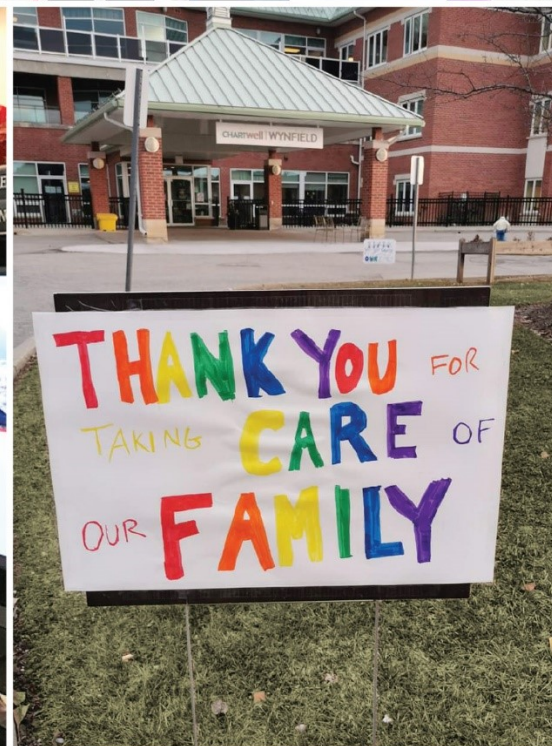




CHARTwell
retirement residences



MANAGEMENT'S DISCUSSION & ANALYSIS

FIRST QUARTER REPORT
March 31, 2020

Q1



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

For the Three Months Ended March 31, 2020

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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 three months ended March 31, 2020. This MD&A should be read in conjunction with Chartwell's unaudited, condensed consolidated interim financial statements for the three months ended March 31, 2020, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the notes thereto (the "2019 Financial Statements") and the annual MD&A for the year ended December 31, 2019 (the "2019 MD&A"). This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2019, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of May 7, 2020.

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

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

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2020" refers to the calendar year 2020; and "2019" refers to the calendar year 2019, and "YTD" means year to date.

Unless otherwise indicated, all comparisons of results for Q1 2020 are in comparison to results from Q1 2019, respectively.

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

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "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", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets, AFFO",

“Secured Indebtedness”, “Consolidated Unsecured Indebtedness”, “Unencumbered Property Asset Value”, “Aggregate Adjusted Assets”, “Unencumbered Aggregate Adjusted Assets”, “Adjustment for accumulated depreciation and amortization”, “Payment of cash distributions”, “Investment restrictions”, “Coverage ratio” and, “Amortization of finance costs and fair value adjustments on assumed mortgages”. 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. Please refer to the “Liquidity and Capital Resources – Financial Covenants” section of this MD&A for details.

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

Forward-Looking Information and COVID-19 Risk

This document contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A.

Our AIF, dated February 27, 2020, and our 2019 MD&A contain detailed discussions of risk factors and uncertainties facing Chartwell. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on Chartwell is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of Chartwell which could have a material adverse effect on our business, results of operations, liquidity and financial condition.

Our revenue and operating results depend significantly on the occupancy levels at our retirement residences and long term care residences. We have implemented restrictions on visits by or on behalf of prospective residents during the pandemic as a precautionary measure to avoid the spread of COVID-19, and such restrictions are expected to result in decreased occupancy levels due to reduced move-in activity. The COVID-19 pandemic could also result in decreases in the occupancy at our residences due to shorter lengths of stay; direct impacts at our residences that experience an outbreak; delays in accepting new residents due to quarantine or otherwise; or government directives banning or limiting admissions to our residences.

The COVID-19 pandemic could also cause a material increase in our operating and/or development costs. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure of our residents and staff to the virus or to address outbreaks at our retirement residences and long term care residences (including enhanced screening, personal protective equipment and other health and safety precautions) would result in increased costs. In addition, COVID-19 will adversely impact our operations by causing staffing and supply shortages. There is also risk that litigation could be commenced by, or on behalf of, persons impacted by an outbreak at a Chartwell property which, even if not meritorious, could result in increased operating costs to Chartwell to defend. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty as to the extent to which that will be the case. In addition, our management and residence staff are spending considerable time addressing the pandemic, which diverts their attention from other business concerns.

Further, the COVID-19 pandemic has impacted the overall economy and credit markets have been adversely affected. This, in combination with both potential reduced revenues and increased operating and/or development costs, may make it more difficult for us to access the credit markets or, if we are able to do so, it may be at a higher cost or less advantageous terms than we previously had access to, potentially impacting, among other things, re-financing of outstanding debt when due and our development plans and timelines. In particular, the available borrowing capacity of the secured and unsecured credit facilities may be reduced due to the impact of COVID-19 on the business. The available capacity of the secured credit facility is determined in accordance with a formula defined in the Credit Agreement that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula for the secured credit facility include property valuations, the mortgageability amount determined on the basis of Net Operating Income for the previous four quarters, the secured collateral, and the occupancy rate of the property. The unsecured credit facility capacity may be reduced if the ratio of unencumbered property asset value to unsecured indebtedness falls below a threshold defined in the unsecured Credit Agreement.

The pandemic could result in some or all of these negative outcomes and could materially and adversely impact our business, results of operations, liquidity, and financial condition. The extent to which COVID-19 will impact our business and results of operations is uncertain and will depend on future developments that cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions taken by governments and private sector participants to contain COVID-19 or address its impact, among others.

Business Overview

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 communities across the complete continuum of care, all of which are located in Canada.

Our Vision is... Making People's Lives BETTER

Our Mission is...

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

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

Our Portfolio

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

The following is the composition of our owned and managed portfolio of communities in our two operating segments at March 31, 2020:

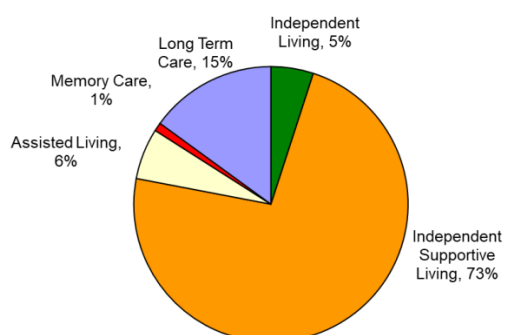
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	119	15,054	24	3,075	143	18,129
Partially Owned – operating ⁽²⁾	46	9,021	-	-	46	9,021
Total Owned	165	24,075	24	3,075	189	27,150
Managed Communities	8	2,036	4	608	12	2,644
Total	173	26,111	28	3,683	201	29,794

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

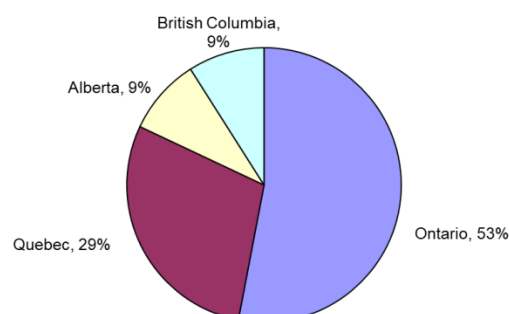
(2) We have a 50% ownership interest in 40 of these communities (7,577 suites), an 85% ownership interest in three of these communities (602 suites), a 60% ownership interest in one community (165 suites), a 45% ownership interest in one community (332 suites), and a 42.5% ownership interest in one community (345 suites).

Composition of Portfolio of Owned Suites/Beds at Chartwell's Share of Ownership Interest, at March 31, 2020 by:

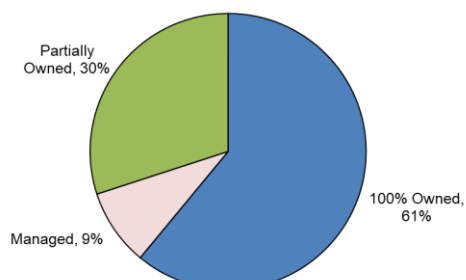
Level of Care



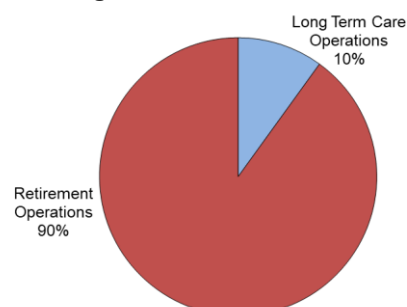
Geographic Location



Composition of Portfolio of Suites/Beds by Ownership, at March 31, 2020:



Composition of Portfolio NOI at Chartwell's Share of Ownership Interest by Operating Segment, at March 31, 2020:



Business Strategy

Our Strategy Statement is...

"In 2023, we will achieve in our retirement residences, **Employee Engagement** of 55% in our retirement residences and 50% in our long term care residences (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and Same Property **Occupancy** of 95% to drive strong **IFFOPU** growth by providing exceptional resident experiences through personalized services in our upscale and mid-market residences in urban and suburban locations."

A detailed discussion of our business strategy can be found in our 2019 MD&A.

2020 Outlook

Due to the uncertainty of the effects of COVID-19, on April 16, 2020, we withdrew our 2020 Outlook contained in our 2019 MD&A. The COVID-19 pandemic has had a significant impact on our residents and their families, particularly those directly affected by the disease. We understand this and will continue to do everything we can to mitigate the impact of this pandemic on them. Today more than ever, Chartwell's top priority is the safety and well-being of our residents and staff and we are grateful to our team of approximately 15,000 employees for their tremendous efforts, commitment and dedication to our residents and their families.

