Extendicare

2023 Annual Information Form

For the year ended December 31, 2023

Extendicare Inc.

Dated: March 7, 2024

Helping people
live better

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EXPLANATORY NOTES

The information in this AIF is as at December 31, 2023, unless otherwise indicated.

For an explanation of the capitalized terms used in this AIF and not defined in the text, please refer to the Glossary of Terms at the end of this AIF.

References to "Extendicare", the "Company", "we", "us" and "our" or similar terms in this AIF mean Extendicare Inc., either alone or together with its subsidiaries.

All dollar amounts in this AIF are stated in Canadian currency unless otherwise indicated.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information"). Statements other than statements of historical fact contained in this AIF may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines and costs in respect of development projects; statements relating to the agreements entered into with Revera, Axium and two limited partnership joint ventures with Axium in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; and the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, those described under "Risk Factors" in this AIF and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR+ at www.sedarplus.ca under the Company's issuer profile. These risks and uncertainties include the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government; the availability and ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to comply with and renew its government licenses and customer and joint venture agreements; changes in labour relations, employee costs and pay equity; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics and local environment economies; changes in interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of proposed or actualized dispositions, acquisitions and development projects, including risks relating to the actual completion of proposed transactions.

The preceding reference to material factors or assumptions is not exhaustive. All forward-looking statements in this AIF are qualified in their entirety by this forward-looking disclaimer. Although forward-looking statements contained in this AIF are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this AIF. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.extendicare.com.

Additional information, including the remuneration of the directors and executive officers of the Company, and securities authorized for issuance under equity compensation plans, is contained in the Company's management information and proxy circulars. The Company's most recent circular, dated April 17, 2023, was prepared in connection with the Company's annual meeting of Shareholders held on May 29, 2023. The Company's next proxy circular will be prepared in connection with the Company's annual meeting of Shareholders to be held on May 23, 2024.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2023, contained in the Company's 2023 Annual Report. Copies of such documents may be obtained from the sources set forth above.

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

Extendicare Inc. was originally incorporated in August 1968 and was continued under the CBCA by Articles of Continuance. On July 1, 2012, Extendicare amalgamated with 8067929 Canada Inc., Extendicare Holding General Partner Inc., and 8120404 Canada Inc. to continue as one corporation, under the name "Extendicare Inc.", and is the successor to Extendicare Real Estate Investment Trust. The registered and principal office of Extendicare Inc. is located at 3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada L3R 4T9.

SUBSIDIARIES

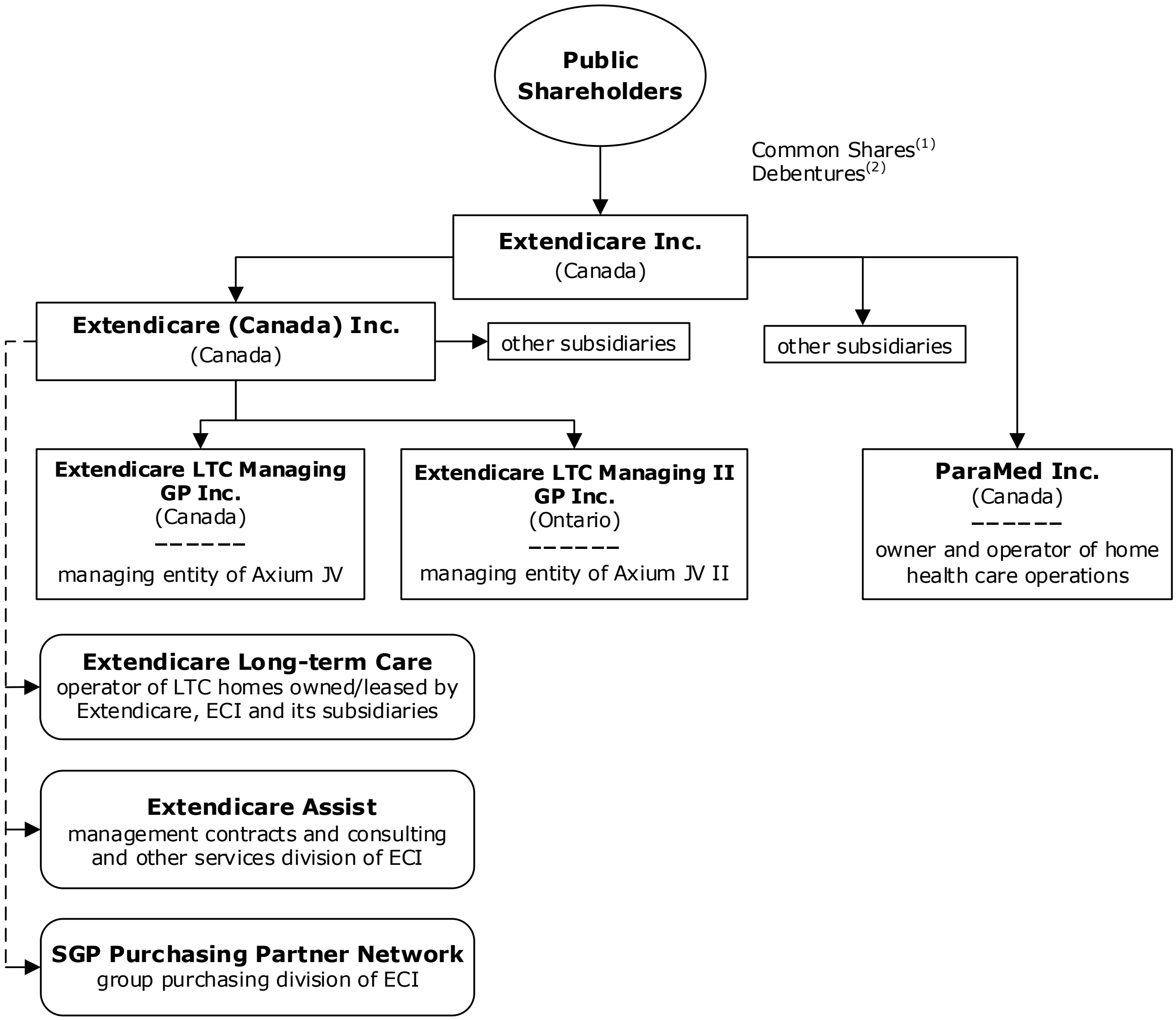
Extendicare's operations are carried on through its wholly owned subsidiaries, primarily Extendicare (Canada) Inc. and ParaMed Inc., both of which are incorporated under the CBCA. ECI conducts the Company's long-term care operations and managed services operations, the latter under its Extendicare Assist and SGP Purchasing Partner Network divisions. The Company's home health care operations are conducted through ParaMed.

JOINT VENTURES

In addition, ECI holds a 15% managed interest in each of Axium JV and Axium JV II, each a limited partnership joint venture with Axium, which together own 30 LTC homes in Ontario and Manitoba.

ORGANIZATIONAL STRUCTURE OF EXTENDICARE

The following diagram illustrates, in simplified form, the organizational structure of the Company.



Notes:

(1) As at March 7, 2024, there were 83,158,315 Common Shares issued and outstanding.

(2) As at March 7, 2024, there were $126,500,000 aggregate principal amount of the 2025 Debentures issued and outstanding.

GENERAL DEVELOPMENT OF THE BUSINESS

The Company and its predecessors have been in operation since 1968. This section of the AIF provides a summary of the significant events that have influenced the Company's business over the past three years.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. During the pandemic, various measures were introduced by Canadian federal and provincial governments and other regulatory authorities affecting society generally and also specifically related to LTC homes. These measures were intended to mitigate the transmission of COVID-19 and included general lockdowns, vaccination programs and mandates, screening and testing requirements, social distancing recommendations, access and capacity restrictions, as well as self-isolation and masking requirements. Although most of these measures are no longer in effect in society in general, a number do remain in respect of LTC homes, particularly when a home is experiencing an outbreak.

As well, the pandemic has exacerbated a tight labour market, resulting in widespread human resource shortages in the health care industry and forcing sporadic service reductions across the health care system. Health care staffing challenges have impacted the Company, particularly in its home health care operations. The staffing shortages have also driven higher costs associated with the existing workforce, primarily associated with increased overtime, sick leave and travel costs, and at the same time, elevated employee turnover has resulted in higher recruiting, retention and training costs.

The pandemic, and the Company's investment in resources required to help protect its residents, clients and staff, have significantly impacted the Company's operating and financial results for the three most recently completed financial years. A detailed discussion of the impacts of COVID-19 on our business can be found in the Company's management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2023, under "Select Annual Information", "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding", and "2023 Financial Review".

While the financial impacts of COVID-19 on the Company have largely abated, there is no certainty as to that remaining the case. See "Cautionary Notice Regarding Forward-looking Statements", "Risk Factors – Risks Related to the Business – Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", "Legal Proceedings and Regulatory Actions" and "Description of the Business – Government Regulations and Funding" in this AIF.

ACQUISITIONS AND DISPOSITIONS

Revera and Axium Transactions

Revera Transactions

On August 1, 2023 and pursuant to agreements entered into on March 1, 2022, the Company completed the previously announced transactions with Revera, in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba. The transactions included the acquisition of a 15% managed interest in a joint venture between Revera and Axium, which owned 25 LTC homes, 19 in Ontario and six in Manitoba, consisting of approximately 3,100 government funded LTC beds (the "Revera Acquisition"). The remaining 85% interest is owned by Axium. Extendicare operates the homes for a customary management fee pursuant to a limited partnership agreement.

On closing the Revera Acquisition, the Company entered into management contracts with Revera to manage all of Revera's other LTC homes, which as of August 1, 2023 comprised 30 Class C homes located in Ontario and one personal care home located in Manitoba, and offered employment to Revera's head office LTC personnel. These 31 homes comprised approximately 3,000 government funded LTC beds (adjusted to exclude approximately 700 ward-style beds taken out of service, which are eligible to be reinstated upon redevelopment) and approximately 900 private pay assisted living and seniors living beds. The management agreements are on customary terms for agreements of this type. In addition, the Company has entered into development arrangement agreements with Revera in respect of the potential redevelopment of the Revera managed Class C homes in Ontario into new homes (collectively with the Revera Acquisition, the "Revera Transactions").

The aggregate cash consideration for the Revera Transactions, net of holdbacks, was approximately $32.6 million, plus the assumption of approximately $37.1 million in debt (Extendicare's share of the joint venture partnership debt), subject to customary post-closing adjustments. Included in the purchase price, and recorded as intangible assets on the balance sheet, was $20.8 million for the rights to manage the operations of Revera's 56 homes.

Pursuant to the development arrangement agreements, Revera has granted Extendicare (either alone or with Axium) a right to participate in any redevelopment of Revera's Class C homes in Ontario should Revera determine to pursue redevelopment of any of those homes into new LTC homes. If Extendicare determines, in its discretion, to participate in any such redevelopment project, Revera will act as development and construction manager and will be paid customary development and construction management fees. Upon completion of any approved redevelopment project, the home would be acquired by Extendicare (either alone or with Axium) and Extendicare would operate the homes on the same terms as it operates the homes acquired in the Revera Acquisition. The Company expects it will participate in any redevelopment of Revera's Class C homes in Ontario, which the Company is currently managing; however, no assurance can be given as to whether those projects, or any other redevelopment projects, will ultimately proceed or be acquired by Extendicare, either alone or with Axium through Axium JV II (see "– Development and Related Joint Venture Activity – Projects Under Construction").

Axium Transaction

Concurrent with the entering into of agreements in respect of the Revera Transactions, the Company entered into an agreement with Axium on March 1, 2022, in respect of the formation of Axium JV, to jointly redevelop certain of Extendicare's existing Ontario Class C homes (the "Axium Transaction" and, with the Revera Transactions, the "Revera and Axium Transactions"). Axium owns an 85% interest in the joint venture and Extendicare has the remaining 15% managed interest. The Company will continue to undertake all development activities in respect of the joint venture homes and will operate the homes upon completion of construction.

As part of the Axium Transaction, Extendicare and Axium entered into a master development agreement pursuant to which Extendicare granted Axium a right, subject to regulatory approval, to participate in the redevelopment of five of Extendicare's Ontario Class C homes located in Sudbury (two homes), Kingston, Stittsville and Peterborough, Ontario. This development arrangement could also apply to additional redevelopment projects should the parties so choose. The Company continues to undertake all development activities in respect of the redevelopment projects for a customary fee and, once open, operates the homes for a customary management fee pursuant to a limited partnership agreement.

On September 13, 2023, Extendicare completed the sale of four of its redevelopment projects under construction, Sudbury, Kingston, Stittsville, and Peterborough (960 LTC beds), to Axium JV for an aggregate purchase price, net of Extendicare's retained interest, of $147.3 million, before the assumption of debt of $72.3 million. The net book value was $135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of $8.7 million. For further details on the projects under construction and pending dispositions to Axium JV, refer to "– Development and Related Joint Venture Activity – Projects under Construction".

The Company continues to own and operate the legacy Class C LTC homes related to the redevelopment projects sold to Axium JV until such time as each new replacement home is completed, at which time the employees and residents of the corresponding Class C LTC home will transfer to the new home owned by the joint venture. As the new home commences operations, the Company's managed services segment will earn management fees pursuant to the limited partnership agreement, increasing the revenue and earnings of the managed services segment. In addition, the Company will record its 15% share of the earnings and losses from the joint venture in its consolidated statement of earnings. As each transition takes place, the revenue and NOI earned from the Class C LTC home will drop out of the consolidated financial results of Extendicare, as the ownership of the new home resides in the joint venture, which is accounted for using the equity method.

Once a legacy Class C LTC home closes, the Company will continue to own the building and underlying land, and will sell or repurpose the property for alternative uses to generate additional proceeds or additional sources of revenue.

