bonus Units, shall be divided by the aggregate cash distributions applied in payment of additional Units and the amount so obtained shall be the issue price per Unit, and the aggregate cash distributions so applied shall be deemed to be received by Chartwell as full payment of the additional Units and Bonus Units so issued.

Because fractions of Units will not be issued to Participants, the Plan Agent will pay cash to Participants in lieu of fractions of Units otherwise payable pursuant to the Plan which will be received in the Participants' CDS account.

Costs

There shall not be any commissions, service charges or brokerage fees payable in connection with the issuance of Units under the Plan. All administrative costs of the Plan shall be borne by Chartwell.

RECORDING AND CERTIFICATES

Reports to Participants

Each participant will receive, from his or her CDS Participant for tax reporting purposes, confirmation of the number of Units issued to him or her under the Plan and the Average Market Price therefore, in accordance with the CDS Participant's usual practice. These statements will be the Participant's continuing record of purchases made and Units issued and should be retained for income tax purposes. In addition, each Participant will be sent annually the appropriate information for tax reporting purposes from his or her CDS Participant.

No Certificates

As Units are held in the CDS book-entry system, no certificates representing Units issued pursuant to the Plan will be provided to Participants.

TAX MATTERS

Income Tax Considerations

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to Participants who are resident of Canada, deal at arm's length with Chartwell and hold their Units as capital property. This summary is based on the current provisions of the *Income Tax Act* (Canada) (the "Act") and the current administrative practices of the Canada Customs and Revenue Agency. **This summary is of a general nature only and is not intended to be, nor should it be construed to be, advice to any Participant. Participants are urged to consult their tax advisors as to their particular tax position.**

Tax on Distributions

Participants will be allocated the same amount of income for income tax purposes on a per Unit basis as non-participants. Participants will receive, after the end of each taxation year, a Canada Customs and Revenue Agency prescribed form indicating the amount of income allocated to the Participant and, where relevant, its character for income tax purposes.

Adjusted Cost Base

The net effect of participating in the Plan will be to increase the Participant's total cost of all of the Participant's Units by the amount reinvested by the Participant pursuant to the Plan.

Participants will be required to determine the adjusted cost base of individual Units on an averaged basis.

Disposition of Fractional Units

Cash received in lieu of a fractional Unit upon termination of participation in the Plan will be considered proceeds of disposition for such fractional Unit. Accordingly, the Participant will be required to recognize any resulting capital gain or capital loss in respect of such fractional Unit at the time such cash is received.

RESPONSIBILITIES OF THE TRUST AND THE AGENT

Chartwell and the Agent shall not be liable for any act, or any omission to act, in connection with the operation of the Plan including, without limitation, any claims for liability:

- (a) relating to the prices at which Units are purchased or sold for the Participant's account and the times such purchases are made; and
- (b) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the Plan.

Participants should recognize that neither Chartwell nor the Agent can assure a profit or protection against a loss on the Units purchased or sold under the Plan.

PERSONAL LIABILITY

The obligations of Chartwell hereunder are not personally binding upon any trustee of Chartwell, any registered or beneficial holder of Units or any annuitant under a plan of which a registered or beneficial holder of Units acts as trustee or carrier, and resort shall not be had to, nor shall recourse or satisfaction be sought from, any of the foregoing, but the property of Chartwell only shall be bound by such obligations. Any obligation of Chartwell set out herein shall to the extent necessary to give effect to such obligation be deemed to constitute, subject to the provisions of the previous sentence, an obligation of the Trustees of Chartwell in their capacity as trustees of Chartwell.

NOTICES

All notices required to be given under the Plan shall be mailed to a Participant at the address shown on the record of the Plan or at a more recent address as furnished by the Participant or the Participant's investment dealer, as the case may be.

Notices to the Agent shall be sent to:

Computershare Trust Company of Canada
320 Bay Street, 14th Floor
Toronto, Ontario M5H 4A6
Attention: Reinvestment Plan Department

Notices to Chartwell shall be sent to:

Chartwell Retirement Residences
7070 Derrycrest Drive
Mississauga, Ontario L5W 0G5
Attention: Mr. Vlad Volodarski

Effective Date of the Plan

The effective date of the Plan was March 1, 2004, as amended on March 6, 2013.