We have always maintained strong infection control and management protocols and, from the beginning of the pandemic, have activated enhanced infection control measures. Our corporate care team is using their regional expertise to operate a 24/7 Hotline to support our retirement and long term care homes. Despite the significant disruption in supply, we have been successful in sourcing personal protection equipment and, working with various provincial governments and other industry participants, we are protecting our employees and residents with this equipment at all of our residences.

In order to enhance support to our residents during this challenging time and to alleviate the increased workload of our staff resulting primarily from heightened safety measures, we have launched a new recruitment campaign. In addition, our strong corporate support has enabled new operational standards to support social distancing across our retirement residences while ensuring our residents receive the care and services they need. Our staff are using new, creative ways to keep our residents safe, healthy and engaged in this new environment, including the use of telehealth and videoconferencing with families. Every day, our staff are inspiring each other, our residents and their families with their creativity and dedication.

As noted, the restrictions on residence visits during this pandemic are expected to have a negative impact on our occupancy levels as we are not currently permitting visits by or on behalf of prospective residents. We continue to believe that occupancy in our retirement residences will be temporarily affected as a result of reduced move-in activity. Move-out activity is slightly below prior year levels at this time. The following table provides an update in respect of our same property retirement occupancy:

(\$000s)	One month ended January 31, 2020	One month ended February 29, 2020	One month ended March 31, 2020	One month ended April 30, 2020
Same property occupancy	88.4%	88.0%	87.4%	85.7%

In the month ended April 30, 2020, same property occupancy declined by 1.7 percentage points compared to the month ended March 31, 2020, primarily due to reduced move-in activity partly offset by slightly lower move-out activity. Our tenant credit quality remains strong given the typical investment profile of Canadian seniors in our target customer demographic. Substantially all April and May rent and service charges have been collected, consistent with our past experience.

Our Ontario long term care residences are either currently operating above 97% occupancy, or in the case of a home experiencing an outbreak, were operating above 97% occupancy prior to the outbreak and, as such, their funding is expected to be preserved at 100%. In addition, the Ontario government recently announced further funding protection policies in respect of both basic and in some cases preferred accommodation revenues which are retroactive to March 23, 2020.

We are working extensively with sector associations and all levels of government agencies to navigate this situation together to preserve the health and wellbeing of residents, staff and their families. The following funding announcements have been made to date:

- Quebec announced various funding initiatives, totalling \$410 million including funding for temporary pay increases to health care staff of \$287 million.
- Ontario announced various initiatives:
 - Funding for temporary compensation increases for front-line workers in vulnerable settings.
 - Ontario long term care has been allocated \$268 million to support long term care as an essential service in managing the pandemic crisis, including surge capacity planning as hospitals are expected to exceed capacity.
 - Ontario retirement homes have been allocated \$20 million to support extraordinary expenses related to COVID-19.
- British Columbia has allocated \$10 million to assisted living and long term care residences.
- Other announcements to support businesses during this pandemic include rate reductions in energy costs, and deferrals of worker's compensation premiums and realty tax payments.

We continue our analysis of these and other programs to determine eligibility and financial impact on Chartwell.

At May 7, 2020, liquidity amounted to \$363.3 million, which included \$173.3 million of cash and cash equivalents and \$190.0 million of available borrowing capacity on our credit facilities. In addition, Chartwell's share of cash and cash equivalents held in its equity-accounted joint ventures was \$12.9 million. We expect to be able to meet all of our obligations as they become due utilizing primarily the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. The COVID-19 pandemic has introduced significant uncertainties as discussed in the "Forward-Looking Information and COVID-19 Risk" section on page 6 of this MD&A and we continue to monitor the situation closely.

As of the date of this MD&A, we have had confirmed COVID-19 positive cases in either a resident, employee or home health or other workers providing direct services to residents in 24 of our 173 retirement residences and nine of our 24 long term care residences. In addition, 15 retirement residences and three long term care residences with previously confirmed COVID-19 positive cases have successfully cleared the incubation period of the disease with no further cases noted. Our response to the COVID-19 pandemic is guided by the World Health Organization and public health authorities and we continue to meet or exceed the direction provided by our public health authorities and the Federal, Provincial and Municipal governments to control the spread of COVID-19.

Significant Events

The following events have had a significant effect on our financial results in Q1 2020 and may be expected to affect our results in the future:

Development

Our business strategy is to develop modern, innovative, market-specific and operationally efficient seniors communities that remain competitive over the long term, and in some cases selectively partnering with reputable developers in order to gain access to attractive sites in strong markets. Due to the uncertainties related to COVID-19, we will slow our development program, focusing on moving projects under construction to the next appropriate stage (in some cases completion and in others, securing and safeguarding the project). No new development initiatives will be undertaken until there is more certainty with respect to COVID-19 and the economic outlook.

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 financial measure 'Unlevered Yield'. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated 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.

As described, the duration and impact of the COVID-19 pandemic on Chartwell is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts, if any, on our expected financial metrics.

Completed Projects

The following table summarizes development projects that were completed since January 1, 2019:

Project	Location	Suites / Beds	Suite Type	Chartwell Ownership Interest	Operations Start Date	Gross Book Value ⁽¹⁾⁽²⁾ (\$millions)	Occupancy ⁽¹⁾ (%)	Adjusted Development Costs ⁽¹⁾⁽²⁾⁽³⁾ (\$millions)	NOI ⁽²⁾⁽³⁾ (\$millions)	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI ⁽²⁾⁽⁴⁾ (\$millions)	Expected Unlevered Yield ⁽⁴⁾
Projects completed in 2019:													
Chartwell Carlton Retirement Residence	Burnaby, BC	105	ISL	100%	Q1 2019	42.1	60%	44.7	0.3	Q2 2021	97%	2.9	6.5%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/MC	100%	Q1 2019	40.5	37%	48.1	(0.1)	Q1 2022	94%	3.4	7.0%
The Sumach, by Chartwell	Toronto, ON	332	ISL	45%	Q2 2019	46.9	48%	48.9	0.2	Q1 2023	95%	3.5	7.2%
Kingsbridge Retirement Community ⁽⁵⁾	Kingston, ON	165	ISL/AL	60%	Q3 2019	30.8	41%	31.8	0.1	Q1 2023	95%	2.7	7.0%
Chartwell Thunder Bay Townhomes	Thunder Bay, ON	9	IL	100%	Q4 2019	3.9	80%	3.9	-	Q2 2020	100%	0.3	7.7%
		748				164.2		177.4	0.5			12.8	7.2%

(1) As of the date of this MD&A.

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

(3) For the three months ended March 31, 2020.

(4) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 11.

(5) Chartwell owns a 60% interest in this property and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Signature Living is entitled to a promote payment if the return on equity exceeds certain targets. The estimated stabilized NOI and expected unlevered yield calculations include estimates of such promote payment.

Projects in Construction

The following table summarizes 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 incurred as at March 31, 2020 ⁽¹⁾⁽²⁾ (\$millions)	Expected Completion Date ⁽⁴⁾	Expected Stabilized Occupancy Date ⁽⁴⁾	Reservations ⁽⁵⁾	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI ⁽¹⁾⁽²⁾ (\$millions)	Expected Unlevered Yield ⁽²⁾
Chartwell Guildwood Retirement Residence ⁽⁶⁾	Scarborough, ON	172	IL/ISL/MC	38.6	5.3	43.9	15.8	Q3 2021	Q1 2024	78%	95%	3.0	6.8%
Chartwell Meadowbrook Retirement Residence	Lively, ON	56	IL/ISL	25.7	1.8	27.5	12.7	Q3 2020	Q4 2020	53%	93%	1.9	6.9%
Chartwell Montgomery Village	Orangeville, ON	122	ISL	44.0	3.6	47.6	9.8	Q3 2021	Q1 2023	-	93%	3.4	7.1%
		350		108.3	10.7	119.0	38.3					8.3	7.0%

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

(2) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 11 of this MD&A.

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

(4) At this time, completion and stabilization dates are difficult to predict given the currently-declared State of Emergency in Ontario.

(5) As of the date of this MD&A.

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

Projects in Pre-Construction

The following projects previously reported in the pre-construction phase of development have been placed on hold at this time while we evaluate the impact of the COVID-19 pandemic:

- Chartwell Ridgepointe Retirement Residence, Kamloops, BC (90 ISL suites)
- Chartwell Royalcliffe Retirement Community, London, ON (163 IL/MC suites)
- Chartwell Ballycliffe Long Term Care, Ajax, ON (224 LTC beds)
- Pickering, Ontario (a 90% interest in a proposed development of a 415-suite retirement residence (the "Pickering Project"))
- Calgary, Alberta (proposed development of 384-suite retirement residence).
- Edmonton, Alberta (proposed development of a 202-suite retirement residence).

Projects by Batimo

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

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

Project	Location	Suites / Beds	Suite Type	Current Project Status ⁽¹⁾	Actual / Expected Completion Date	Actual / Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q4 2019
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q3 2022
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q4 2021
Chartwell Le Teasdale II	Terrebonne, QC	221	ISL	O	October 2018	Q3 2020
Chartwell Greenfield Park	Greenfield Park, QC	368	ISL / AL	O	June 2019	Q3 2022
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	O	September 2019	Q1 2022
Chartwell Trait-Carré ⁽²⁾	Quebec City, QC	361	ISL / AL	C	Q1 2021	Q3 2022
Chartwell Atwater ⁽²⁾	Montreal, QC	316	ISL / AL / MC	C	Q1 2022	Q3 2024
		2,369				

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

(2) Construction of retirement residences in Quebec is not an essential service in that province during the COVID-19 pandemic and as such, all construction on these projects has halted until further notice.