Normal Course Issuer Bid

In June 2022 the Company launched an NCIB, which was renewed in June 2023, under which the Company has purchased for cancellation 6,760,311 Common Shares at a cost of $46.1 million, representing a weighted average price per share of $6.82 (see "Normal Course Issuer Bid"). The Company's board of directors authorized the NCIB because it believes that, from time to time, the market price of the Common Shares may be such that their purchase may be an attractive and appropriate use of corporate funds. Decisions regarding the timing of future purchases of Common Shares will be based on market conditions, share price and the outlook for capital needs, which includes the impact of the announced strategic transactions with Revera and Axium.

Sale of Retirement Living Portfolio

On May 16, 2022, the Company completed the previously announced sale of its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, a partnership formed between Sienna Senior Living Inc. and SABRA Healthcare REIT, for an aggregate purchase price of $307.5 million (the "Retirement Living Sale"), pursuant to the terms of a definitive agreement entered into on February 3, 2022 (the "Retirement Sale Agreement"). Following the assumption and repayment of debt of the retirement communities, proceeds realized from the sale, net of taxes, certain closing adjustments and transactions costs, were approximately $128.0 million. The Company recorded a gain on sale of $67.9 million net of taxes, other adjustments and transaction costs, through discontinued operations. For the year ended December 31, 2022, the retirement living segment generated net earnings of $2.1 million prior to its disposal. For additional details refer to *Note 20* of the audited consolidated financial statements for the year ended December 31, 2023.

Sale of Saskatchewan LTC Homes

On October 9, 2022, the SHA and the Company completed the previously announced transition of operations of long-term care services at the Company's five LTC homes located in Saskatchewan (the "Saskatchewan LTC Homes") to the SHA, including the sale of the homes, certain other assets and assumption of certain liabilities by the SHA, for an aggregate purchase price of $13.1 million and recorded a gain on sale of $6.3 million, net of taxes, other adjustments and transaction costs, through discontinued operations. For the year ended December 31, 2022, the Saskatchewan LTC Homes generated a net loss of $2.3 million prior to its disposal. For additional details refer to *Note 20* of the audited consolidated financial statements for the year ended December 31, 2023.

DEVELOPMENT AND RELATED JOINT VENTURE ACTIVITY

Projects Under Construction

The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects in Ontario, which would replace all of its 3,285 existing Class C beds (see "Ontario Funding for LTC Home Development" and "Redevelopment of Ontario LTC Homes" under the heading "Description of the Business – Government Regulations and Funding"). Five of Extendicare's redevelopment projects are under construction for a total of 1,216 new beds to replace 1,074 Class C beds. Four of these projects were sold in September 2023 to Axium JV, in which Extendicare has a 15% managed interest (see "– Axium Transaction"), and the sale of the fifth to Axium JV is anticipated to occur in the second quarter of 2024. Extendicare will continue to undertake all development activities in respect of its redevelopment projects for a customary fee.

Pursuant to the development arrangement agreements with Revera (see "– Acquisitions and Dispositions – Revera and Axium Transactions – Revera Transactions"), in November 2023 Axium JV II acquired a new 320-bed LTC redevelopment project (Carlingview Manor) in Orleans from Revera. Revera is responsible for the development and construction of the new home, pursuant to a development and construction management agreement.

In March 2024, the Company entered into an agreement of purchase and sale to sell, subject to customary closing conditions, including the receipt of regulatory approvals from the MLTC, the fifth project under construction, a 256-bed LTC home in Orleans, Ontario, to Axium JV, with Extendicare retaining a 15% managed interest. The transaction is anticipated to close in the second quarter of 2024.

The following table summarizes the LTC development projects that are under construction as at March 7, 2024. Once open, the Company will provide management services to the homes through Extendicare Assist and SGP.

LTC Project	Owner	Extendicare Ownership Interest	# of Class C Beds Replaced	# of New Beds	Construction Commenced	Expected Opening	Estimated Development Costs *($ millions)*
Countryside (Sudbury)	Axium JV	15.0%	256	256	Q4-20	Q1-24	70.0
Limestone Ridge (Kingston)	Axium JV	15.0%	150	192	Q2-21	Q3-24	49.7
Crossing Bridge (Stittsville)	Axium JV	15.0%	256	256	Q4-21	Q3-24	75.1
Peterborough	Axium JV	15.0%	172	256	Q2-23	Q4-25	100.6
Orleans	Extendicare	100.0%	240	256	Q4-23	Q2-26	102.2
Carlingview Manor (Ottawa)	Axium JV II	15.0%	303	320	Q4-23	Q2-26	121.4
			1,377	**1,536**			**519.0**

Commitment to Sell Two Class C LTC Homes

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes (464 beds) (collectively, the "Dispositions"), which are scheduled to close in 2024 when the corresponding redevelopment projects currently under construction in Axium JV are completed. The Dispositions are subject to certain conditions. Proceeds from the Dispositions, before transaction costs and taxes, are estimated to be $5.3 million in respect of Sudbury (Falconbridge) and $3.8 million in respect of Kingston, yielding aggregate estimated net proceeds after tax and closing costs of $8.5 million and a net gain of $7.7 million. The Sudbury (Countryside) and Kingston (Limestone Ridge) redevelopment projects in Axium JV are expected to open in the first and third quarters of 2024, respectively, with each respective sale expected to close shortly thereafter (refer to *Note 22* of the audited consolidated financial statements for the year ended December 31, 2023).

FINANCING ACTIVITY

LTC Construction Financing

In 2021, the Company secured construction facilities in connection with the Sudbury ($54.7 million), Kingston ($41.1 million) and Stittsville ($60.7 million) LTC projects. On September 13, 2023, these construction facilities, with a balance drawn of $72.3 million at the time, were assumed by Axium JV in connection with the sale of the construction projects to Axium JV*.* The Company continues to guarantee a portion of these construction facilities.

In December 2023, the Company secured a $92.5 million construction facility in connection with its 256-bed LTC redevelopment project in Orleans. The facility bears interest at a fixed rate of 5.72% and includes a construction period that commences after the initial drawdown and converts to a 25-year non-revolving term loan no later than 30 months after the initial drawdown. Interest is capitalized during construction. As at December 31, 2023, no amount had been drawn on the construction facility. Subsequent to December 31, 2023, the Company entered into an agreement of purchase and sale to sell this redevelopment project to, and have the related construction facility assumed by, Axium JV, subject to customary closing conditions.

Other Financings

The following excludes financing activity in respect of the retirement living operations, which were divested in 2022 pursuant to the Retirement Living Sale.

In December 2021, the Company renewed a CMHC-insured mortgage of $13.7 million, inclusive of fees, on a LTC home. The renewed mortgage matures in December 2031 and has a fixed rate of 2.65% per annum.

In December 2021, the Company extended a maturing term loan of $24.7 million on certain LTC homes, with an interest rate swap contract to lock in the interest rate at a fixed rate of 3.27% per annum, to May 2023. Subsequently in May 2022, the Company further amended the term loan agreement to increase the principal amount by $5.4 million to $29.9 million and extend the term to April 2027. The Company entered into an interest rate swap contract to lock in the interest rate at a fixed rate of 5.40% per annum.

DESCRIPTION OF THE BUSINESS

COMPANY PROFILE

In operation since 1968, the Company is the largest private-sector operator of LTC homes in Canada and one of the largest private-sector providers of publicly funded home health care services in Canada through its ParaMed subsidiary. As well, the Company provides management, consulting and other services to LTC homes owned by third parties and joint ventures to which the Company is a party through its Extendicare Assist division and procurement services through SGP, its group purchasing division. Extendicare proudly employs approximately 22,000 qualified, highly trained and dedicated team members who are passionate about providing high-quality care and services to help people live better. The Company's operations are more fully described below.

Extendicare's vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care that enables seniors to stay independent at home as long as possible and, if their needs become more complex, supports them with enhanced 7x24 clinical, daily living and social services in a long-term care setting. This means offering the services Canadian seniors need as they age, wherever they need them as their care needs evolve – and to be an employer of choice in the communities in which we operate. An unwavering commitment to delivering quality customer-centred seniors' care and services is at the heart of everything that we do.

Strategic Repositioning

As discussed under "General Development of the Business – Acquisitions and Dispositions – Revera and Axium Transactions", the Company has entered into agreements with Revera and Axium in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba. The Revera and Axium Transactions, combined with the Retirement Living Sale, represent a significant transition of Extendicare's strategy to focus on long-term care and home health care using a less capital-intensive business model. The Company will focus its growth on operating and building new LTC homes, while substantially reducing the amount of its own capital required to redevelop its Class C portfolio. This will enable Extendicare to deploy capital more efficiently and provide greater flexibility for growth initiatives, including acquisitions.

OPERATIONS

As at December 31, 2023, the Company operated 125 LTC homes, composed of 53 homes wholly owned by the Company and 72 homes under management contracts with third parties through Extendicare Assist, including 25 LTC homes owned by Axium JV II, in which the Company has a 15% managed interest. The Company's network of 125 LTC homes has capacity for 17,082 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.1%, 11.4% and 9.5% of residents served, respectively.

In addition to providing procurement services to LTC homes wholly owned by the Company, SGP supports third-party clients and the LTC homes owned by the Joint Ventures, representing approximately 136,200 beds across Canada.

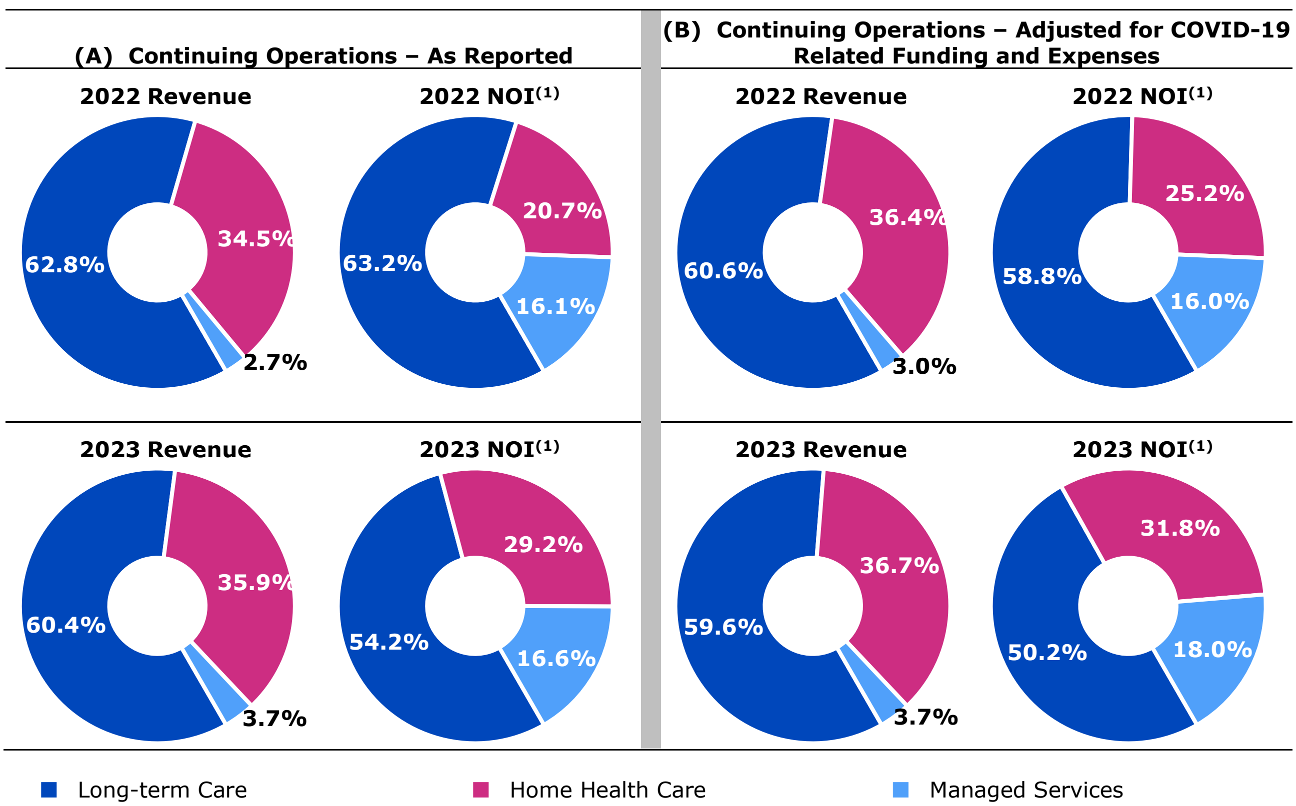
ParaMed, the Company's home health care operation, delivered approximately 9.9 million hours of home health care services in 2023. The majority of ParaMed's services are delivered in Ontario and Alberta, which accounted for 94% and 4% of the total volume, respectively in 2023. The remaining volumes were from operations in Nova Scotia and Manitoba. ParaMed ceased providing services in Manitoba in September 2023, which represented less than 1% of total volumes.

The Company's corporate office located in Markham, Ontario includes the senior management of its operating divisions along with the following head office support functions: human resources; payroll and benefits; legal; purchasing; development and engineering services; quality and risk management; finance and reporting; treasury; information technology and public affairs. Senior management are responsible for providing the overall strategic direction and management of the business, and seeking development and acquisition opportunities. The head office functions provide a resource for all operations and establish company-wide policies and procedures, standards, benchmarks and control procedures. In addition, staff located in regional offices are responsible for and support the respective local operations by overseeing policies and programs pertaining to resident care, employee hiring, training and retention, marketing initiatives, risk management and facility maintenance.

The table that follows summarizes the LTC homes operated by the Company, and whether they are owned by the Company, or operated under management contracts, as at December 31, 2023. Included in the LTC operations segment are nine LTC homes in Ontario that the Company operates under 25-year lease arrangements, with full ownership transferring to the Company when the leases expire between 2026 and 2028. Certain LTC homes also have private pay retirement beds as part of the facility. Resident capacity excludes third and fourth ward-style beds that have been taken out of service per regulatory changes.

	No. of	Bed Type		
Homes in Operation by Business Segment/Province	**Homes**	**Funded**	**Private**	**Total**
LTC Operations – owned/leased				
Ontario	34	4,947	76	5,023
Alberta	14	1,514	–	1,514
Manitoba	5	762	–	762
	53	**7,223**	**76**	**7,299**
Management Contracts – joint venture (15% managed interest)				
Ontario	19	2,346	26	2,372
Manitoba	6	810	–	810
	25	**3,156**	**26**	**3,182**
Management Contracts – third party				
Ontario	44	5,155	965	6,120
Alberta	1	102	–	102
Manitoba	2	331	48	379
	47	**5,588**	**1,013**	**6,601**
Total	**125**	**15,967**	**1,115**	**17,082**

The following summarizes the contribution of each business segment to the Company's consolidated revenue and net operating income(1) ("NOI") from continuing operations, for the years ended 2022 and 2023: (A) as reported and (B) adjusted to exclude the impact on revenue and NOI from COVID-19 related funding and the estimated impact of net COVID-19 costs. For further information on the impact of COVID-19 related funding and costs on the Company's results of operations, refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding" and "2023 Financial Review" in the Company's MD&A for the year ended December 31, 2023.



Note:

(1) NOI is a non-GAAP financial measure. Refer to the discussion under "Non-GAAP Measures" in the MD&A for the year ended December 31, 2023.

The following describes the services provided under each of the Company's operating segments.

Long-term Care

Under the Extendicare brand, the Company's LTC homes are designed for individuals, usually seniors, who cannot be safely cared for at home or in another setting, due to factors such as physical limitations and cognitive impairment, and who require professional nursing care on a daily basis and access to 24-hour supervision. In addition to providing accommodation and meals, residents receive assistance with activities of daily living and continuing care. Programs and services are offered to all residents and specialty programs are offered for those with behavioural needs. In Alberta, designated supportive living ("DSL") homes provide services similar to those provided by retirement communities, and were introduced by Alberta Health Services, or AHS, as an alternative setting for residents not yet requiring the needs of a more expensive LTC home.

The Company's LTC and DSL homes are under contract with and regulated by provincial governments and/or regional health authorities, and are funded by government-determined fee structures.

In 2021, Extendicare received Accreditation with Commendation by Accreditation Canada as part of a four-year cycle accreditation process that evaluates all of the Company's wholly owned homes.

Home Health Care

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home. Home health care alleviates the demand for in-hospital stays and seniors' care homes and allows seniors the independence and dignity of remaining at home for as long as possible. Home health care services are provided to individuals of all ages; however, seniors represent the largest group accessing these services. Provincial governments fund a wide range of home health care services, and contract these to services providers such as ParaMed. ParaMed receives approximately 99% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

In 2022, ParaMed received Accreditation with Exemplary Standing process – the highest level of performance achievable by Accreditation Canada as part of a four-year cycle accreditation process.

Managed Services

The Company leverages its size, scale and operational expertise in the seniors' care industry to provide managed services to third parties and joint ventures to which the Company is a party through its Extendicare Assist and SGP divisions.

Management Contracts and Consulting and Other Services

Through its Extendicare Assist division, the Company provides management, consulting and other services to third parties, including not-for-profit and for-profit organizations, hospitals and municipalities. Extendicare Assist's business is classified into two categories: (i) management contracts and (ii) consulting and other services. The management contracts category consists of two offerings: i) a fully managed service, providing management oversight over the day-to-day operations of the homes and ii) a back-office services only offering. The full suite of back-office support services includes human resources, labour relations, payroll and benefits administration, accounting and information technology expertise supported by the Company's cloud-based integrated technology platform that provides all systems needed to operate a senior care home. The full-service management contract offering provides the full suite of back-office support services with oversight of the day-to-day operations of a home supported by the Company's regional support and clinical quality management teams. The consulting and other services category covers a wide variety of offerings, including clinical improvement programs, operational reviews, financial performance advice and LTC home redevelopment services. Extendicare Assist also offers an LTC operating policy subscription service that can be procured as a standalone service. As at December 31, 2023, Extendicare Assist has management contacts with 72 LTC homes with capacity for 9,783 residents, including 1,039 private pay retirement beds, and provides a further 50 homes with consulting and other services. In certain cases, some of the LTC homes under management contract have both funded and private pay retirement beds as part of the same mix-use property.

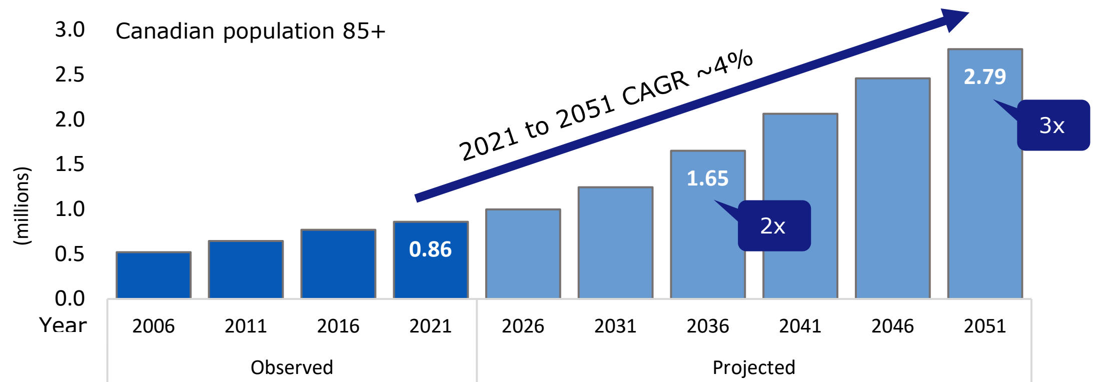
Group Purchasing Services

Through its SGP division, the Company offers cost-effective purchasing contracts to other seniors' care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at December 31, 2023, SGP provided services to third parties and joint ventures to which the Company is a party, representing approximately 136,200 beds across Canada.

SENIORS' CARE INDUSTRY

Aging Population

The demographic wave of the aging population is driving accelerating demand for seniors' care services. According to Statistics Canada, the population of those aged 85 and over is projected to grow at a compound annual rate of approximately 4% over the next 30 years, more than four times the rate of growth of the overall population, doubling by 2036 and tripling to close to three million by 2051.



Source: Statistics Canada, *A Portrait of Canada's Growing Population Aged 85 and Older From the 2021 Census*

As the number of seniors and life expectancy in Canada rises, those entering LTC homes are older and frailer, resulting in not only a need for increased capacity, but the need for more specialty and complex care services. Demand is rising faster than supply, driving the need for home health care services that enable seniors to be cared for at home longer. According to data published by the Canadian Institute for Health Information ("CIHI"), the average age of residents in LTC homes in Canada in fiscal 2021/2022 was 83, and over 52% were aged 85 and older. In addition, CIHI data suggests that 1 in 10 newly admitted LTC residents potentially could have been cared for at home if appropriate home health care services had been available. Source: CIHI, *Profile of Residents in Residential and Hospital-Based Continuing Care, 2021-2022* (September 2022), and CIHI, 2021.

Supply/Demand Imbalance

Seniors' care needs are projected to outpace supply growth in the coming years. Provincial governments license LTC beds taking into account local demand, budget limitations and the availability of alternative care options, such as home health care services. In Ontario for example, the number of LTC beds increased by less than 2% between 2011 and 2021, while the population of Ontarians aged 75 and over increased by more than 30% over that same period. This has resulted in a waitlist of more than 43,000 for access to a LTC bed in Ontario according to the MLTC. In recognition of the growing need for LTC beds, the Ontario government announced a capital development funding program in 2020 aimed at addressing both the need to replace older LTC homes and to increase capacity across the province (see "– Government Regulations and Funding – Ontario Funding for LTC Home Development").

The chronic shortage of LTC beds, rapidly growing demand for home health care services and Canada's aging population all point to long-term opportunities for sustainable growth in LTC and home health care services. According to the Conference Board of Canada's 2017 report, *Sizing up the Challenge*, an additional 200,000 new LTC beds and a major increase in home health care capacity will be needed by 2035. In a study conducted by Campaign Research Inc. in October 2021 on behalf of Home Care Ontario, 86% of seniors believe the pandemic has made Ontario's home health care system more important than ever, with more than 90% of the respondents indicating a preference to stay at home as long as possible.

Cost Containment Pressures

With the aging demographics, longer life expectancies and increased care requirements, health care costs are expected to rise faster than the availability of resources from government-sponsored health care programs. Likewise, government funding for health care services continues to rise and represent a growing proportion of total government spending. In response to such rising costs, governmental and private-pay sources have adopted cost containment measures that encourage reduced lengths of stay in acute care hospitals. As a result, many patients are discharged despite a continuing need for nursing or specialty health care services. Governments recognize that both home health care and long-term care services are now supporting an increasingly complex client base that requires more assistance than ever before. Such care can be provided at home or in LTC homes at a significantly lower cost than in traditional acute care and rehabilitation hospitals.

Changing Family Dynamics

Families have traditionally been the primary source of caregiving for seniors. A 2018 study conducted in Canada, reported 25% of those aged 15 and older had, in the past year, cared for or helped someone who had a long-term health condition, or physical or mental disability, or problems related to aging (source: Statistics Canada Study: *Insights on Canadian Society, 2018*, released January 2020). However, with the growing number of two-income families, family members as the primary source of care for seniors are becoming a diminishing resource. At the same time, two-income families are better able to provide financial support for elderly parents, enabling them to receive the care they need, either with in-home support or in alternative care settings.

Competition

The seniors' care industry is, by its nature, a local and community focused industry. Extendicare's competitors include both private and public-sector operators. While there has been some consolidation over the years, the long-term care sector remains highly fragmented. Historically, there have been few transactions involving the transfer of ownership of LTC homes. However, there has been an increase in ownership change activity since 2022, including the Company's Revera and Axium transactions, as well as other pending or closed transactions in Ontario and Western Canada as certain operators have decided to divest of their LTC operations. Extendicare is the largest private-sector operator of LTC homes in Canada, representing approximately 8% of the Canadian market.

Likewise, the home health care sector is also highly fragmented with only a few large operators, and predominately smaller regional service providers, both investor-owned and not-for-profit. ParaMed is one of the largest providers of publicly funded home health care in Canada, and the largest in Ontario, based on service hours provided. In Ontario, government-funded business is currently conducted through evergreen contracts, and as such, opportunities for growth in the government-funded space is expected to result from the award of additional hours to existing providers meeting specified service standards, or through acquisition.

In addition, Extendicare's managed services businesses, Extendicare Assist and SGP, compete with other similar operators in the health care and hospitality industries.

COMPETITIVE STRENGTHS

Leading Provider of Long-term Care and Home Health Care Services

As the largest private-sector operator of LTC homes and one of the largest providers of publicly funded home health care in Canada, Extendicare is committed to delivering high-quality services across the care continuum to meet the needs of a growing seniors' population. In Ontario, the Company is the largest private-sector operator of LTC, operating approximately 17% of the provinces' LTC beds, and the largest publicly funded home health care provider in terms of service hours. While, in Alberta, the Company operates approximately 6% of the LTC/DSL beds in the province, and in Manitoba approximately 19% of the LTC beds in the province.

The scope of Extendicare's core LTC and home health care operations enables the Company, along with its managed services third-party clients, to benefit from the economies of scale that come from sharing the operations management, purchasing and information technology support services across a larger base of operations.

Experienced Operator with Strong Management Team

Members of the Company's senior leadership team bring a diverse mix of expertise and experiences to their leadership of the Company. Their experiences span across the broader healthcare sector, with an average of 21 years of industry experience. Team members also have experience within publicly traded and privately held organizations across a range of other industries, including technology, telecommunications, professional services, energy, logistics, retail, and manufacturing. The team is well equipped to lead the development and implementation of the Company's strategy, while at the same time overseeing operational effectiveness and efficiencies necessary to remain competitive in the industry. Our leadership team will continue to add considerable value and play an important role in shaping the future direction of seniors' care within federal and provincial associations and in developing strategic partnerships within the health care business.

Management Focus on Key Performance Metrics

The Company has developed and established systems to report on and monitor key business metrics involving the quality of services, effectiveness of its operations and financial performance of its portfolio. Senior management is proficient at focusing the team on key metrics and driving continuous improvement throughout its operations.

QUALITY OF CARE

Extendicare and ParaMed have Quality and Risk Management teams that are exclusively focused on improving resident and patient safety, and the achievement of quality indicator goals. As a multidisciplinary team, subject matter experts work on improving quality in areas such as skin and wound care, infection prevention and control, medication management, nutrition, dementia care and palliative care. Developing programs, policies and tools, and regularly monitoring and updating quality and safety initiatives, the teams share innovative strategies and successes across the organization.

The Company is committed to continuously measure, improve and publicly share the results of its performance. The Company's Quality Improvement Plan highlights many of its key accomplishments in long-term care, the most recent copy of which is available on its website at https://www.extendicare.com/about-extendicare/commitment-to-quality/.

Under the direction of Extendicare's Chief Medical Officer, Extendicare has focused on strengthening clinical programs, and building stronger relationships between health system partners and physicians and our LTC homes. ParaMed's Chief Nursing Executive is furthering the same mission, leading advancement of clinical quality in home health care.

During the pandemic, our team members worked tirelessly to protect those in our care and in doing so implemented new strategies to advance the Company's clinical programs. In addition, new funding from the Government of Ontario is enabling further evolution of our clinical model of care, team member education, and investments in new technologies in the field.