Chartwell L'Unique III has achieved stabilized occupancy as defined in our agreements with Batimo. On May 1, 2020, we acquired an 85% ownership interest in this project for \$32.6 million.

Potential Developments on Owned and Leased Lands

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

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites ⁽¹⁾	Book Value of Land (\$millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Muskoka Traditions Retirement Residence	Huntsville, ON	100	0.4	36	0.9
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Wedgewood Retirement Residence	Brockville, ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence ⁽²⁾	Markham, ON	100	1.4	108	2.5
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités ⁽³⁾	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Total ⁽⁴⁾			27.7	2,457	21.9

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

(2) Leased lands. The value recognized on adoption of IFRS 16.

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

(4) Excludes \$0.3 million of land acquired to facilitate redevelopment of one LTC property in Ontario.

Acquisitions

On March 2, 2020, we acquired a 42.5% interest in Chartwell Le St-Gabriel in Longueuil, Quebec from Batimo. Welltower Inc. ("Welltower") also acquired a 42.5% interest and Batimo retained the remaining 15% interest in the property. The contractual purchase price at our share was \$37.9 million and was settled through the assumption of a variable-rate mortgage of \$23.9 million, settlement of the outstanding mezzanine loan of \$3.6 million, with the balance, net of the bank account acquired and working capital adjustments, paid in cash.

On May 1, 2020, we acquired an 85% interest in Chartwell L'Unique III in St. Eustache, Quebec from Batimo. Batimo retained the remaining 15% interest in the project. The contractual purchase price of \$32.6 million was settled by the assumption of a mortgage of \$16.9 million, the settlement of Chartwell's mezzanine and bridge loans of \$2.7 million and \$0.5 million, respectively, and the remaining balance, net of working capital adjustments, was paid in cash.

Dispositions

In 2019, we entered into a definitive agreement relating to the sale of four LTC residences in Ontario (299 beds) (the "Four LTC Residences") for an aggregate sale price of \$13.6 million. The sale closed on April 1, 2020, shortly after receiving the approval of the Ministry of Long Term Care, which was a closing condition. Chartwell has retained the obligation to remediate the lands at one of the Four LTC Residences. While the land is being remediated, Chartwell will retain the ownership of the land and will receive rent in the amount of \$0.7 million in aggregate.

On April 8, 2020, we completed the sale of one non-core retirement residence (195 suites) located in Quebec for \$6.7 million. The mortgage related to this property of \$6.4 million was discharged on closing.

Joint Arrangements

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

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

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11	Consolidation Method
Held directly:					
Chartwell-Welltower Landlord ("CWL") ⁽¹⁾	37	7,245	50%	Joint operation	Proportionate
Chartwell Le St-Gabriel Landlord ("CSGL")	1	345	42.5%	Joint operation	Proportionate
The Sumach by Chartwell	1	332	45%	Joint operation	Proportionate
Batimo	3	602	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 ⁽²⁾	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

(1) Includes one property under construction; refer to the "Projects in Construction" section on page 12 of this MD&A.

(2) In pre-construction; refer to the "Projects in Pre-Construction" section on page 13 of this MD&A.

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. As the real estate is held directly by each of Chartwell, Welltower and Batimo, 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.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s)	Q1 2020	Q1 2019	Change
Resident revenue	218,884	209,884	9,000
Direct property operating expense	150,719	144,164	6,555
Net income	11,394	, 14,951	(3,557)

Resident revenue increased \$9.0 million or 4.3% in Q1 2020 due to acquisitions and developments and revenue growth in our existing property portfolio, inclusive of \$0.7 million in revenue recognized for funding provided to defray additional expenses incurred related to COVID-19.

Direct property operating expenses increased \$6.6 million or 4.5% in Q1 2020, due to acquisitions and developments, including pre-leasing and initial operating costs, and increased expenses in our existing property portfolio. Direct property operating expenses include \$1.2 million of additional expenses invested to reduce and prevent the spread of COVID-19 and \$0.8 million related to the additional day in Q2 2020.

In Q1 2020, net income was \$11.4 million compared to \$15.0 million in Q1 2019. The decrease in net income was primarily due to higher direct property operating expenses, finance costs, depreciation and amortization expenses, and impairment losses, partially offset by higher revenues and deferred income tax benefit.

FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in the “Additional Information on Non-GAAP Financial Measures” section on page 43 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 property, plant and equipment (“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 and foreign exchange gain/(loss), 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 Financial Measures – Funds from Operations” section on page 43 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 and FFOPU:

(\$000s, except per unit amounts)	Q1 2020	Q1 2019	Change
FFO ⁽¹⁾	45,325	47,083	(1,758)
FFOPU ⁽¹⁾	0.21	0.22	(0.01)

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 43 of this MD&A for a discussion of the calculation of the per unit amounts.

For Q1 2020, FFO was \$45.3 million or \$0.21 per unit, compared to \$47.1 million or \$0.22 per unit in Q1 2019. The following items impacted the change in FFO:

- higher finance costs of \$2.6 million;
- higher depreciation of property, plant and equipment and amortization of intangible assets used for administrative purposes of \$0.6 million;
- higher G&A expenses of \$0.4 million; and
- other items combined of \$0.2 million;

partially offset by:

- higher adjusted NOI of \$1.5 million consisting of a \$1.3 million increase in contributions from acquisitions and developments and a \$0.2 million increase in same property adjusted NOI which includes \$0.6 million of revenue and \$1.1 million of direct operating expenses related to COVID-19 and \$0.8 million of expenses incurred due to an additional day in Q1 2020; and
- higher management fee revenue of \$0.5 million.

For Q1 2020, FFO was impacted by \$1.5 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q1 2019 – \$1.9 million).

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

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

Same Property Portfolio

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

The following table summarizes the composition of our same property portfolio as at March 31, 2020:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	146	20,750	16,962
Long Term Care Operations	19	2,676	2,676
Total same property portfolio	165	23,426	19,638

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2019, newly developed properties, properties that are undergoing a significant redevelopment, properties where we have added or expect to add significant capacity in the current year and assets held for sale. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at March 31, 2020:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	19	3,325	2,788
Long Term Care Operations ⁽¹⁾	5	399	399
Total acquisitions, development and other portfolio	24	3,724	3,187

(1) Includes one Class C property subject to redevelopment where certain pre-development activities had begun, and were placed on hold subsequent to March 31, 2020, and four properties (299 beds) in Ontario, which are classified as held for sale and subsequently sold on April 1, 2020.

Acquisitions, development and other portfolio includes four newly-developed and one recently-acquired retirement residence (746 suites at our share of ownership) with an aggregate gross book value of \$274.5 million. These residences had a weighted average occupancy of 37.8% in Q1 2020 and generated adjusted NOI of \$0.3 million in Q1 2020. Upon achieving the expected stabilized occupancy of 96%, these residences are estimated to generate annualized adjusted NOI of \$20.3 million at our share of ownership.

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

(\$000s, except occupancy rates)	Q1 2020	Q1 2019	Change
Resident revenue	218,884	209,884	9,000
Add: Share of resident revenue from joint ventures ⁽¹⁾	29,469	29,476	(7)
Adjusted resident revenue ⁽²⁾	248,353	239,360	8,993
Comprised of:			
Same property ⁽²⁾	224,553	219,501	5,052
Acquisitions, development and other ⁽²⁾	23,800	19,859	3,941
Adjusted resident revenue ⁽²⁾	248,353	239,360	8,993
Direct property operating expense	150,719	144,164	6,555
Add: Share of direct property operating expenses from joint ventures ⁽³⁾	18,659	17,757	902
Adjusted direct property operating expense ⁽²⁾	169,378	161,921	7,457
Comprised of:			
Same property ⁽²⁾	150,654	145,797	4,857
Acquisitions, development and other ⁽²⁾	18,724	16,124	2,600
Adjusted direct property operating expense ⁽²⁾	169,378	161,921	7,457
Adjusted NOI ⁽²⁾	78,975	77,439	1,536
Comprised of:			
Same property ⁽²⁾	73,899	73,703	196
Acquisitions, development and other ⁽²⁾	5,076	3,736	1,340
Adjusted NOI ⁽²⁾	78,975	77,439	1,536
Weighted average occupancy rate - same property portfolio	89.4%	90.7%	(1.3pp)
Weighted average occupancy rate - total portfolio	87.6%	89.4%	(1.8pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 15 of this MD&A.

(2) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 20 of this MD&A for explanations and discussion of the significance of these metrics.

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 15 of this MD&A.

Adjusted resident revenue increased 3.8% in Q1 2020, due to a 2.3% increase in same property adjusted resident revenue and growth from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions and additional funding to defray COVID-19 related expenses, partially offset by lower occupancies.

Adjusted direct property operating expense increased 4.6% in Q1 2020, due to a 3.3% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, food, additional costs incurred for the extra day in the period for the leap year of \$0.8 million and additional expenses related to COVID-19 of \$1.1 million. This was partially offset by lower utilities, marketing and repairs and maintenance expenses.