The Company has embraced calls within the sector for increased accountability and transparency. In most provinces, the results of audits and inspection reports are posted online. The Company takes steps to resolve any compliance issues promptly and it shares this information with residents, families and other stakeholders. The Company also works with regional health authorities, quality councils and researchers on initiatives to improve safety, care and quality of life.

All of the LTC homes owned by the Company and its ParaMed operations are surveyed by Accreditation Canada for compliance with quality standards. As well, all of the LTC homes owned by the Joint Ventures are currently surveyed by the Commission on Accreditation of Rehabilitation Facilities Canada. The Company's commitment to excellence emphasizes the corporate philosophy of treating residents and clients with dignity and respect. The Company conducts satisfaction surveys of its residents, clients and their families and maintains a whistleblower program. In our home health care operations, a random selection of clients is called to conduct quality reviews and solicit feedback. In addition, each of our homes regularly engages with residents and their families through virtual town hall meetings to share information and receive feedback. Resident and family councils at each of our LTC homes facilitate effective communication between all parties and have a voice in decisions involving the quality of care and services for our residents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") INSIGHTS

In keeping with its mission to help people live better, Extendicare has a long tradition of advancing ESG strategies to improve its practices in the communities where it operates. Extendicare's ESG Insights report highlights actions undertaken across the Company over the past year. A copy of the ESG Insights report is available on its website at https://www.extendicare.com/investors/corporate-governance/.

Our approach is focused on people, driven by our ongoing commitment to improve our care programs for those we serve today, and to strengthen the sector in which we operate to meet the increasing needs of those who will need our care in the years to come.

Ongoing ESG priorities underway across Extendicare include:

Environmental

- Building environmentally sustainable communities
- Redeveloping our older LTC homes
- Investing in energy-efficient retrofits to existing LTC homes
- Investing in technology and digital solutions to limit paper waste

Social

- Commitment to improving care every day as part of our national, multi-year plan
- Supporting the success and skills development of our teams, while growing the workforce
- Engaging residents and families as partners in care and organizational change
- Building partnerships across the health system, and investing in new care models to lead innovation
- Giving back to our communities

Governance

- Strong and diverse leadership team, including recognition by the Globe and Mail as one of the top Canadian companies for representation of women in leadership roles
- Code of Business Conduct that guides ethical operations organization-wide
- Robust enterprise-wide risk management approach
- Board comprised of independent directors (with the exception of the President and CEO)

Supported by its Board of Directors, the Company's senior leadership team will build on these initiatives to advance the Company's ESG journey.

PROPERTIES

The following tables list the LTC homes operated by Extendicare that it either wholly owns or leases. Nine of our LTC homes in Ontario are operated under 25-year finance lease arrangements maturing beginning in 2026 through to 2028, with full ownership obtained at the end of the respective lease terms. Two of the LTC homes in Ontario include retirement wings with a total of 76 private pay beds. In addition, Alberta's designated supportive living beds are government funded and regulated. Resident capacity excludes third and fourth ward-style beds that have been taken out of service per regulatory changes, of which 185 form part of the Company's 3,285 Class C beds in Ontario that are eligible to be reinstated upon redevelopment.

				Composition of Beds/Suites				
				Preferred		Short Stay or Conva-lescent		
	Name of Owned/Leased Home	Location	Year Built	Private	Semi-Private		Basic	Total
Ontario LTC "New" Homes								
1	Extendicare Brampton	Brampton	2001	90	-	12	48	150
2	Extendicare Cobourg	Cobourg	2002	41	-	-	28	69
3	Extendicare Halton Hills	Georgetown	2003	78	-	-	52	130
4	Extendicare Hamilton	Hamilton	2002	96	-	-	64	160
5	Extendicare Kawartha Lakes	Lindsay	2001	38	-	-	26	64
6	Extendicare Lakefield	Lakefield	2001	60	-	2	38	100
7	Extendicare Maple View	Sault Ste. Marie	2013	154	-	-	102	256
8	Extendicare Mississauga	Mississauga	2002	84	-	-	56	140
9	Extendicare Port Hope	Port Hope	2003	76	-	-	52	128
10	Extendicare Rouge Valley	Toronto	2003	114	-	1	77	192
11	Extendicare Southwood Lakes	Windsor	2001	90	-	-	60	150
12	Extendicare Tecumseh	Tecumseh	2003	77	-	-	51	128
13	Extendicare Timmins	Timmins	2013	108	-	-	72	180
13	**Ontario LTC "New" Homes**			**1,106**	**-**	**15**	**726**	**1,847**
				59.9%	-	0.8%	39.3%	100.0%
Ontario LTC "C" Homes								
1	Extendicare Bayview	North York	1970	46	74	1	83	204
2	Extendicare Falconbridge	Sudbury	1973	20	118	2	46	186
3	Extendicare Guildwood	Westhill	1967	15	86	2	58	161
4	Extendicare Haliburton	Haliburton	1976	10	18	-	16	44
5	Extendicare Kapuskasing	Kapuskasing	1974	4	30	1	21	56
6	Extendicare Kingston	Kingston	1974	13	70	-	39	122
7	Extendicare Kirkland Lake	Kirkland Lake	1977	16	40	3	39	98
8	Extendicare Laurier Manor	Gloucester	1970	50	94	6	84	234
9	Extendicare London	London	1970	36	66	1	67	170
10	Extendicare Medex	Ottawa	1973	5	111	-	77	193
11	Extendicare New Orchard Lodge	Ottawa	1965	15	52	-	42	109
12	Extendicare Oshawa	Oshawa	1973	7	87	18	59	171
13	Extendicare Peterborough	Peterborough	1972	34	60	13	65	172
14	Extendicare Port Stanley	Port Stanley	1977	8	20	1	15	44
15	Extendicare Scarborough	Scarborough	1970	3	64	23	60	150
16	Extendicare St. Catharines	St. Catharines	1971	12	78	-	46	136
17	Extendicare Starwood	Nepean	1971	20	96	-	64	180
18	Extendicare Tri-Town	Haileybury	1974	6	30	1	19	56
19	Extendicare Van Daele	Sault Ste. Marie	1979	20	32	14	30	96
20	Extendicare West End Villa	Ottawa	1982	86	48	2	104	240
21	Extendicare York	Sudbury	1973	50	122	26	80	278
21	**Ontario LTC "C" Homes**			**476**	**1,396**	**114**	**1,114**	**3,100**
				15.4%	45.0%	3.7%	35.9%	100.0%
34	**Ontario LTC Homes**			**1,582**	**1,396**	**129**	**1,840**	**4,947**
				32.0%	28.2%	2.6%	37.2%	100.0%
-	**Assisted living wings at Cobourg & Lindsay**			**76**	**-**	**-**	**-**	**76**
34	**Total Ontario LTC Homes**			**1,658**	**1,396**	**129**	**1,840**	**5,023**

Name of Owned Home	Location	Year Built	Composition of Beds/Suites: Private	Semi-Private	Total
Alberta LTC Homes					
1 Extendicare Athabasca	Athabasca	1967	22	28	50
2 Extendicare Bonnyville	Bonnyville	1966	28	22	50
3 Extendicare Cedars Villa	Calgary	1964	41	202	243
4 Extendicare Eaux Claires	Edmonton	2011	204	-	204
5 Extendicare Fort MacLeod	Fort MacLeod	1966	20	30	50
6 Extendicare Hillcrest	Calgary	1965	20	92	112
7 Extendicare Holyrood	Edmonton	1965	20	54	74
8 Extendicare Leduc	Leduc	1965	21	58	79
9 Extendicare Michener Hill	Red Deer	2010	208	12	220
10 Extendicare Mayerthorpe	Mayerthorpe	1966	22	28	50
11 Extendicare St. Paul	St. Paul	1966	30	46	76
12 Extendicare Viking	Viking	1965	36	24	60
13 Extendicare Vulcan	Vulcan	1965	28	18	46
13 Alberta LTC Homes			**700**	**614**	**1,314**
Alberta Designated Supportive Living					
- Extendicare Michener Hill (wing)	Red Deer	2010	60	-	60
1 Extendicare Fairmont Park	Lethbridge	2010	140	-	140
1 Alberta DSL Homes			**200**	**-**	**200**
14 Total Alberta Homes			**900**	**614**	**1,514**
Manitoba LTC Homes					
1 Hillcrest Place	Brandon	1972	20	80	100
2 Oakview Place	Winnipeg	1970	37	208	245
3 Red River Place	Selkirk	1982	94	10	104
4 Tuxedo Villa	Winnipeg	1971	41	172	213
5 Vista Park Lodge	Winnipeg	1982	90	10	100
5 Manitoba LTC Homes			**282**	**480**	**762**
Total Extendicare Owned/Leased Homes					
52 Long-term care					7,023
- Private-pay assisted living wings					76
1 Government-funded supportive living					200
53 Total Extendicare Owned/Leased Homes					**7,299**

GOVERNMENT REGULATIONS AND FUNDING

Long-term Care and Home Health Care

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes, government-funded supportive living homes, and publicly funded home health care services, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a significantly smaller portion to be paid by residents or clients. No individual is refused access to long-term care due to an inability to pay, as a government subsidy for basic accommodation, generally based on an income test, is available for LTC residents who are unable to afford the resident co-payment. Each province has a different system for managing the services provided. In some provinces, the government has delegated responsibility for the funding and administration of health care programs, such as long-term care and home health care, to regional health authorities. As a result, there can be significant variability in the regulations governing the provision of and reimbursement for care from location to location. In response to COVID-19, provincial governments issued various orders, directives and guidance specific to LTC homes, including establishing operational standards, outbreak standards and infection prevention and control protocols. In addition, the Federal Government and the provincial governments where we operate had all implemented various temporary programs and financial assistance to address the increased costs and other challenges presented by COVID-19 (see "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding" in the Company's MD&A for the year ended December 31, 2023).

Until recently, the Federal Government did not provide designated funding for long-term care, instead providing indirect support through health transfers to provinces. In December 2020, the Federal Government indicated that it would work with the provinces to advance national LTC standards and provide specific funding for long-term care to help the provinces improve elder care. CSA Group and HSO released complementary national standards for long-term care in December 2022 and January 2023, respectively. The CSA Group standards focus on creating safer physical environments in LTC homes. The HSO standards consist of high-level objectives and guidelines to support governments and LTC homes in developing policies and procedures and avoids taking a more prescriptive approach. In January 2023, the Government of Canada clarified that the CSA Group and HSO standards were not mandatory. In the 2023 federal budget, targeted funding for bilateral agreements with the provinces was confirmed, including $3.0 billion over five years to improve safety in long-term care and $4.8 billion over four years to support improvements to home and community care, and mental health and addictions services. Provinces are currently negotiating the specifics of the funding agreements. At this time, no provincial or territorial government has signalled an intent to adopt the national standards in their jurisdiction.

In December 2023, a Private Members' bill passed through the House of Commons that would amend the Criminal Code to make it a criminal offence for long-term care facilities, their owners and their officers to fail to ensure the necessities of life are provided to residents of these facilities. The bill was introduced into the Senate in December 2023.

The Company is unable to predict the extent to which governments will adopt changes in their funding or regulatory programs, including as a result of the COVID-19 pandemic, and the impact of such changes on the Company's business, results of operations and financial condition. Similarly, the Company cannot predict the impact, if any, of recent new legislation, including the Government of Ontario's FLTCA and CCHA, and the Government of Alberta's CCA, and the issuance by CSA Group and HSO of national long-term care standards will have on the Company's business, results of operations and financial condition, in large part because various aspects of the legislation, including a number of the related regulations thereunder and means of implementation, have yet to be finalized. See "Risk Factors – Risks Related to the Business – Risks Related to Government Oversight, Funding and Regulatory Changes".

In most provinces, a license must be obtained from the applicable provincial ministry in order to operate LTC homes. In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which a license may or may not be renewed. In general, the issuance of new licenses for LTC beds is infrequent because of the funding implications for the provincial governments. In addition to, or in some provinces in place of, the license procedure, long-term care operators in Alberta, Manitoba and Ontario are required to sign service contracts that incorporate service expectations with the applicable provincial health authority. A failure of the Company's operating licenses or contracts to be renewed or conditionally renewed may have a material adverse impact on the business, results of operations and financial condition of the Company. See "Risk Factors – Risks Related to the Business – Risks Related to Growth, Acquisitions and Redevelopment".

Ontario Long-term Care – General

In Ontario, all LTC homes are governed by the FLTCA, which came into effect on April 11, 2022, along with an initial set of accompanying regulations. The FLTCA replaces the *Long-Term Care Homes Act, 2007* and emphasizes improving staffing and care; protecting residents through better accountability, enforcement and transparency; and building modern, safe comfortable homes for seniors. The FLTCA provides for, among other things: licensing procedures based on standards for license review (including public consultation); fixed license terms of up to 30 years, after which the license may or may not be renewed; duties imposed on licensees; defined expectations and requirements for key services to be provided; requirements for the qualification, training and orientation of staff; unannounced annual inspections; and the revocation of a license for continued non-compliance. In addition, approvals are required to transfer a license to a new owner and to appoint a third-party manager to operate a LTC home.

As well, the FLTCA establishes a target to increase average hours of direct care per resident per day to four hours by March 31, 2025, with phased-in funding that started in November 2021, doubles fines as a financial deterrent for non-compliance and allows the Director of Long-Term Care to establish policy that would be used in lieu of individual licensing determinations, thus streamlining the approval process. Additional regulations have come into effect throughout 2023 related to staffing qualifications, medication management, drug administration, resident experience and various other operational requirements, and further regulations, including amendments to staffing qualifications, are currently out for review with proposed implementation dates of May 1, 2024 and July 1, 2024.

Admission of residents into LTC homes in Ontario is managed by placement coordinators that are designated by the MLTC, pursuant to admission requirements outlined in the FLTCA. Funding for LTC homes in Ontario is based on reimbursement for the level of care assessed to be required by the residents, in accordance with scheduled rates. The MLTC allocates funds through "funding envelopes", namely: nursing and personal care ("NPC"); program and support services ("PSS"); nutritional support ("NS") and other accommodation ("OA"). The funding for the NPC and PSS envelopes is generally adjusted annually based on the acuity of residents as determined by a classification assessment of resident care needs. The NPC, PSS and NS envelopes are "flow-through" envelopes, whereby any deviation in actual costs from scheduled rates is either absorbed by the provider (if actual costs exceed funding allocations) or is returned to the MLTC (if actual costs are below funding allocations). With respect to the OA envelope, providers retain any excess funding received over costs incurred. As well, the MLTC provides supplementary funds for accreditation of LTC homes, care and support programs, pay equity obligations, and minor capital funding based on specified criteria. The province sets the rates for basic accommodation, as well as the maximum premiums that providers can charge and retain for semi-private and private accommodation, otherwise referred to as "preferred accommodation", and these premiums vary according to the structural classification of the LTC home. Long-term care providers are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation. The accommodation rates are substantially paid for by the resident; however, the province guarantees funding for beds designated as basic accommodation through government subsidies.

The following summarizes the composition of the wholly owned and leased LTC homes operated by the Company in Ontario, as well as the maximum preferred differential rates per diem for each classification of bed. Upon redevelopment of a Class C home, residents in preferred accommodation are transferred to the New LTC home at grandfathered rates.

		Composition of Beds				
Ontario Wholly Owned/Leased	**No. of Homes**	**Private $28.00 premium**	**Private $20.14 premium**	**Semi-private $8.96 premium**	**Basic/Other**	**Total**
New	13	1,106	–	–	741	1,847
Class C	21	–	476	1,396	1,228(1)	3,100
	34	1,106	476	1,396	1,969	4,947

Note:

(1) Excludes 185 ward-style beds in Ontario LTC homes that have been taken out of service per regulatory changes, and which form part of the Company's 3,285 Class C beds that are eligible to be reinstated upon redevelopment.

Overall government funding is occupancy-based, but once the average occupancy level of 97% for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. However, occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.

Prior to the onset of COVID-19 in 2020, the Company's Ontario LTC homes generally operated above the 97% occupancy threshold, with all but one having done so in 2019. In response to financial pressures caused by the impacts of COVID-19 on occupancy levels, the Government of Ontario provided basic occupancy protection funding for all LTC homes for 2020 and through to the end of January 2022, including for third and fourth beds in ward rooms taken out of service and beds kept empty for isolation purposes. Occupancy targets were reinstated on February 1, 2022, requiring LTC homes to achieve average occupancy of 97%, adjusted to exclude ward-style beds taken out of service and isolation beds, in order to maintain full funding. The continued prevalence of LTC outbreaks throughout 2022 slowed the Company's occupancy recovery, with all but six of the Company's Ontario LTC homes having achieved the required 97% occupancy for the 11 months ended December 31, 2022. Beginning in 2023, occupancy targets were no longer adjusted for isolation beds. In 2023, the Company's LTC homes returned to pre-pandemic occupancy levels.

In April 2022, the MLTC confirmed that ward-style rooms would not be reopening, and in August 2022, the MLTC announced that it intends to phase out all funding for ward-style beds no longer in service by April 1, 2025. The first phase of the funding reduction took effect on April 1, 2023, with 100% of the non-flow through other accommodation funding preserved throughout the phase-out period. The Company's Ontario LTC homes have 185 closed ward-style beds that are eligible to be reinstated upon redevelopment, of which 90 are currently under construction.

As part of the MLTC's capital renewal initiative for LTC homes, the government provides a capital construction funding subsidy ("CFS") for qualifying newly constructed or renovated homes. Thirteen of the Company's wholly owned LTC homes in Ontario, consisting of 1,847 beds, are designated as New, having been built between 2001 and 2013 under the MTLC's design standards at that time. Eleven of the New LTC homes (1,411 beds) were built between 2001 and 2004, of which 1,337 beds qualified for a CFS per diem of $10.35 per bed over 20 years, with the balance of the 74 beds eligible for minor capital funding. The Company's other two New LTC homes (436 beds) were built in 2013, of which 287 beds qualified for a CFS per diem of $17.65 per bed over 25 years and 149 beds qualified for $14.30 per bed over 25 years.

Ontario Funding for LTC Home Development

Since the introduction of the Long-Term Care Home Capital Development Funding program in 2020 (the "Capital Funding Program"), the MLTC has awarded more than 58,000 new and replacement beds to address the aging infrastructure within long-term care and improve access to care for the growing numbers of seniors that require it. The Capital Funding Program provides for base CFS per diems ranging from $20.53 to $23.78 per bed, depending on the size and geography of the LTC home. The CFS is payable over 25 years following completion of the project. The Capital Funding Program also introduces a capital development grant of between 10% and 17% of total eligible project costs, up to an applicable maximum grant amount based on the geographic location of the project, payable upon substantial completion of the project.

In November 2022, the MLTC introduced new time-limited funding to help offset rising construction costs and interest rates that have made it challenging to begin construction on new LTC homes. This supplemental funding provides an additional $35.00 per bed per day to the base CFS, noted above, and was available to eligible applicants who received approval from the government to construct before August 31, 2023. Since its expiration in August 2023, no further funding enhancements have been announced.

Redevelopment of Ontario LTC Homes

The license terms for the Company's 21 Class C LTC homes (3,285 beds) in Ontario are set to expire in June 2025, unless the license terms are extended until the homes are redeveloped to the government's new design standards whereafter a new license will be issued upon successful application. Given the significant backlog in demand for long-term care, the lack of alternative care environments, the government's current targets for upgrades by 2028, and license extension precedents to date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case.

The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects, which would replace all of its 3,285 existing Class C beds. Five of the redevelopment projects are under construction under the government's development program, consisting of 1,216 new beds, which would replace 1,074 existing Class C beds, with all but one having been sold to Axium JV and the sale of the fifth anticipated to occur in the second quarter of 2024 (see "General Development of the Business – Development and Related Joint Venture Activity").

While the enhanced CFS expired at the end of August 2023 and further funding has not yet been announced, the Company continues to advance the balance of its redevelopment portfolio and is hopeful it can begin construction on up to four new projects in 2024, pending the announcement of any new enhancements to the Capital Funding Program, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed. The Company continues to work collaboratively with industry partners and the government to make as many of these projects as possible economically feasible, including the need to address the particular challenges faced by projects in the Greater Toronto Area and in smaller rural markets.

Each of the Company's projects under the Capital Funding Program is unique and focused on the construction of a new home. Prior to proceeding with construction, each project is carefully appraised to ensure strong economic fundamentals. Factors such as construction costs, adequacy of the government capital funding subsidies and grants, availability of financing and the timing of project approvals will affect the extent, sequencing and duration of the redevelopment program.

Once completed, redeveloped homes are expected to realize the benefit of improved performance and extended license terms. The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company. Refer to the discussions under "Risk Factors – Risks Related the Business", "Risks Related to Government Oversight, Funding and Regulatory Changes", "Risks Related to Growth, Acquisitions and Redevelopment", "Risks Related to Joint Venture Interests" and "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19".

Alberta Long-term Care and Designated Supportive Living

In Alberta, AHS is responsible for the delivery of health services for the entire province, reporting directly to the Minister of Health. The *Continuing Care Health Service Standards* and the *Continuing Care Accommodation Standards* set standards applicable to all publicly funded providers of long-term care and designated supportive living. Operating standards cover requirements for such things as, accommodation and care services, qualification, training and orientation of staff, and resident safety and security. Homes are subject to periodic inspection to ensure compliance and licenses may be revoked for non-compliance. AHS employs an activity-based funding system for continuing care homes that includes the measurement of a resident's acuity through the use of RAI-MDS to determine the resident's level of care and resources required.

In November 2023, the Government of Alberta announced plans to create in 2024 four new fully integrated provincial organizations dedicated to priority health sectors. Under the new structure AHS' primary focus will be acute care, while responsibility for other health sectors will move to new governance entities. The new continuing care provincial organization is expected to be established later in 2024 and will provide provincial oversight, coordination and funding for home care and community care, which includes LTC and designated supportive living. The government confirmed that all current service providers will continue to deliver services under contract with the new continuing care organization.

On May 31, 2022, the CCA received Royal Assent and comes into force on April 1, 2024, along with the accompanying regulations. The CCA replaces the multiple pieces of legislation that currently govern home care, facility-based care (which includes designated supportive living and long-term care) and palliative end-of-life care services, introduces a licensing framework for continuing care home operators and enhances administrative penalties and fines for contravention of the act and its regulations. Regulations related to administrative penalties and fines come into force on April 1, 2025.

The Company is unable to predict the impact, if any, such regulatory changes will have on the Company's business, results of operations and financial condition. See "Risk Factors – Risks Related to the Business – Risks Related to Government Oversight, Funding and Regulatory Changes".

Manitoba Long-term Care

Funding for LTC homes in Manitoba varies by health region, with support provided to residents who are unable to afford the resident co-payment based on an income test. As well, in Manitoba, the province provides per diem funding for each LTC home based on occupancy, with accountability requirements regarding minimum hours of care to be provided, proportion of professional staff hours, occupancy levels and minimum expenses related to repairs and maintenance.

As part of the Government of Manitoba's initiatives to support the recommendations to strengthen and enhance Manitoba's long-term care system outlined in the *Maples Personal Care Home COVID-19 Outbreak: External Review Final Report*, a series of government-funded initiatives were announced during the latter parts of 2022 and 2023 that will support incremental costs to expand staffing and training, enhance infection prevention and control, housekeeping, allied health and technology in LTC homes.

Home Health Care

The majority of ParaMed's business is funded through government contracts at rates set by the government. Ontario is ParaMed's largest market, representing approximately 93% of its annual service volumes. ParaMed's government-funded business in Ontario is currently obtained through evergreen contracts, wherein a service provider's ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators.

On May 1, 2022, the Government of Ontario's *Connecting People to Home and Community Care Act, 2020* and a first set of new home and community care regulations was proclaimed into force. This act repeals the 1994 legislative framework and seeks to provide a modernized framework for the delivery of home and community care services within an integrated health care system under Ontario Health.

In April 2021, ParaMed's Ontario government-funded contracts with the LHINs were assumed by HCCSS without change, pending a planned restructuring to reflect the dissolution of the LHINs. On December 4, 2023, the Government of Ontario's CCHA received Royal Assent and came into effect. The CCHA will consolidate the 14 HCCSS organization into a single organization named "Ontario Health atHome", a subsidiary of Ontario Health. The government has proposed that as Ontario Health Teams, created pursuant to the *People's Health Care Act, 2019*, mature, the responsibility for providing home care would be transitioned to designated Ontario Health Teams (and/or health service providers working within designated OHTs) and Ontario Health atHome's role would shift to providing designated OHTs with back-office and care coordination supports. Thus far, no significant home care services are being contracted through OHTs, though the first pilot project requests for proposals have recently been released. Although the ultimate treatment of these contracts is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. While any change in home care contracting and associated government operating models would represent a significant change, underlying market demand and government guiding principles, such as continuity of the care relationship between patients and caregivers, make it unlikely that there would be any material disruption to ParaMed's business; however, the Company is unable to predict the nature and extent of the impact such changes will have on the Company's business, results of operations and financial condition.

Alberta is ParaMed's second largest market, representing approximately 4% of its annual service volumes through government contracts with AHS. Such contracts have specified termination dates and/or renewal periods, following which the contracts are put out to tender. As noted above under "– Alberta Long-term Care and Designated Supportive Living", home care will be under the purview of the Government of Alberta's CCA that is expected to come into force on April 1, 2024, along with the first tranche of accompanying regulations.

Retirement Living

Following the Retirement Living Sale, the Company does not currently operate any standalone retirement communities; however, some of the LTC homes the Company operates have private pay retirement beds as part of the facility (refer to the table summarizing the LTC homes operated under "Description of the Business – Operations").

Private-pay retirement communities are typically subject to regulation by provincial and local health and social services agencies, and other regulatory bodies, although such regulations are less extensive and prescriptive than those governing LTC homes. In most provinces, a license must be obtained from the applicable provincial ministry in order to operate retirement communities. The issuance of licenses for retirement communities is less restrictive than in respect of LTC homes as the funding for these services is generally private pay.

In Ontario, the RHA is designed to protect seniors living in retirement communities and requires that all forms of retirement communities be licensed under the RHRA. The RHA defines a retirement community as a residential complex containing rental units that is occupied primarily by individuals aged 65 and older, and whose operator provides at least two of the care services specified in the act, directly or indirectly, to its residents. Care services specified under the RHA range from assistance with feeding and bathing, to the provision of skin care, wound care and dementia programs. Licenses granted under the RHA are not transferable and may be revoked for non-compliance with the RHA. Other measures outlined in the RHA include, among other things, standards for care, including infection control procedures, standards for maintenance of accommodations, and inspections that may lead to financial penalties.

EMPLOYEES

As at December 31, 2023, Extendicare employed approximately 22,000 individuals, of whom approximately 77% were represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. The LTC homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which provide for the continuation of resident care and most services. Our other businesses are generally not considered essential services and therefore are subject to standard labour laws and practices. The Company sponsors educational and training programs to attract talent into the seniors' care sector, as well as ongoing training and development opportunities to new hires and existing employees. Training and educational needs are regularly assessed to support solid foundational understanding of all aspects of operations including clinical, management and business operations, in order to improve and maintain quality services.

RISK FACTORS

There are certain risks inherent in an investment in securities and activities of the Company, including the ones described below. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties, in addition to entity level controls and governance procedures, including a corporate code of business conduct, whistleblower policies and procedures, and detailed policies and procedures regarding the delegation of authority within the Company.