Adjusted NOI increased \$1.5 million or 2.0% in Q1 2020, due to a 0.3% increase in same property adjusted NOI and contributions from our acquisition, development and other property portfolio.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 165 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment includes 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

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

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

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	106	680	10,977	931	134	451	13,173
50% owned	40	593	6,563	358	63	-	7,577
Total same property owned	146	1,273	17,540	1,289	197	451	20,750
Acquisitions, Development & Other							
100% owned – operating	13	58	1,649	111	63	-	1,881
Partially owned – operating ⁽¹⁾	6	-	1,350	94	-	-	1,444
Total acquisitions, development & other	19	58	2,999	205	63	-	3,325
Total	165	1,331	20,539	1,494	260	451	24,075

(1) We own an 85% interest in three of these properties, a 60% interest in one property, a 45% interest in one property and a 42.5% interest in one property.

The following table presents the results of our Retirement Operations:

(\$000s, except occupancy rates)	Q1 2020	Q1 2019	Change
Adjusted resident revenue	189,065	181,852	7,213
<i>Comprised of:</i>			
Same property ⁽¹⁾	172,808	169,342	3,466
Acquisitions, development and other ⁽¹⁾	16,257	12,510	3,747
Adjusted direct property operating expense	117,831	111,897	5,934
<i>Comprised of:</i>			
Same property ⁽¹⁾	106,010	102,517	3,493
Acquisitions, development and other ⁽¹⁾	11,821	9,380	2,441
Adjusted NOI	71,234	69,955	1,279
<i>Comprised of:</i>			
Same property ⁽¹⁾	66,798	66,825	(27)
Acquisitions, development and other ⁽¹⁾	4,436	3,130	1,306
Weighted average occupancy rate - same property portfolio	88.0%	89.5%	(1.5pp)
Weighted average occupancy rate - total portfolio	85.9%	88.0%	(2.1pp)

(1) Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 17 of this MD&A for explanations of ‘Same property’ and ‘Acquisitions, development and other’ and the significance of these metrics.

Adjusted resident revenue increased 4.0% in Q1 2020, due to a 2.0% increase in same property adjusted resident revenue and growth from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions and \$0.4 million in funding to defray additional expenses related to COVID-19, partially offset by lower occupancies.

Adjusted direct property operating expense increased 5.3% in Q1 2020, due to a 3.4% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, food, property taxes and additional costs incurred for the extra day in the period for the leap year of \$0.8 million and additional expenses related to COVID-19 of \$0.8 million. This was partially offset by lower utilities, marketing and repairs and maintenance expenses.

Adjusted NOI increased \$1.3 million or 1.8% in Q1 2020. Same property adjusted NOI was substantially in line with Q1 2019 as a result of the following:

- Our Ontario platform same property adjusted NOI increased \$0.1 million or 0.3%, primarily due to rental rate increases in line with competitive market conditions, funding to defray additional expenses related to COVID-19, and lower marketing expenses partially offset by lower occupancies, COVID-19 related expenses, higher property tax and staffing costs.
- Our Western Canada platform same property adjusted NOI increased \$0.8 million or 5.5%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and higher property tax, utilities, insurance and COVID-19 related expenses.
- Our Quebec platform same property adjusted NOI decreased \$0.9 million or 6.8%, primarily due to lower occupancies, higher staffing costs and food expenses, COVID-19 related expenses partially offset by rental rate increases in line with competitive market conditions and lower utilities expenses.

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

	Q1 2020	Q1 2019	Change	Q4 2019	Change
Ontario	84.1%	86.1%	(2.0pp)	84.9%	(0.8pp)
Western Canada	94.6%	95.1%	(0.5pp)	95.1%	(0.5pp)
Quebec	90.1%	91.7%	(1.6pp)	91.1%	(1.0pp)
Combined	88.0%	89.5%	(1.5pp)	88.8%	(0.8pp)

In Q1 2020, occupancy in our retirement same property portfolio was 88.0%, a decrease of 1.5 percentage points compared to Q1 2019 and a decrease of 0.8 percentage points compared to Q4 2019. The decreases in occupancy are primarily due to the impact of the significant number of new competing residence openings in certain of our markets and reduced move-in activity in the latter half of March 2020 as a result of the COVID-19 pandemic.

Long Term Care Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property	19	-	75	-	-	2,601	2,676
Acquisitions, development and other ⁽¹⁾	5	-	-	-	-	399	399
Total	24	-	75	-	-	3,000	3,075

(1) Includes one Class C property subject to redevelopment where certain pre-development activities had begun and were placed on hold subsequent to March 31, 2020, and four properties (299 beds) in Ontario, which were classified as held for sale at March 31, 2020 and subsequently sold on April 1, 2020 (refer to the "Significant Events – Dispositions" section on page 14 of this MD&A).

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

(\$000s, except occupancy rates)	Q1 2020	Q1 2019	Change
Adjusted resident revenue	59,288	57,508	1,780
Comprised of:			
Same property ⁽¹⁾	51,745	50,159	1,586
Acquisitions, development and other ⁽¹⁾	7,543	7,349	194
Adjusted direct property operating expenses	51,547	50,024	1,523
Comprised of:			
Same property ⁽¹⁾	44,644	43,281	1,363
Acquisitions, development and other ⁽¹⁾	6,903	6,743	160
Adjusted NOI	7,741	7,484	257
Comprised of:			
Same property ⁽¹⁾	7,1001	6,878	223
Acquisitions, development and other ⁽¹⁾	640	606	34
Weighted average occupancy rate - same property portfolio	98.5%	98.4%	0.1pp
Weighted average occupancy rate - total portfolio	98.3%	98.3%	-

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased \$0.3 million or 3.4% in Q1 2020. Same property adjusted NOI increased 3.2% primarily due to higher preferred accommodation revenue and lower repairs and maintenance expenses.

Management and Other Fees

(\$000s)	Q1 2020	Q1 2019	Change
Welltower	1,602	1,650	(48)
Other	1,385	831	554
Total management and other fees	2,987	2,481	506

In Q1 2020, management and other fees increased \$0.5 million primarily due to an increase in the number of properties managed for Batimo.

Interest Income

(\$000s)	Q1 2020	Q1 2019	Change
Interest income on loans receivable	432	431	1
Interest income on capital funding	528	592	(64)
Other interest income	97	100	(3)
Total interest income	1,057	1,123	(66)

Decrease in interest income on capital funding is due to lower receivable balances outstanding.

General, Administrative and Trust Expenses

(\$000s)	Q1 2020	Q1 2019	Change
G&A expenses	13,128	12,749	379

G&A expenses increased \$0.4 million in Q1 2020 primarily due to regular inflation in staffing costs, a contractually determined payment on retirement to the former President & CEO, partially offset by the timing of expenses, lower non-cash compensation costs as a result of changes in value of our Trust Units and lower lease expenses.

Finance Costs

(\$000s)	Q1 2020	Q1 2019	Change
Contractual interest expense on mortgages	17,828	17,533	295
Comprised of:			
Same property ⁽¹⁾	15,353	15,092	261
Acquisitions, development and other ⁽¹⁾	2,475	2,441	34
Interest expense on Debentures ⁽²⁾	3,463	3,425	38
Interest expense on Credit Facilities	905	507	398
Interest expense on unsecured term loan	1,084	-	1,084
	23,280	21,465	1,815
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	471	376	95
	23,751	21,841	1,910
Interest capitalized to properties under development	(845)	(1,554)	709
Distributions on Class B Units recorded as interest expense	241	239	2
Total finance costs	23,147	20,526	2,621

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

(2) "Debentures" refers collectively to the "Series A Debentures" and the "Series B Debentures". See the "Liquidity and Capital Resources – Debt – Debentures" section on page 30 of this MD&A for details.

Contractual interest expense on mortgages increased \$0.3 million in Q1 2020 primarily due to higher outstanding mortgage balances.

Interest expense on Credit Facilities increased due to the additional draws made during Q1 2020 on the secured credit facility.

Interest expense on unsecured term loan relates to the unsecured term loan drawn on December 10, 2019.

Interest capitalized to properties under development decreased \$0.7 million in Q1 2020 primarily due to construction completion and transfer of several properties to operations.

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

(\$000s)	Q1 2020	Q1 2019	Change
Contractual interest expense on mortgages	517	598	(81)
Comprised of:			
Same property ⁽¹⁾	293	426	(133)
Acquisitions, development and other ⁽¹⁾	224	172	52
Amortization of finance costs	11	12	(1)
Interest capitalized to properties under development	-	(170)	170
Total finance costs	528	440	88

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

(\$000s)	Q1 2020	Q1 2019	Change
Transaction costs arising on business acquisitions and dispositions	(458)	(628)	170
Impairment losses	(3,200)	-	(3,200)
Remeasurement gain	-	39,172	(39,172)
Gain on sale of assets	811	133	678
Other income	160	216	(56)
Total other income/(expense)	(2,687)	38,893	(41,580)

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

Additional impairment losses were recorded in Q1 2020, related to the previous write-down in the carrying value of five retirement residences. The additional impairment resulted from a temporary decline in the estimated future cash flows used in the impairment model to reflect the impact of the COVID-19 pandemic.

In Q1 2019, we acquired the remaining interests in Clair Hills and Oak Ridges Retirement Residences. Chartwell previously owned all the outstanding Class C units and affiliates of the vendors owned all outstanding Class R units in limited partnerships that held these retirement residences. Chartwell's interests in these two properties were previously accounted for as investments in joint ventures using the equity method of accounting. Under IFRS, the acquisition of the remaining interests in these properties required revaluation of the existing interest. This remeasurement resulted in a gain of \$39.2 million in Q1 2019.