The risks and uncertainties described below could adversely affect the business, results of operations and financial condition of the Company, cause the trading price of the Company's securities to decline and cause the actual outcome of matters to differ materially from the expectations of the Company regarding future results, performance or achievements reflected in the information in this AIF and other information provided by the Company from time to time. The risks and uncertainties described below, which is not an exhaustive description of the risks and uncertainties faced by the Company, should be carefully considered by investors.

Risks Related to the Business

General Business Risks

The Company is subject to general business risks inherent in the seniors' care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the availability and ability of the Company to attract and retain qualified personnel; the ability of the Company to retain or renew its government licenses and customer contracts; changes in government funding and reimbursement programs, including the ability to achieve adequate government funding increases; changes in labour relations, employee costs and pay equity (see pay equity related litigation under "Legal Proceedings and Regulatory Action"); increases in other operating costs; competition from other seniors' care providers; changes in neighbourhood or location conditions and general economic conditions; health related risks, including disease outbreaks (for example, COVID-19) and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; and changes in the availability and cost of both short- and long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include disease outbreaks (including COVID-19), fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with the residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company's brand or reputation or to the industry as a whole, particularly in respect of Extendicare Assist clients where the Company has limited direct operational control and where onsite staff are not Extendicare employees.

Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, results of operations and financial condition of the Company. Federal, provincial or local health agencies may, or we may choose to, ban or limit admissions to LTC homes and retirement communities and/or suspend or limit the home health care services we provide as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes, on both a short and long term basis. Even in the absence of any such ban, limit or suspension, our clients may postpone or refuse services or delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in LTC homes and retirement communities or in respect of home health care clients (for example, enhanced screening and protective equipment) has resulted in, and may continue to result in, increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty regarding the extent to which that will be the case or that any such funding or assistance will remain in place. In addition, outbreaks cause our facilities and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Also, to the extent a pandemic, epidemic or other outbreak results in adverse outcomes for the Company's residents, clients or employees, the likelihood of claims being brought against the Company in respect of such adverse outcomes as well as adverse regulatory changes being instituted increases, and the ability and cost of insuring against such claims may become more challenging (see "Legal Proceedings and Regulatory Actions"). Further, such outbreaks may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for the Company to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things, re-financings and our development plans and timelines.

The COVID-19 pandemic has resulted in a number of the foregoing events to transpire (see "Legal Proceedings and Regulatory Actions" and "Description of the Business – Government Regulations and Funding" in this AIF and "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding" in the Company's MD&A for the year ended December 31, 2023 for further details), and while we believe that the financial impacts of COVID-19 on the Company have abated, there can be no assurance that this will continue to be the case or that any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Inflationary Pressures and Supply Chain Interruptions

Labour and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation and when labour shortages occur in the marketplace. Although historically the Company has generally been able to implement cost control measures and proactive human resource and procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that it will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and financial condition of the Company. Similarly, such inflationary pressures, as well as strengthening economic conditions and competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.

The Company relies on certain key suppliers to provide it with certain medical and personal protective equipment and other supplies. A shortage of such equipment, due to pandemic-related or other supply chain disruptions, could have a material adverse impact on the Company’s business, especially if it is unable to find reasonable alternatives or secure such equipment at reasonable prices. The Company’s ability to secure sufficient equipment is affected by many factors beyond its control. A shortage or disruption of equipment and parts that are critical to the Company’s operations could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Growth, Acquisitions and Redevelopment

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing LTC homes, and grow its home health care and managed services businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC homes are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop, which could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Approximately 44%, or 3,285, of the Company’s wholly owned LTC beds are in older Ontario homes that are subject to redevelopment requirements. In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. Long-term care operators are to be notified of license renewals at least three years prior to the maturity date. License terms for Class B and C LTC homes in Ontario are set to expire in June 2025, unless the license terms are extended until the homes are redeveloped to the government’s new design standards whereafter a new license will be issued upon successful application. Given the significant backlog in demand for long-term care, the lack of alternative care environments, the government’s current targets for upgrades by 2028, and license extension precedents to date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case. The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects that would replace all of its 3,285 existing Class C beds. Five of the redevelopment projects are under construction under the government’s development program, consisting of 1,216 new beds, which would replace 1,074 existing C beds, with all but one having been sold to Axium JV and the sale of the fifth anticipated to occur in the second quarter of 2024. In addition, in December 2023, Axium JV II acquired from Revera a new 320-bed LTC redevelopment project that will replace 303 existing Class C beds that the Company currently manages. The Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with Revera’s remaining 29 Class C LTC homes currently being managed by the Company. For more information on the redevelopment projects, refer to the discussions under “General Development of the Business – Development and Related Joint Venture Activity”, “Description of the Business – Government Regulations and Funding – Redevelopment of Ontario LTC Homes” and “– Risks Related to Joint Venture Interests”. The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the business acquisition and development activities of the Company will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition and development opportunities, purchase price, ability to obtain external sources of funding or adequate financing on reasonable terms, the ability to obtain regulatory approvals for acquisitions in a timely manner and on terms acceptable to the Company, the financial performance of the businesses or homes after acquisition or development, and the ability of the Company to effectively integrate and operate the acquired businesses or homes. Acquired businesses or homes, and development projects, may not meet financial or operational expectations due to the possibility that the Company has insufficient management expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, unexpected costs or delays associated with their acquisition or development, such as in respect of construction, as well as the general investment risks inherent in any real estate investment and development, or business acquisition. Moreover, new acquisitions may require significant management attention, place additional demands on the Company's resources, systems, procedures and controls, and capital expenditures that would otherwise be allocated by the Company in a different manner to existing businesses. Any failure by the Company to identify suitable candidates for acquisition, successfully complete development projects, secure financing, or operate the new businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, agreements to acquire, sell and develop properties entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse effect on the business, results of operations and financial condition of the Company. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties (see "– Risks Related to Joint Venture Interests").

The success of the Company's ability to grow its home health care and managed services businesses will be determined by numerous factors, including the ability of the Company to retain, renew and secure new contracts, identify suitable markets, develop competitive services and marketing and pricing strategies, attract and retain residents and clients, and hire, retain and motivate key personnel. Changes in government funding policies and regulatory changes, the risks related to which are described below under "– Risks Related to Government Oversight, Funding and Regulatory Changes", in addition to the financial performance of these businesses, also impact the Company's growth potential. Any failure by the Company to grow or operate its businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Joint Venture Interests

The Company is a party to two limited partnership joint ventures with Axium, in which the Company has a 15% managed interest in each. As at March 7, 2024, the Joint Ventures own 30 LTC homes, 24 located in Ontario and six homes located in Manitoba, five of which are under construction and the remainder are operational. These joint venture arrangements have the benefit of sharing the risks associated with the development, ownership and management of such homes, including those risks described herein. The Company may, however, be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on the Company's interests in its joint ventures and could affect the value of the joint ventures. In addition, there are risks which arise from the joint venture arrangements themselves, including but not limited to: the risk that a co-venturer may, as a result of financial difficulties or otherwise, default on its obligations (see in particular "– Risks related to Financing – Debt Financing"); the risk that the other joint venturer may exercise buy-sell, put or other sale or purchase rights which could obligate the Company to sell its interest or buy the other joint venturer's interest at a price which may not be favourable to the Company or at a time which may not be advantageous to the Company; the risk that the other joint venturer may be in a position to take action contrary to the Company's interests; the risk that the other joint venturer may, through its activities on behalf of or in the name of the joint venture or partnership, expose or subject the Company to liability or reputational risks; or the need to obtain a co-venturer's consent with respect to major decisions or the inability to have any decision making authority, any of which may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Occupancy and Business Volumes

Seniors' care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including large publicly held companies, privately held companies, not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. The Company's ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, the Company's local reputation for quality care, the commitment and expertise of its staff, the Company's local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its residences. Increased competition could limit the Company's ability to attract and retain residents and clients and thus maintain or increase occupancy levels and business volumes. An inability to continue to attract residents and clients could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Government Oversight, Funding and Regulatory Changes

The Company's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities (see "Description of the Business – Government Regulations and Funding"). Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company's operating costs (approximately 86% in 2023, excluding estimated costs related to COVID-19), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company's results from operations and cash flows (see pay equity related litigation under "Legal Proceedings and Regulatory Action"). The Company is unable to predict the extent to which governments will adopt changes in their funding and regulatory programs, including as a result of the COVID-19 pandemic, and the impact of such changes on the Company's business, results of operations and financial condition. Similarly, the Company cannot predict the impact, if any, of recent new legislation, including the Government of Ontario's FLTCA and CCHA, and the Government of Alberta's CCA and the issuance by CSA Group and HSO of national long-term care standards will have on the Company's business, results of operations and financial condition.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies and range from notices of deficiencies to revocation of licenses or termination of contracts. The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Also refer to the discussion regarding license expiry under "– Risks Related to Growth, Acquisitions and Redevelopment". To a lesser degree, private pay retirement beds, whether part of a mix-use LTC home or a separate retirement community are also subject to government regulation and oversight, licensure requirements and the potential for regulatory change.

Non-compliance with applicable laws and licensure requirements could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including reimbursement of government funding or exclusion from participation in government-funded programs, or one or more third-party payor networks, and reputational damage to the Company. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

In addition, reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These "prior period adjustments" can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, regulatory accountabilities, allocations between funding envelopes, where applicable, special circumstances and differences between projected and actual property tax.

With respect to home health care services, approximately 99% of ParaMed's revenue is from contracts tendered by locally administered provincial agencies, at specified billing rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have a material adverse effect on the business, results of operations and financial condition of the Company.

The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 94% and 4%, respectively, based on volumes delivered in 2023. In Alberta, government contracts have specified termination dates and/or renewal periods, following which they are put out to tender. Since 2012, ParaMed's government-funded business in Ontario has been obtained through evergreen contracts. A service provider's ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. Under this regime, all of ParaMed's government contracts in Ontario have remained in effect. On April 1, 2021, HCCSS assumed the home health care contracts, including those in respect of ParaMed, from the LHINs without change, pending a planned restructuring to reflect the dissolution of the LHINs. On December 4, 2023, the Government of Ontario's CCHA received Royal Assent, and amends the *Connecting Care Act, 2019* to amalgamate the 14 HCCSS organizations into a new service organization named "Ontario Health atHome". Although the ultimate treatment of the home health care contracts to reflect this amalgamation is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. While any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand and government guiding principles, such as continuity of care between patients and caregivers, make it unlikely that there would be any material disruption to ParaMed's business; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition.

Risks Related to Dependence on Key Personnel

The success of the Company depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although the Company has entered into employment agreements with its key employees, it cannot be certain that any of these individuals will not voluntarily terminate their employment with the Company. The loss of an executive officer or other key employee could negatively affect the Company's ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Conflicts of Interest

The Company's Board of Directors may, from time to time, in their individual capacities deal with parties with whom the Company may be dealing, or may be seeking investments similar to those desired by the Company. The relevant constating documents of the Company contain conflict of interest provisions requiring the Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Risks Related to Labour Intensive Business

Availability and Cost of Personnel

The seniors' care industry is labour intensive, with approximately 86% of the Company's operating costs represented by labour costs, excluding estimated costs related to COVID-19. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate its businesses. The health care industry has historically been afflicted with shortages of qualified personnel, such as nurses, certified nurse's assistants, nurse's aides, therapists and PSWs, particularly in non-urban settings, which have been amplified throughout the COVID-19 pandemic. This shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. In addition, the Company has contracted out select dietary and housekeeping services provided in some of its homes. Should the Company become dissatisfied with the quality or cost of such contracted services, it may need to terminate the related contracts and recruit replacement staff at an incremental cost and potential business disruption. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company's staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. Furthermore, this ongoing shortage of qualified personnel has necessitated that the Company use staffing agencies to meet its staffing needs, which, in turn, has increased the Company's operating costs. An increase in personnel costs, including pursuant to the pay equity related litigation under "Legal Proceedings and Regulatory Actions", or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

Workplace Health and Safety

Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties and reputational harm to the Company and thus have a material adverse effect on the business, results of operations and financial condition of the Company.

Labour Relations

Approximately 77% of the Company's employees are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, other labour disruptions or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The LTC homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

There can be no assurance that employees who are not currently unionized will not, in the future, become unionized, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

Operating in the seniors' care industry exposes the Company to an inherent risk of claims of wrongful death, personal injury, professional malpractice and other potential claims being brought by the Company's residents, clients, and employees. From time to time, the Company is subject to lawsuits alleging, among other claims, that the Company did not properly treat or care for a client or resident, that the Company failed to follow internal or external procedures that resulted in harm to a client or resident, or that the Company's employees mistreated the Company's residents or clients resulting in harm. In addition, attempts to advance class action lawsuits have become prevalent in the Canadian marketplace, including in respect of seniors' care and as a result of the COVID-19 pandemic. There can be no assurance that the Company will not continue to face risks of this nature (see "Legal Proceedings and Regulatory Actions").

The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as it deems appropriate, based on the nature and risks of the business, historical experience, industry standards and availability of insurance. There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms, including as a result of the COVID-19 pandemic. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, environmental contamination, and more recently infectious diseases, such as COVID-19, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, or maintain favourable standings with regulatory authorities.

Risks Related to Privacy of Client Information, Cyber Security and Information Technology

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, the Company is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organizations, including but not limited to, malware, phishing and ransomware attacks, are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The Company mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information. In addition, the Company maintains cybersecurity insurance in amounts and with such coverage as deemed appropriate based on the nature and risks of the business.

The Company has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must be managed proactively and effectively to prevent breaches that can have a material adverse impact on the Company's reputation and results of operations. To counter internet-based and internal security threats, the Company invests in cyber defence technologies to identify risks to its network, software and hardware systems. The Company partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to the Company's financial, client and employee data increase and evolve, the Company adjusts and adopts new countermeasures in an effort to ensure it maintains high privacy and security standards. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future and any such losses may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, the Company is reliant on information technology systems in the operation of its business and any prolonged disruption to the availability of such systems or difficulties in integrating systems following changes, upgrades or other enhancements may have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's operations also depend on the timely maintenance, upgrade and replacement of systems and software, as well as pre-emptive expenses to mitigate the risk of failures. Any of these and other events could result in information technology system failures and/or increase in capital expenditure. The failure of such systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, results of operations and financial condition of the Company.

Risks Related to Tax Rules and Regulations

The Company is subject to audits from federal, state and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations, including in respect of CEWS, could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Financing

Debt Financing

Due to the level of real property ownership by the Company, a significant portion of the consolidated cash flow of the Company is devoted to servicing debt, including mortgages, Debentures, credit facilities and lease liabilities, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company were unable to meet its required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 14 Class C LTC homes in Ontario ($47.3 million) and the other is secured by the assets of the home health care business ($65.0 million), of which $70.9 million was available and unutilized as at December 31, 2023. Neither of these facilities has financial covenants but do contain normal and customary terms, including annual re-appraisals of the homes that could limit the maximum level of the line of credit and other restrictions on the Company's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the lines of credit could inhibit the flow of cash dividends by the Company on a temporary basis until alternative financing is obtained.

In addition, the Company provides unsecured guarantees related to certain credit facilities held by the Joint Ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at December 31, 2023, 24 LTC homes within the Joint Ventures have existing credit facilities available of up to $610.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at December 31, 2023, the Company has provided unsecured guarantees of $98.5 million in support of the credit facilities held by the Joint Ventures (refer to *Note 22* of the audited consolidated financial statements for the year ended December 31, 2023). A demand for payment pursuant to such guarantees and/or a failure by a joint venture partner to meet its obligations to the Company in respect of such guarantees, could have a material adverse effect on the business, results of operations and financial condition of the Company (see "– Risks Related to Joint Venture Interests").

The Company cannot predict whether future financing will be available, what the terms of such future financing will be (including, whether it will result in a higher cost of borrowing – see "Interest Rates" below) or whether its existing debt agreements will allow for the timely arrangement and implementation of such future financing. If the Company was unable to obtain additional financing or refinancing when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Debt Covenants

The Company and its subsidiaries are in compliance with all of their respective financial covenants as at December 31, 2023. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial covenants and it is unable to amend the covenants, obtain waivers or refinance its debt when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Interest Rates

The Company has limited the amount of debt that may be subject to changes in interest rates, with $20.5 million of mortgage debt at variable rates as at December 31, 2023. The Company primarily finances its properties through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt to mitigate exposure to interest rate changes. The Company's variable-rate term loan of $28.7 million as at December 31, 2023, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Increases in interest rates and principal repayments required under the Company's mortgages and credit facilities, on renewal or otherwise, could result in significant changes in the amount required to be applied to debt service and, as a result it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Real Property Ownership

Real Property Ownership

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of mortgage financing) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors.

As at March 7, 2024, the Company wholly owns or operates under 25-year lease arrangements, whereby ownership transfers to the Company at the end of the lease term, 53 LTC homes, and has one under construction, and also owns a 15% managed interest in 30 LTC homes through the Joint Ventures, five of which are under construction. LTC homes are often limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs. In addition, overbuilding in any of the market areas in which the Company operates could cause its homes to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing sufficient income.

Real property investments are relatively illiquid, thereby limiting the ability of the Company to vary its portfolio in a timely manner in response to changed economic or investment conditions. By focusing principally in LTC homes, the Company is exposed to adverse effects on that segment of the real estate market. There is a risk that the Company would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

Capital Intensive Industry

The Company must commit a substantial portion of its funds to maintain and enhance its property and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. In addition to recurring maintenance capex, the Company invests in enhancements of existing properties aimed at earnings growth and improved profitability, including redevelopment of LTC homes under provincial programs. See "– Risks Related to Growth, Acquisitions and Redevelopment". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

The Company is subject to various environmental, health and safety laws and regulations, both as an owner of real property and as a provider of health care services, governing the storage, handling, use, and disposal of equipment, materials and waste products. The Company may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties or other service locations, regardless of whether or not the Company knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect operations or the ability to sell such properties or to borrow using such properties as collateral, and could potentially result in claims by public or private parties, including by way of civil action, and could have a material adverse effect on the business, results of operations and financial condition of the Company.

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. Appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately $12.3 million undiscounted, or $10.3 million discounted, as at December 31, 2023.

Environmental, health and safety laws may change and the Company may become subject to more stringent laws in the future. Compliance with more stringent environmental, health and safety laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Climate Change

As the owner of real property, the Company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its properties, as well as to those properties to which it provides managed services. These adverse weather and natural events could cause substantial damage, resulting in increased costs and/or revenue losses. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed the Company's insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of, or making unavailable, certain insurance coverage.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require the Company to spend more on its new development properties without a corresponding increase in funding or revenue.

RISKS RELATED TO THE COMMON SHARES AND DEBENTURES

Unpredictability and Volatility of the Common Share Price

A publicly traded company does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors beyond the control of the Company. The annual yield on the Common Shares, represented as the ratio of annual dividend to the market price per Common Share, as compared to the annual yield on other financial instruments, may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

Cash Dividends Are Not Guaranteed

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. All of these factors are susceptible to a number of risks and other factors beyond the control of the Company. The amount of funds available for distribution will fluctuate with the performance of the Company. If the Board determines that it would be in the Company's best interests, it may reduce the amount and frequency of dividends to be distributed to Shareholders and such reductions may significantly effect the market value of the Common Shares.

A high dividend yield results in a higher cost of capital incurred by the Company in raising capital through the issue of Common Shares to fund future growth and equally can inhibit the ability of the Company to grow through acquisition or new developments. Therefore, the Board also has to balance the dividend yield relative to its growth plans and need to raise capital.

Funds available for dividends are driven by cash generated from operations and may be dependent upon the Company's plan for growth-based capital expenditures or other investments in its business, including development and acquisition activities. The timing and amount of capital expenditures and other investments will directly affect the amount of cash available for dividends to Shareholders. Dividend payments to Shareholders may be reduced, or even eliminated, at times when the Company cannot access the capital markets for raising cash and/or when Directors deem it necessary to make significant capital or other expenditures. The Company may be required to reduce dividends or access the capital markets in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or other investments.

Company Structure

The Company does not carry on business directly, but does so indirectly through its subsidiaries. The Company has no major assets of its own, other than the LTC homes that it leases to ECI and the direct and indirect interests it has in its subsidiaries (including ECI and ParaMed), all of which are separate legal entities. The Company is therefore financially dependent on lease payments that it receives from ECI and dividends and other distributions it receives from all of its subsidiaries.

Future Issues of Common Shares and Preferred Shares and Dilution

The Company's articles permit the issuance of an unlimited number of Common Shares and Preferred Shares, issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding, for the consideration and on the terms and conditions that the Board may determine without Shareholder approval. Shareholders have no pre-emptive rights in connection with such future issues. Future issues of Common Shares and/or Preferred Shares could be dilutive to the interests of Shareholders and could adversely affect the prevailing market price of the Common Shares.

Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of the Company to pay dividends is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Company (including its subsidiaries). The degree to which the Company is leveraged could have important consequences to Shareholders, including: (i) that the Company's ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited; (ii) that a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) that certain of the Company's borrowings could be financed at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) that the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may reduce funds available for the Company to pay dividends.

Changes in the Company's Creditworthiness May Affect the Value of the Company's Securities

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Common Shares and Debentures.

Matters Affecting Trading Prices for the Debentures

The Debentures are listed on the TSX. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or a liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions, and the Company's financial condition, historic financial performance and future prospects.

The Company may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares. Accordingly, Shareholders may suffer dilution. See "Description of the Debentures – Method of Payment".

Debentures – Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the Company's financial condition and creditworthiness. In addition, the Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the

Company’s existing and future Senior Indebtedness. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company’s assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of the Company’s subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Indenture does not prohibit or limit the ability of the Company or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions except in respect of distributions where an Event of Default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

Conversion of the Debentures Following Certain Transactions

In the case of certain transactions, the Debentures will become convertible into the securities, cash or property receivable by a Shareholder under the transaction. The change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if the Company were acquired in a cash merger, the Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Company’s future prospects and other factors. See “Description of the Debentures – Conversion Rights”.

Redemption of the Debentures Prior to Maturity

The 2025 Debentures may be redeemed, at the option of the Company, at any time and from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

Inability of the Company to Purchase the Debentures in Cash on a Change of Control

If a Change of Control of the Company occurs, Debentureholders will have the right to require the Company to redeem the Debentures in an amount equal to 101% of the principal amount of the Debentures plus accrued and unpaid interest until the date of redemption. If holders of Debentures holding 90% or more of all the Debentures exercise their right to require the Company to redeem such Debentures, the Company may acquire the remaining Debentures on the same terms. In such event, the conversion privilege associated with the Debentures would be eliminated. Although the Company may be required to purchase all outstanding Debentures upon the occurrence of a Change of Control, it is possible that following a Change of Control, the Company will not have sufficient funds at that time to make any required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “Description of the Debentures – Put Right upon a Change of Control”.

DIVIDENDS

DIVIDEND POLICY

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. If the Board determines that it would be in the Company’s best interests, it may modify the amount and frequency of dividends to be distributed to Shareholders. The current dividend policy of the Board is to pay a monthly dividend of $0.04 per Common Share. There is no guarantee that the Board will maintain this dividend policy. See “Risk Factors – Risks Related to the Common Shares and Debentures – Cash Dividends Are Not Guaranteed”.

DIVIDENDS DECLARED AND PAID

For the three most recently completed financial years and the 2024 period up to and including the March 2024 dividend, payable on April 15, 2024, the Company has declared and paid monthly dividends in the amount of $0.04 per share. Dividends in respect of a given month are paid on or about the 15th day of the following month to Shareholders of record at the close of business on the last day of the given month.

DIVIDEND REINVESTMENT PLAN

On March 19, 2020, the Company announced the suspension of its Dividend Reinvestment Plan (“DRIP”) in respect of any future declared dividends until further notice. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020, was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Dividends are being paid only in cash. Upon reinstatement of the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

The Company's DRIP, when active, permits Shareholders who are residents in Canada to elect to reinvest their cash dividends in additional Common Shares on the dividend payment date, at a price equal to 97% of the volume-weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the corresponding dividend payment date.

DESCRIPTION OF CAPITAL STRUCTURE

Extendicare is authorized to issue an unlimited number of Common Shares and that number of Preferred Shares, issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding at the time of the issuance of any series of Preferred Shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the share capital of the Company.

COMMON SHARES

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of Shareholders and to one vote in respect of each Common Share held at all such meetings (except meetings at which only holders of another specified class or series of shares are entitled to vote, pursuant to the provisions of the CBCA). Subject to the prior rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive dividends, if, as and when declared by the Board of Directors out of assets of the Company properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its Shareholders for the purpose of winding-up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive the remaining property of the Company.

As at March 7, 2024, there were 83,158,315 Common Shares issued and outstanding.

PREFERRED SHARES

The Preferred Shares may at any time and from time to time be issued in one or more series. The Board of Directors shall, by resolution, duly passed before the issuance of the Preferred Shares of each series, fix the number of the Preferred Shares in such series and determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or rates, amount or method or methods of calculation of preferential dividends, whether cumulative or non-cumulative or partially cumulative, and whether such rate(s), amount or method(s) of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the redemption price and terms and conditions of redemption (if any), the rights of retraction (if any), and the prices and other terms and conditions of any rights of retraction, voting rights (if any) and conversion or exchange rights (if any) and any sinking fund, purchase fund or other provisions attaching thereto, the whole subject to filing with the Director under the CBCA (or successor legislation thereto) of articles of amendment setting forth the number, designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series and the issuance of a certificate of amendment in respect thereof.

The number of Preferred Shares of all series that the Corporation is authorized to issue, at any time and from time to time, is limited to that number equal to 50% of the number of Common Shares that are issued and outstanding at the time of the issuance of any series of Preferred Shares.

As at March 7, 2024, there were no Preferred Shares of any series issued and outstanding.

SHAREHOLDER RIGHTS PLAN

Extendicare first adopted a shareholder rights plan on July 1, 2012. That plan was reconfirmed by Shareholders at a meeting held on June 18, 2015. Shareholders approved the amendment and restatement of, and reconfirmation of, the Shareholder Rights Plan at the Company's annual meeting held on May 24, 2018, and it was reconfirmed by Shareholders at a meeting on May 27, 2021.

The overall objective of the Shareholder Rights Plan is to discourage unfair take-over tactics. In particular, the Shareholder Rights Plan is intended to discourage the use of exemptions to the formal take-over bid rules that facilitate creeping bids (i.e., acquisitions of Common Shares with the intention of acquiring effective control of Extendicare through market purchases and private agreements that are exempt from the formal take-over bid rules), which could result in unequal treatment of Shareholders. By creating the potential for substantial dilution of a bidder's Common Share holdings, the Shareholder Rights Plan encourages a bidder to proceed by way of a "Permitted Bid" (as described below) or to approach the Board with a view to entering into a negotiated transaction. The Permitted Bid provisions allow bidders to take take-over bids directly to all Shareholders and are thus intended to preserve the rights of Shareholders to consider such bids on a fully informed basis.