Other Items

(\$000s)	Q1 2020	Q1 2019	Change
Depreciation of PP&E and amortization of intangible assets	(48,250)	(45,274)	(2,976)
Change in fair value of financial instruments and foreign exchange gain/(loss)	10,894	(6,148)	17,042
Deferred income tax benefit/(expense)	6,674	(18,822)	25,496

Depreciation of PP&E increased \$3.0 million in Q1 2020 primarily due to increases in the property portfolio from new developments and acquisitions and depreciation of the corporate office.

Change in fair value of financial instruments and foreign exchange gain/(loss) is primarily resulting from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties subject to income guarantees.

The deferred income tax benefit in Q1 2020 primarily relates to the impairment losses and fair value adjustments on interest rate swaps recorded in Q1 2020. In Q1 2019, we recognized deferred income tax expense related to the step accounting adjustments on the acquisition of the remaining interests in two joint ventures, Clair Hills and Oak Ridges Retirement Residences, accounted for as business combinations for which there is not a comparable amount in Q1 2020.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2020 and Q1 2019 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(3.6)	Change in cash flows from operating activities is primarily due to changes in working capital, higher interest paid and higher net operating income.
Financing activities	109.1	Change in cash flows from financing activities is due to higher utilization of our credit facilities and proceeds from mortgage financing activities, partially offset by mortgage repayments.
Investing activities	14.9	Change in cash flows from investing activities is primarily due to lower additions to PP&E and intangible assets, partially offset by higher cash outlays for acquisition of properties and contributions to joint ventures.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders. Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, unsecured term loans, senior unsecured debentures, and equity financing.

At March 31, 2020, our liquidity was \$340.9 million as presented in the following table:

(\$000s)	March 31, 2020	December 31, 2019
Cash and cash equivalents	131,641	22,890
Available under Credit Facilities	209,273	391,781
Total	340,914	414,671

In addition, at March 31, 2020, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$7.1 million.

As at March 31, 2020, our current liabilities totalled \$446.1 million, exceeding current assets of \$201.9 million, resulting in a working capital deficiency of \$244.2 million. Current liabilities include an amount of \$276.3 million of current mortgages payable, comprised of \$72.1 million related to maturing balances, and \$204.2 million related to principal amortization and unamortized mark-to-market adjustments net of unamortized finance costs. We expect to refinance these mortgages in the normal course at, or in some cases prior to, their maturities. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, (iii) secured and unsecured credit facilities, and (iv) unsecured term loans. In addition, subject to market conditions, we may dispose of certain non-core assets and seek to raise funds through new senior unsecured debentures or equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, Debentures, Credit Facilities, and an unsecured term loan. 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.

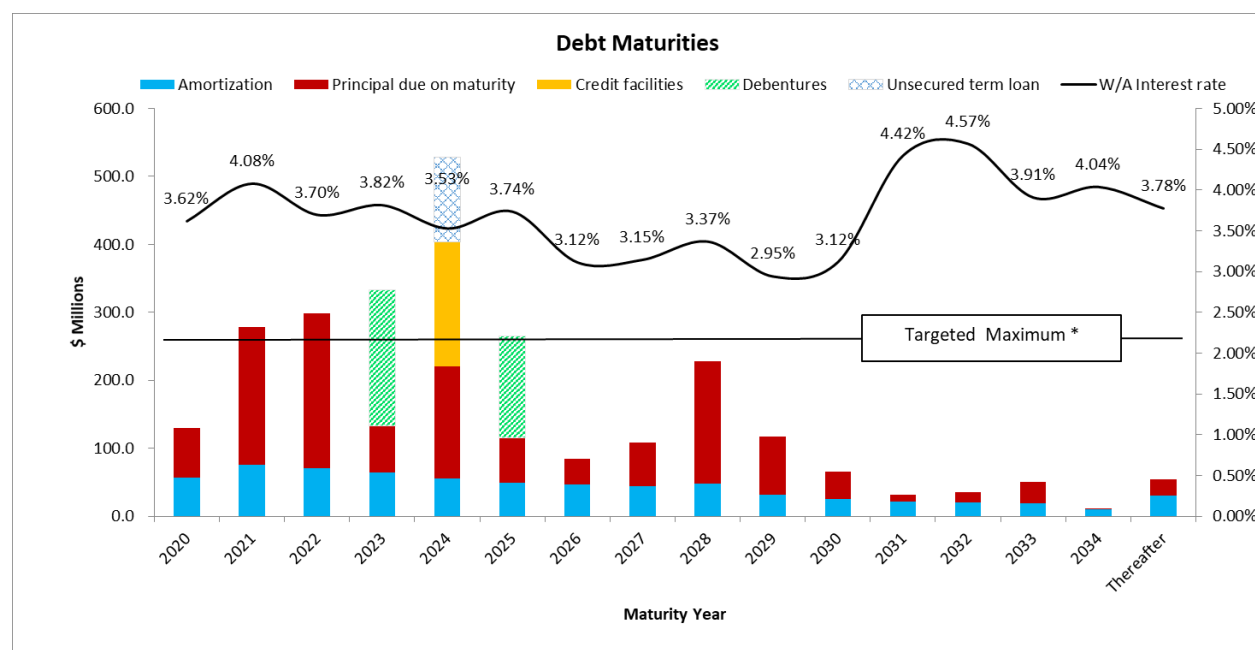
The following table summarizes the components of the principal balance of our debt at March 31, 2020 and December 31, 2019:

(\$000s)	March 31, 2020	December 31, 2019
Mortgages payable	1,963,757	1,975,089
Series A Debentures	200,000	200,000
Series B Debentures	150,000	150,000
Credit facilities	183,000	-
Unsecured term loan	125,000	125,000
Total	2,621,757	2,450,089

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at March 31, 2020:

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	Unsecured Term Loan	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
Remainder of 2020	57,363	72,066	129,429	3.62%	-	-	-	-	-	-	129,429	3.62%
2021	75,084	203,440	278,524	4.08%	-	-	-	-	-	-	278,524	4.08%
2022	70,919	227,920	298,839	3.70%	-	-	-	-	-	-	298,839	3.70%
2023	64,951	68,359	133,310	3.86%	200,000	3.79%	-	-	-	-	333,310	3.82%
2024	55,318	165,243	220,561	3.89%	-	-	183,000	3.10%	125,000	3.52%	528,561	3.53%
2025	49,041	65,876	114,917	3.12%	150,000	4.21%	-	-	-	-	264,917	3.74%
2026	47,317	37,235	84,552	3.12%	-	-	-	-	-	-	84,552	3.12%
2027	44,786	63,176	107,962	3.15%	-	-	-	-	-	-	107,962	3.15%
2028	47,636	180,955	228,591	3.37%	-	-	-	-	-	-	228,591	3.37%
2029	31,521	85,729	117,250	2.95%	-	-	-	-	-	-	117,250	2.95%
2030	24,906	40,441	65,347	3.12%	-	-	-	-	-	-	65,347	3.12%
2031	21,814	9,490	31,304	4.42%	-	-	-	-	-	-	31,304	4.42%
2032	20,657	14,978	35,635	4.57%	-	-	-	-	-	-	35,635	4.57%
2033	19,638	31,224	50,862	3.91%	-	-	-	-	-	-	50,862	3.91%
2034	10,157	1,621	11,778	4.04%	-	-	-	-	-	-	11,778	4.04%
Thereafter	30,201	24,695	54,896	3.78%	-	-	-	-	-	-	54,896	3.78%
Total	671,309	1,292,448	1,963,757	3.63%	350,000	3.97%	183,000	3.10%	125,000	3.52%	2,621,757	3.63%

The following chart provides a breakdown of our debt maturities at March 31, 2020:



* 10% of total debt = \$262.2 million

Mortgage Debt

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of March 31, 2020, approximately 71% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

The following table summarizes the changes in the principal balance of our mortgage portfolio in Q1 2020:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate	% CMHC Insured
Principal balance at December 31, 2019	1,975,089	6.8	3.68%	71%
Matured in the period	(34,959)	-	2.61%	14%
Assumed mortgage	23,907	0.3	3.25%	-
New mortgage financings	18,634	9.4	2.06%	92%
Amortizing principal repayments	(18,914)	N/A	N/A	N/A
Principal balance at March 31, 2020	1,963,757	6.9	3.63%	71%
Mark-to-market adjustments on assumed mortgages	8,710			
Finance costs	(40,480)			
Mortgages payable at March 31, 2020	1,931,987			

Assumed mortgage relates to the acquisition of Chartwell Le St-Gabriel on March 2, 2020, for which a CMHC application is underway to re-finance this amount.

New mortgage financings include one CMHC-insured mortgage of \$17.2 million with a 2.04% interest rate and a 10-year term to maturity, and construction financing draws for two properties under development of \$1.4 million with a weighted average interest rate of 2.29% and a weighted average term to maturity of 2.5 years.

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

	At March 31, 2020		At December 31, 2019	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,877,345	86,412	1,963,757	1,975,089
Weighted average interest rate	3.67%	2.84%	3.63%	3.68%
Average term to maturity (years)	7.2	0.7	6.9	6.8

The following tables are supplemental information and summarize the components of our debt at March 31, 2020 and December 31, 2019 for our Equity-Accounted JVs:

(\$000s)	March 31, 2020	December 31, 2019
Principal balance of mortgages payable	51,072	48,847
Finance costs	(81)	(93)
Mortgages payable at March 31, 2020	50,991	48,754

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
Remainder of 2020	291	-	291	6.07%
2021	368	39,263	39,631	4.25%
2022 and thereafter	-	11,150	11,150	5.94%
Total	659	50,413	51,072	4.63%

Credit Facilities

At March 31, 2020, our Credit Facilities had a total maximum borrowing capacity of \$400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

(\$000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Net Available Capacity	Borrowed	Net Available Borrowing Capacity	Net Financing Costs	Carrying Value	Maturity Date
Secured credit facility ⁽¹⁾	300,000	300,000	(7,727)	292,273	(183,000)	109,273	(3,144)	179,856	May 29, 2024
Unsecured credit facility ⁽²⁾⁽³⁾	100,000	100,000	-	100,000	-	100,000	-	-	May 29, 2024
Total Credit Facilities	400,000	400,000	(7,727)	392,273	(183,000)	209,273	(3,144)	179,856	

(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, the secured collateral, and the occupancy rate of the property.

(2) Available capacity reduced if ratio of unencumbered property asset value to unsecured indebtedness falls below 1.3:1.

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

The cost of Credit Facilities is based on Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the secured credit facility bear interest at the banks' prime rate ("Prime") plus 65 bps or BA plus 165 bps, and amounts borrowed under the unsecured credit facility bear interest at Prime plus 70 bps or BA plus 170 bps.

On May 10, 2019, we entered into amending agreements with our syndicate lenders to extend the maturity of our Credit Facilities by three years to May 29, 2024.

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

Unsecured Term Loan

On December 10, 2019, we entered into a \$125.0 million unsecured term loan agreement with a Canadian chartered bank. The loan matures on May 31, 2024 and through an interest rate swap, bears a fixed interest rate of 3.523%. The unsecured term loan is subject to covenants that are generally consistent with the covenants on our Credit Facilities.

The following table summarizes the unsecured term loan outstanding as at March 31, 2020:

(\$000s)	Outstanding Principal	Net Financing Costs	Carrying Value	Maturity Date
Unsecured term loan	125,000	(303)	124,697	May 31, 2024

Debentures

On June 9, 2017, we issued \$200.0 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt finance costs of \$1.6 million were incurred and recorded against the principal owing.

On April 27, 2018, we issued \$150.0 million of 4.211% Series B senior unsecured debentures (the "Series B Debentures") due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Debt finance costs of \$1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Debentures:

(\$000s)	As at March 31, 2020	As at December 31, 2019
Series A Debentures outstanding	200,000	200,000
Series B Debentures outstanding	150,000	150,000
Unamortized finance costs	(1,609)	(1,706)
Carrying value	348,391	348,294

Credit Rating

On October 11, 2019, DBRS confirmed the BBB(low) rating of our Debentures with a stable trend.

Financial Covenants

Our Credit Facilities 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 discussions provide the status of our various financial covenants related to our Credit Facilities 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 Secured and Unsecured Facilities dated May 10, 2019 (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.

Credit Facilities

1. Debt Service Coverage Ratio for Credit Facilities

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

(\$000s, except debt service coverage ratio)	12 months March 31, 2020	12 months December 31, 2019
Consolidated EBITDA for Credit Facilities ⁽¹⁾	297,988	296,370
Consolidated interest expense for Credit Facilities ⁽²⁾	91,742	90,008
Consolidated regularly-scheduled debt principal payments for Credit Facilities ⁽³⁾	73,073	71,455
Consolidated debt service payments for Credit Facilities	164,815	161,463
Debt service coverage ratio for Credit Facilities	1.81	1.84

- (1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures” section on page 35 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.
- (2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures” section on page 35 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.
- (3) Refer to the “Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities” section on page 36 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.

2. Total Leverage Ratio for Credit Facilities

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

(\$000s, except total leverage ratio)	As at March 31, 2020	As at December 31, 2019
Consolidated indebtedness for Credit Facilities ⁽¹⁾	2,695,518	2,522,196
Adjusted consolidated gross book value of assets for Credit Facilities ⁽²⁾	5,006,172	4,836,884
Total leverage ratio for Credit Facilities	53.8%	52.1%

- (1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 36 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.
- (2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures” section on page 37 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

We are required to maintain an adjusted consolidated unitholders' equity of at least \$1,000 million, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At March 31, 2020, the minimum adjusted consolidated unitholders' equity requirement was \$1,194 million.

(\$000s)	As at March 31, 2020	As at December 31, 2019
Unitholders' equity per Financial Statements	824,631	837,567
Adjustment for accumulated depreciation and amortization for Credit Facilities ⁽¹⁾	1,105,472	1,074,265
Class B Units	14,301	22,210
Deferred Trust Units ("DTUs")	9,980	15,038
Adjusted consolidated unitholders' equity for Credit Facilities	1,954,384	1,949,080

(1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$21.1 million at March 31, 2020 (\$20.2 million at December 31, 2019) and fully amortized assets of \$240.2 million at March 31, 2020 (\$236.3 million at December 31, 2019).

4. Payment of Cash Distributions for Credit Facilities

Our Credit Facilities require that our cash distributions do not exceed 100% of our AFFO for Credit Facilities.

(\$000s, except percentage of AFFO)	Three months March 31, 2020	Three months March 31, 2019
Distributions declared on Trust Units	32,440	31,467
Distributions on Class B Units	241	240
Distributions on DTUs	163	144
Total distributions for Credit Facilities	32,844	31,851
Less:		
Non-cash distributions settled by Distribution Reinvestment Program ("DRIP") ⁽¹⁾	7,708	5,887
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	225	223
Non-cash distributions applied to DTUs	163	144
Cash distributions for Credit Facilities	24,748	25,597
AFFO for Credit Facilities ⁽²⁾	43,728	43,837
Cash distributions as a percentage of AFFO for Credit Facilities	56.6%	58.4%

(1) DRIP has been temporarily suspended, effective with the April 30, 2020 distribution payable on May 15, 2020.

(2) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities" section on page 37 of this MD&A for the calculation of AFFO for Credit Facilities.

5. Investment Restrictions for Credit Facilities

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

(\$000s)	Threshold as of March 31, 2020	As at March 31, 2020	As at December 31, 2019
Non-qualifying joint ventures and investments ⁽¹⁾	250,309	1,500	-
Loans receivable ⁽²⁾	750,926	15,162	18,731
Investments in property held for development/construction as defined in the Credit Facilities ⁽²⁾	750,926	102,738	174,841
Combined ⁽³⁾	1,251,543	119,400	193,572

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

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

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

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

6. Secured Indebtedness Ratio for the Unsecured Credit Facility

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

(\$000s, except secured indebtedness ratio)	As at March 31, 2020	As at December 31, 2019
Secured indebtedness for the unsecured credit facility ⁽¹⁾	2,197,829	2,023,936
Adjusted consolidated gross book value of assets for Credit Facilities ⁽²⁾	5,006,172	4,836,884
Secured indebtedness ratio for the unsecured credit facility	43.9%	41.8%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 36 of this MD&A for the calculation of secured indebtedness for Credit Facilities.

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

7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

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

(\$000s, except unencumbered property asset ratio)	As at March 31, 2020	As at December 31, 2019
Unencumbered property asset value for the unsecured credit facility ⁽¹⁾	957,250	915,550
Unsecured indebtedness for the unsecured credit facility ⁽²⁾	497,689	498,260
Unencumbered property asset ratio for the unsecured credit facility	1.9	1.8

(1) Includes 38 properties valued at \$957.3 million as of March 31, 2020 (38 properties valued at \$915.6 million as of December 31, 2019) with valuations completed through third-party appraisals.

(2) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 36 of this MD&A for the calculation of unsecured indebtedness for the Credit Facilities.

Debentures

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

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

(\$000s, except Interest Coverage Ratio)	12 months March 31, 2020	12 months December 31, 2019
Consolidated EBITDA for Debentures ⁽¹⁾	301,828	297,677
Consolidated interest expense for Debentures ⁽²⁾	94,943	95,530
Interest Coverage Ratio for Debentures	3.2	3.1

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

(2) Refer to the “Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures” section on page 35 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)	March 31, 2020	December 31, 2019
Consolidated indebtedness for Debentures ⁽¹⁾	2,546,926	2,483,937
Aggregate adjusted assets for Debentures ⁽²⁾	4,867,399	4,809,030
Indebtedness percentage for Debentures	52.3%	51.7%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 36 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 Aggregate Adjusted Assets for Debentures” section on page 37 of this MD&A for the calculation of aggregate adjusted assets for Debentures.

3. Coverage Ratio for Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

(\$000s, except ratio)	March 31, 2020	December 31, 2019
Unencumbered aggregate adjusted assets for Debentures ⁽¹⁾	957,250	915,550
Unsecured indebtedness for Debentures ⁽²⁾	487,870	487,855
Coverage ratio for Debentures	2.0	1.9

(1) Includes 38 properties valued at \$957.3 million as of March 31, 2020 (38 properties valued at \$915.6 million as of December 31, 2019) with valuations completed through third-party appraisals.

(2) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 36 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Debentures

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

(\$000s)	12 months December 31, 2019	Subtract: 2019 YTD	Add: 2020 YTD	Rolling 12 months March 31, 2020
Net income/(loss)	1,067	14,951	11,394	(2,490)
Remeasurement gain	(37,859)	(39,172)	-	1,313
Gain on disposal of assets ⁽¹⁾	(6,083)	(133)	(812)	(6,762)
Transaction costs	1,816	628	458	1,646
Impairment losses	46,974	-	3,200	50,174
Non-cash change in fair value of financial instruments and foreign exchange loss/(gain) ⁽¹⁾	3,391	6,437	(10,316)	(13,362)
Consolidated net income/(loss) for Credit Facilities	9,306	(17,289)	3,924	30,519
Consolidated finance costs ⁽¹⁾	87,151	20,966	23,675	89,860
Consolidated depreciation of PP&E and amortization of intangible assets ⁽¹⁾	183,387	46,128	49,233	186,492
Consolidated income tax expense/(benefit)	10,209	18,822	(6,674)	(15,287)
Principal portion of capital funding	6,317	1,547	1,634	6,404
Consolidated EBITDA for Credit Facilities	296,370	70,174	71,792	297,988
Proforma adjustments ⁽²⁾	1,307			3,840
Consolidated EBITDA for Debentures	297,677			301,828

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

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

2. Consolidated Interest Expense for Credit Facilities and Debentures

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

(\$000s)	12 months December 31, 2019	Subtract: 2019 YTD	Add: 2020 YTD	Rolling 12 months March 31, 2020
Interest on mortgages ⁽¹⁾	73,232	18,131	18,345	73,446
Interest on Debentures	13,888	3,425	3,463	13,926
Interest on Credit Facilities	2,711	507	905	3,109
Interest on unsecured term loan	177	-	1,084	1,261
Consolidated interest expense for Credit Facilities	90,008	22,063	23,797	91,742
Proforma adjustments ⁽²⁾	5,522			3,201
Consolidated interest expense for Debentures	95,530			94,943

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

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

3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

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

(\$000s)	12 months December 31, 2019	Subtract: 2019 YTD	Add: 2020 YTD	Rolling 12 months March 31, 2020
Regularly-scheduled debt principal payments per Financial Statements	70,963	17,208	18,914	72,669
Regularly-scheduled debt principal payments for equity-accounted entities	492	183	95	404
Regularly-scheduled debt principal payments for Credit Facilities	71,455	17,391	19,009	73,073

4. Consolidated Indebtedness for Credit Facilities and Debentures

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

(\$000s)	March 31, 2020	December 31, 2019
Principal balance of mortgages payable	1,963,757	1,975,089
Principal balance of mortgages payable related to Equity-Accounted JVs	51,072	48,847
Outstanding amount on the secured credit facility	183,000	-
Secured indebtedness for the unsecured credit facility	2,197,829	2,023,936
Principal balance of Debentures	350,000	350,000
Unsecured term loan	125,000	125,000
Capital lease obligations	12,870	12,855
Unsecured indebtedness for Debentures	487,870	487,855
Outstanding letters of credit	7,727	8,219
Third-party guarantees	2,092	2,186
Unsecured indebtedness for Credit Facilities	497,689	498,260
Consolidated indebtedness for Credit Facilities	2,695,518	2,522,196
Add (Subtract):		
Outstanding letters of credit	(7,727)	(8,219)
Third-party guarantees	(2,092)	(2,186)
Cash and cash equivalents	(131,641)	(22,890)
Cash and cash equivalents of Equity-Accounted JVs	(7,132)	(4,964)
Consolidated indebtedness for Debentures	2,546,926	2,483,937

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities 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 the aggregate adjusted assets for Debentures.

(\$000s)	March 31, 2020	December 31, 2019
Book value of assets ⁽¹⁾	3,679,306	3,541,225
Gross book value adjustment on IFRS transition	221,394	221,394
Adjustment for accumulated depreciation and amortization for Credit Facilities ⁽²⁾	1,105,472	1,074,265
Adjusted consolidated gross book value of assets for Credit Facilities	5,006,172	4,836,884
<i>Add (Subtract):</i>		
Cash and cash equivalents	(131,641)	(22,890)
Cash and cash equivalents of Equity-Accounted JVs	(7,132)	(4,964)
Aggregate adjusted assets for Debentures	4,867,399	4,809,030

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

(2) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$21.1 million at March 31, 2020 (\$20.2 million at December 31, 2019) and fully amortized assets of \$240.2 million at March 31, 2020 (\$236.3 million at December 31, 2019).

6. Adjusted Funds from Operations for Credit Facilities

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

Principal portion of capital funding receivable: This item represents the principal portion of the long-term cash flow stream provided in the respective period by the MLTC to communities which meet certain design criteria.

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

Amortization of 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 basis points, applied to the debt balances outstanding at the end of the reporting period and taking into account weighted average term to maturity of our mortgage portfolio.

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

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

(\$000s)	Q1 2020	Q1 2019
FFO ⁽¹⁾	45,325	47,083
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	1,634	1,547
Income guarantees ⁽²⁾	1,972	376
Amortization of finance costs and fair value adjustments on assumed mortgages ⁽³⁾	209	39
Finance cost reserve	(445)	(421)
AFFO for Credit Facilities before capital maintenance reserve	48,695	48,624
Capital maintenance reserve - 2% of property revenue	(4,967)	(4,787)
AFFO for Credit Facilities	43,728	43,837

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 43 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; Q1 2020 excludes \$0.3 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (Q1 2019 - \$0.3 million).

Total Equity

The following table summarizes changes in the number of outstanding units during Q1 2020:

	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total Equity ⁽¹⁾
Balance December 31, 2019	213,055,028	1,500,945	1,597,860	1,081,867	217,235,700
Trust Units issued pursuant to DRIP	594,593	-	-	-	594,593
Trust Units issued under EUPP	-	266,685	-	-	266,685
Trust Units released on settlement of EUPP receivable	4,647	(4,647)	-	-	-
Exchange of Class B Units into Trust Units	-	-	-	-	-
DTUs issued	-	-	-	21,191	21,191
Distributions on DTUs	-	-	-	12,161	12,161
Balance March 31, 2020	213,654,268	1,762,983	1,597,860	1,115,219	218,130,330

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

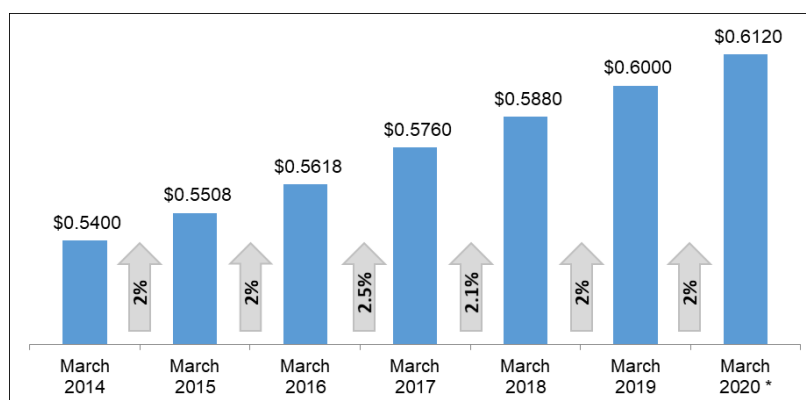
Distributions

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

On February 27, 2020, the Trustees approved a 2.0% increase in our monthly distributions from \$0.600 annualized per unit to \$0.612 annualized per unit effective for the March 31, 2020 distribution paid on April 15, 2020.

The COVID-19 pandemic introduced significant uncertainties as discussed in the "Forward-Looking Information and COVID-19 Risk" section on page 6 of this MD&A. The Trustees are monitoring the impact that this pandemic is having on Chartwell's business and will exercise their discretion with respect to payment of distributions accordingly. At this time, it is the Trustees' intention to maintain the current level of distributions.

The following chart summarizes increases in our annualized per unit distributions since 2014:



* Effective for the March 31, 2020 distribution paid on April 15, 2020.

In response to market disruptions caused by the COVID-19 pandemic, on March 16, 2020, we announced a temporary suspension of DRIP, effective with the April 2020 distributions. The DRIP will remain suspended and all distributions will be payable in cash until further notice. If and when we resume the DRIP program, investors who had previously registered in our DRIP and remain continuous unitholders will be automatically re-enrolled. In Q1 2020, our average DRIP participation was 23.9% compared to 18.6% participation in Q1 2019.

The following table summarizes distributions declared on Trust Units in Q1 2020, 2019 and 2018 in relation to net income/(loss) and cash flows from operating activities:

(\$000s)	Q1 2020	2019	2018
Cash flows from operating activities	36,453	196,548	215,486
Net income	11,394	1,067	18,519
Distributions declared on Trust Units	32,440	127,617	124,006
Excess cash flows from operating activities over distributions declared on Trust Units	4,013	68,931	91,480
Deficit of net income/(loss) over distributions declared on Trust Units	(21,046)	(126,550)	(105,487)

We do not use net income/(loss) as determined in accordance with GAAP as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, distributions on Class B Units recorded as interest expense, non-cash depreciation and amortization, changes in fair values of certain liabilities and impairment losses. We do not consider non-cash depreciation and amortization, fluctuations in fair values of certain liabilities and impairment losses in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for March 31, 2020 compared to December 31, 2019.

	Increase (Decrease) (\$millions)	Explanation
Total assets	134.8	Total assets increased primarily due to increases in cash and in PP&E, primarily due to acquisitions, developments and capital investments in our property portfolio.
Total liabilities	147.8	Total liabilities increased primarily due to debt used to finance investing activities.
Equity	(12.9)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

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. At this time we are only allowing essential visitors to enter our properties and as such, commencing March 18, 2020, only emergency capital works will be undertaken. This will continue until such time as we can safely allow non-essential visitors to access our properties.

The following table summarizes our capital investments in Q1 2020 and Q1 2019:

	Q1 2020			Q1 2019		
	Properties Owned prior to January 1, 2016 ⁽¹⁾	Properties Acquired since January 1, 2016 ⁽²⁾	Total	Properties Owned prior to January 1, 2016 ⁽³⁾	Properties Acquired since January 1, 2016 ⁽⁴⁾	Total
(\$000s)						
Building improvements	5,812	856	6,668	6,460	581	7,041
Mechanical and electrical ("M&E")	2,088	483	2,571	3,639	332	3,971
Suite improvements and upgrades	3,428	760	4,188	4,473	647	5,120
Interior improvements and upgrades	967	214	1,181	1,261	183	1,444
Furniture, fixtures and equipment	1,885	232	2,117	2,022	495	2,517
Communications and information systems	88	7	95	105	58	163
	14,268	2,552	16,820	17,960	2,296	20,256
Properties under development			9,110			14,504
Chartwell Hub ⁽⁵⁾			4,046			8,861
Total capital investments			29,976			43,621

(1) Includes 167 properties (19,474 suites at Chartwell's share of ownership).

(2) Includes 22 properties (3,305 suites at Chartwell's share of ownership).

(3) Includes 168 properties (18,146 suites at Chartwell's share of ownership).

(4) Includes 19 properties (4,173 suites at Chartwell's share of ownership).

(5) Cost incurred for the development of Chartwell Hub. The cumulative cost as at March 31, 2020 is \$86.5 million; the total expected development cost is \$88.1 million. The construction was substantially completed in January 2020.

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in Q1 2020 and Q1 2019 not included in the table above:

	Q1 2020			Q1 2019		
	Properties Owned prior to January 1, 2016	Properties Acquired since January 1, 2016	Total	Properties Owned prior to January 1, 2016	Properties Acquired since January 1, 2016	Total
(\$000s)						
Capital investments in Equity-Accounted JVs	253	1,035	1,288	632	1,117	1,749

Building Improvements

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

In Q1 2020, we completed 24 major building improvement projects valued over \$50,000 each, totalling \$4.6 million (Q1 2019 – 27 projects totalling \$4.7 million). In addition, included in this category are acquisitions of two condominium suites at one of our properties in British Columbia totalling \$0.9 million (2019 – four condominium suites for \$1.5 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 Q1 2020, we completed 25 major M&E projects valued over \$50,000 each, totalling \$2.6 million (Q1 2019 – 32 projects totalling \$2.7 million).

Suite Improvements and Upgrades

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

In Q1 2020, 38 properties were subject to strategic suite upgrade programs (Q1 2019 – 41 properties).

Interior Improvements and Upgrades

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

In Q1 2020, two properties were subject to strategic common area upgrade programs (Q1 2019 – four properties).

Furniture, Fixtures and Equipment

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

Communication and Information Services

This category includes investments in telecommunication systems, including emergency call systems and computer hardware.

Commitments and Contingencies

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2019 MD&A. There were no significant changes in our contractual obligations and guarantees in Q1 2020 which are outside the ordinary course of business.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2020		2019				2018	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	232,955	234,915	229,610	227,438	223,349	225,828	219,698	214,578
Direct property operating expenses	(150,719)	(152,837)	(146,460)	(146,555)	(144,164)	(147,714)	(138,877)	(135,901)
Depreciation and amortization	(48,250)	(46,962)	(42,027)	(46,259)	(45,274)	(45,124)	(45,262)	(41,194)
Share of net income/(loss) from joint ventures	(1,198)	(45)	1,797	309	392	(53)	881	353
G&A expenses	(13,128)	(8,746)	(9,194)	(12,459)	(12,749)	(9,348)	(9,960)	(12,052)
Other income/(expense)	(2,687)	(27,965)	(17,046)	2,155	38,893	(1,230)	232	312
Finance costs	(23,147)	(21,770)	(21,633)	(21,597)	(20,526)	(19,749)	(19,924)	(19,572)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	10,894	3,036	2,774	(2,976)	(6,148)	3,537	2,338	436
Current income tax benefit/(expense)	-	-	-	-	-	(19)	(18)	(18)
Deferred income tax benefit/(expense)	6,674	8,889	1,363	(1,639)	(18,822)	(19,226)	27	26
Net income/(loss) for the period	11,394	(11,485)	(816)	(1,583)	14,951	(13,098)	9,135	6,968
FFO ⁽¹⁾	45,325	51,883	53,657	47,106	47,083	48,513	53,329	48,919
FFOPU ⁽¹⁾	0.21	0.24	0.25	0.22	0.22	0.23	0.25	0.23

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 43 of this MD&A.

Our results for the past eight quarters have primarily been affected by deferred income tax expense, developments, acquisitions and dispositions as described in the "Significant Events" section on page 11 of

this MD&A and in our 2019 MD&A, and changes in fair value of financial instruments, foreign exchange gains and losses, impairment losses, remeasurement gains and deferred income taxes.

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

Additional Information on Non-GAAP Financial Measures

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

Funds from Operations 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 and IFFO:

(\$000s, except per unit amounts)		Q1 2020	Q1 2019	Change
Net income		11,394	14,951	(3,557)
<i>Add (Subtract):</i>				
B	Depreciation of PP&E	47,833	44,833	3,000
D	Amortization of limited life intangible assets	417	441	(24)
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	(1,400)	(818)	(582)
E	Remeasurement gain	-	(39,172)	39,172
E	Gain on disposal of assets	(811)	(133)	(678)
J	Transaction costs arising on business acquisitions and dispositions	458	628	(170)
H	Impairment losses	3,200	-	3,200
G	Deferred income tax	(6,674)	18,822	(25,496)
O	Distributions on Class B Units recorded as interest expense	241	240	1
M	Changes in fair value of financial instruments and foreign exchange loss/(gain)	(10,894)	6,148	(17,042)
Q	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,561	1,143	418
FFO ⁽²⁾		45,325	47,083	(1,758)
<i>Add (Subtract):</i>				
	Lease-up-Losses and Imputed Cost of Debt ⁽³⁾	1,486	1,899	(413)
	Income guarantees ⁽⁴⁾	1,972	376	1,596
	Current income tax	-	-	-
IFFO ⁽⁵⁾		48,783	49,358	(575)
FFOPU ⁽⁶⁾		0.21	0.22	(0.01)
IFFOPU ⁽⁶⁾		0.22	0.23	(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 16 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 11 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 "Per Unit Amounts" section on page 46 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 which would have previously been included on each individual line of our FFO reconciliation and are now included in the 'Adjustment to FFO for Equity-Accounted JVs' line:

(\$000s)		Q1 2020	Q1 2019	Change
B	Depreciation of PP&E and amortization of intangible assets	983	854	129
M	Change in fair value of financial instruments and foreign exchange loss/(gain)	578	289	289
Q	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,561	1,143	418

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

Per Unit Amounts

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

Weighted Average Number of Units

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

(000s)	Q1 2020	Q1 2019	Change
Weighted average number of units ⁽¹⁾	217,522	215,343	2,179

(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 March 31, 2020 and December 31, 2019:

(\$000s, except Net Debt to Adjusted EBITDA ratio)	March 31, 2020	December 31, 2019
Consolidated Indebtedness for Debentures ⁽¹⁾	2,546,926	2,483,937
Consolidated EBITDA for Debentures ⁽²⁾	301,828	297,677
Net Debt to Adjusted EBITDA ratio	8.4	8.3

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of this amount.

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

The increase in Net Debt to Adjusted EBITDA ratio is primarily due to financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution. As discussed in the "Acquisitions, Development and Other Portfolio" section of this MD&A, four newly-developed residences and one recently-acquired residence contributed negative adjusted NOI of \$0.7 million for the rolling twelve months ended March 31, 2020. Upon achieving the expected stabilized occupancy of 95.7%, these projects are estimated to generate annualized adjusted NOI of \$20.3 million.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

In our 2019 MD&A as well as in our 2019 Financial Statements, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in Q1 2020.

Changes in Accounting Policies

Effective January 1, 2020 we adopted the amendments to IFRS 3, Business Combinations with no impact on our financial statements upon transition. This accounting policy is further described in Note 2 of the Financial Statements.

Controls and Procedures

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2020. Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no material changes that occurred during the quarter ended March 31, 2020 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

Risks and Uncertainties and Forward-Looking Information

Risks and Uncertainties

Our AIF, dated February 27, 2020, and our 2019 MD&A contain detailed discussions of risk factors and uncertainties facing Chartwell. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Please refer to the “Forward-Looking Information and COVID-19 Risk” section on page 6 of this MD&A for a discussion of risks related to COVID-19.

Forward-Looking Information

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

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

- our expectations regarding the increase in operating and development costs;
- our expectations regarding the long term care funding;
- our expectations to meet all obligations as they become due utilizing our sources of liquidity;
- our expectations regarding achievement of certain occupancy levels;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- the sustainability of our current distributions; and
- our expectations regarding future demand for retirement suites 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.