Under the Shareholder Rights Plan, one right (a "Right") was issued in connection with each Common Share outstanding as at July 1, 2012 and one Right will continue to be issued with each Common Share issued after July 1, 2012 and prior to the expiration or termination of the rights. The Rights remain attached to the Common Shares and are not exercisable or separable unless one or more certain specified events occur. Subject to the terms of the Shareholder Rights Plan, the Rights issued under the Shareholder Rights Plan become exercisable only if a person (an "Acquiring Person"), including persons acting in concert with the Acquiring Person, acquires or announces its intention to acquire 20% or more of the Common Shares without complying with the Permitted Bid provisions of the Shareholder Rights Plan. Following a transaction that results in a person becoming an Acquiring Person, the Rights entitle the holders thereof (other than the Acquiring Person or group) to purchase Common Shares at a substantial discount from the then market price.

Under the Rights Plan, a Permitted Bid is a take-over bid made in compliance with the Canadian take-over bid regime. Specifically, a Permitted Bid is a takeover bid that is made to all shareholders, that is open for 105 days (or such shorter period as is permitted under the bid regime) and that contains certain conditions, including that no Common Shares will be taken up and paid for unless 50% of the Common Shares that are held by independent shareholders are tendered to the take-over bid.

The Shareholder Rights Plan will expire unless it is reconfirmed at the annual meeting of the Company to be held in 2024 and at every third annual meeting of the Company thereafter. A copy of the Shareholder Rights Plan has been filed with the Canadian securities regulators and is available on SEDAR+ at www.sedarplus.ca under Extendicare's issuer profile.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of the Indenture.

GENERAL

The 2025 Debentures were issued pursuant to the Fourth Supplemental Indenture. The Company may, from time to time, without the consent of the holders of the Debentures, issue additional debentures of a different series under the Indenture.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the Company and subject to applicable regulatory approval, by payment of Common Shares to satisfy, in whole or in part, the Company's obligation to repay the principal amount of the Debentures as further described under "– Method of Payment – Payment of Principal on Redemption or at Maturity" and " – Put Right upon a Change of Control". The interest on the Debentures is payable in lawful money of Canada including, at the option of the Company and subject to applicable regulatory approval, in accordance with the Common Share Interest Payment Election as described under "– Method of Payment – Interest Payment Election".

The Debentures are direct obligations of the Company and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all other liabilities of the Company as described under "– Subordination". Neither the Indenture nor the Debentures limit the ability of the Company or any of its subsidiaries to incur, directly or indirectly, additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging their respective real or personal property or properties to secure any indebtedness.

The Debentures are transferable, and may be presented for conversion at the principal office of the Debenture Trustee in Toronto, Ontario.

SUBORDINATION

The Indenture provides that the Debentures are subordinated in right of payment to all present and future Senior Indebtedness of the Company as more particularly set forth in the Indenture. No payment of principal or interest on the Debentures may be made (a) if any Senior Indebtedness is not paid when due and any applicable grace period with respect to such payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist, or (b) if the maturity of any Senior Indebtedness has been accelerated because of a default and either such acceleration has not been rescinded or such Senior Indebtedness has not been repaid. Upon any distribution of assets of the Company on any dissolution, winding-up, total liquidation or reorganization of the Company, whether in bankruptcy, insolvency or receivership proceedings, upon an “assignment for the benefit of creditors”, or any other marshalling of the assets and liabilities of the Company, or otherwise, all Senior Indebtedness of the Company is required to be paid in full, or provision made for such payment, before the Debentureholders are entitled to receive any payment made on account of the principal of or interest on the Debentures.

Neither the Indenture nor the Debentures limit the ability of the Company or any of its subsidiaries to incur, directly or indirectly, additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging their respective real or personal property or properties to secure any indebtedness.

The Debentures are direct unsecured obligations of the Company. Each Debenture of the same series ranks *pari passu* with each other Debenture of the same series and with other Debentures of a different series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the Company except for sinking fund provisions (if any) applicable to different series of Debentures or other similar types of obligations of the Company.

CONVERSION RIGHTS

Each 2025 Debenture is convertible into fully paid, non-assessable and freely tradeable Common Shares, at the option of the holder, at any time prior to 4:00 p.m. (Toronto time) on the earlier of April 30, 2025, and the last business day immediately preceding the date specified by the Company for redemption of the 2025 Debentures, at a conversion price of $12.25 per Common Share, being a conversion rate of approximately 81.6327 Common Shares per $1,000 principal amount of 2025 Debentures, subject to adjustment in certain events in accordance with the Fourth Supplemental Indenture. If all conversion rights attaching to the $126,500,000 aggregate principal amount of the 2025 Debentures outstanding as at March 7, 2024, are exercised, the Company will be required to issue approximately 10,326,531 additional Common Shares, subject to anti-dilution adjustments.

No adjustment to the Conversion Price will be made for dividends on the Common Shares issuable upon conversion or for accrued and unpaid interest on Debentures surrendered for conversion; however, holders converting their Debentures will be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest, if any, in respect thereof for the period from and including the last interest payment date up to and including the last record date in respect of the Common Shares set by the Company prior to the date of conversion for determining the Shareholders entitled to receive a dividend on the Common Shares. If the Company has suspended regular dividends on the Common Shares, then a Debentureholder, in addition to the applicable number of Common Shares to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from and including the last interest payment date prior to the date of conversion to but excluding the date of conversion. Notwithstanding the foregoing, none of the Debentures may be converted during the period from the close of business on the record date preceding the interest payment date to and including such interest payment date, as the registers of the Debenture Trustee will be closed during such periods. The Common Shares issued upon conversion shall participate only in respect of distributions declared in favour of Shareholders of record on and after the date of conversion.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the issue of Common Shares or securities convertible into or exchangeable for Common Shares to holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution, other than the issue of Common Shares to Shareholders who have elected to receive dividends in the form of Common Shares pursuant to any dividend reinvestment plan or any share purchase plan or similar arrangements of the Company; (c) the issuance of options, rights or warrants to all or substantially all Shareholders entitling them, for a period of not more than 45 days after the record date, to acquire Common Shares or securities convertible into or exchangeable for Common Shares at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95% of the then Current Market Price of the Common Shares on such record date; and (d) the distribution to all or substantially all Shareholders of shares of any class other than Common Shares (other than shares of any class distributed to Shareholders who participate in the Company’s dividend reinvestment plan), rights, options or warrants (other than those referred to in (c) above), evidences of indebtedness of the Company, or other assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (a), (b), (c) or (d) above if, subject to prior regulatory approval, the Debentureholders are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date of such event. The Company is not required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification of the Common Shares or capital reorganization of the Company (other than a change resulting only from consolidation or subdivision of the Common Shares), or in the case of any consolidation, amalgamation, arrangement or merger of the Company with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other entity, or in the case of a liquidation, dissolution or winding-up of the Company, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up, be exercisable for the kind and amount of securities or property of the Company, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up, if on the effective date or record date thereof it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such event.

No fractional Common Shares will be issued on any conversion of the Debentures, but in lieu thereof the Company shall satisfy such fractional interests by a cash payment equal to the fractional interest which would have been issued multiplied by the Conversion Price (less any taxes required to be withheld).

REDEMPTION AND PURCHASE

Prior to maturity, the 2025 Debentures may be redeemed by the Company, in whole at any time or in part from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the last Interest Payment Date on not more than 60 days' and not less than 30 days' prior notice.

In the case of a redemption of less than all of the outstanding Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis to the nearest multiple of $1,000 or by lot in such manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

The Company has the right at any time and from time to time to purchase the Debentures in the market, by tender or by private contract, at any price, subject to compliance with regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, the Company does not have the right to purchase the Debentures by private contract.

The Debentures may also be redeemed by the Company in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under "– Put Right upon a Change of Control".

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and will not be reissued or resold.

PUT RIGHT UPON A CHANGE OF CONTROL

Upon the occurrence of a change of control of the Company involving the acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the votes attaching, collectively, to (a) outstanding Common Shares and (b) Common Shares issuable upon the conversion or exercise of securities convertible into or carrying the right to acquire Common Shares, in accordance with their terms (a "Change of Control"), each Debentureholder may require the Company to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "Put Date"), the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest up to but excluding the Put Date (the "Total Put Price"). For greater certainty, the definition of "Change of Control" specifically excludes any transaction or series of transactions in which a new parent entity is established, created, or adopted for, or in replacement of, the Company and subsequent thereto voting control of or direction over the equity interests in the new parent entity are held by the Shareholders immediately prior to such transaction or series of transactions, provided that immediately upon consummation or completion of any such transaction or series of transactions, the acquisition by any Person or group of Persons acting jointly or in concert of voting control or direction over 66⅔% or more of votes attaching, collectively, to the outstanding equity interests in the new parent entity shall constitute a Change of Control.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date the Company provides notice of the Change of Control to the Debenture Trustee have been tendered for purchase on the Put Date, the Company has the right but not the obligation to redeem all the remaining outstanding Debentures on such date at the Total Put Price. Notice of such redemption must be given by the Company to the Debenture Trustee prior to the Put Date and as soon as reasonably possible thereafter by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

The Total Put Price is payable in lawful money of Canada or, at the Company's option and subject to regulatory approval, and provided no Event of Default has occurred and is continuing, by payment of Common Shares to satisfy, in whole or in part, the Company's obligation to pay the Total Put Price. If the Company so elects to satisfy all or a portion of the Total Put Price by the issuance of Common Shares, the number of Common Shares to be issued will be determined by dividing the Total Put Price to be so paid by the issuance of Common Shares by 95% of the Current Market Price of the Common Shares on the Put Date.

The Indenture contains notification provisions to the following effect:

(a) the Company will, as soon as practicable after the occurrence of a Change of Control and in any event no later than five business days thereafter, give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will, as soon as practicable thereafter, and in any event no later than two business days after receiving notice from the Company of the occurrence of a Change of Control, provide written notice to the Debentureholders of the Change of Control, the repayment right of the Debentureholders, and the Company's right to redeem untendered Debentures under certain circumstances; and

(b) a Debentureholder, in order to exercise the right to require the Company to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the Debentureholders' exercise of such right together with a duly endorsed form of transfer.

The Company will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

AMALGAMATION, MERGER AND SALE OF ASSETS

The Company may not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other person (a "Successor") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless the Company complies with the requirements of the Indenture, including that:

(a) the Successor has assumed all the covenants and obligations of the Company under the Indenture in respect of the Debentures;

(b) the Debentures will be valid and binding obligations of the Successor entitling the Debentureholders to all of the rights of Debentureholders under the Indenture, including the rights of conversion;

(c) such transaction, in the opinion of counsel to the Company, is on such terms as to substantially preserve and not materially and adversely impair any of the rights and powers of the Debenture Trustee or of the Debentureholders under the Indenture; and

(d) no condition or event exists as to the Company (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto which constitutes or would constitute an Event of Default.

METHOD OF PAYMENT

Payment of Principal on Redemption or at Maturity

On redemption or at maturity, the Company will, subject to the following sentence, repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount required to repay the principal amount of the outstanding Debentures together with accrued and unpaid interest thereon. The Company may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to applicable regulatory approval, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature by issuing and delivering fully paid, non-assessable and freely tradeable Common Shares to the Debentureholders. The number of Common Shares to be issued will be determined by dividing the principal amount of the Debentures that are to be redeemed or that are to mature, as the case may be, by 95% of the Current Market Price of the Common Shares on the date fixed for redemption or maturity, as the case may be. No fractional Common Shares will be issued on redemption but, in lieu thereof, the Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of the fractional interest.

Interest Payment Election

Unless an Event of Default has occurred and is continuing, the Company may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and solicit bids from investment banks, brokers or dealers to sell Common Shares in order to raise funds to satisfy all or part of its obligation to pay interest on the Debentures in accordance with the Indenture (the "Common Share Interest Payment

Election”), in which event Debentureholders will be entitled to receive a cash payment, equal to the interest payable, from the proceeds of the sale of such Common Shares by the Debenture Trustee. The Indenture provides that, upon such election, the Debenture Trustee shall (a) accept the proceeds with respect to the sales of Common Shares by the Company; (b) invest the proceeds of such sales in specified short-term Canadian federal or provincial government or Canadian chartered bank obligations which mature prior to the applicable Interest Payment Date; (c) deliver proceeds to Debentureholders sufficient to satisfy the Company’s interest payment obligations; and (d) perform any other action necessarily incidental thereto as directed by the Company in its absolute discretion. The amount received by a holder in respect of interest and the timing of payment thereof will not be affected by whether the Company elects to utilize the Common Share Interest Payment Election.

The Indenture sets forth the procedures to be followed by the Company and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee in full satisfaction of the obligation of the Company to pay interest on the Debentures.

Neither the Company’s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the Debentureholders not being entitled to receive, on the applicable Interest Payment Date, cash in an aggregate amount equal to the interest payable on such date or (b) entitle such holders to receive any Common Shares in satisfaction of the interest payable on the applicable Interest Payment Date.

Restriction on Common Share Redemption Right and Common Share Repayment Right

The Company shall not, directly or indirectly (through a subsidiary or otherwise), undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

(a) the number of securities to be issued;

(b) the price at which securities are to be issued, converted or exchanged; or

(c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly, (i) the exercise or potential exercise by the Company of the right to repay the principal amount of the Debentures in Common Shares, or (ii) the Current Market Price determined in connection with the exercise or potential exercise by the Company of the right to repay the principal amount of the Debentures in Common Shares. See “– Method of Payment – Payment of Principal on Redemption or at Maturity”.

EVENTS OF DEFAULT

The Indenture provides that an event of default (“Event of Default”) in respect of the Debentures occurs if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration of acceleration, or otherwise; (c) an unremedied breach of any material covenant or condition of the Indenture by the Company after a 30-day cure period following notice of such breach being given by the Debenture Trustee; or (d) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% of the principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. Certain Events of Default may be waived by written direction of the holders of not less than 66⅔% of the principal amount of the outstanding Debentures, by Extraordinary Resolution (as defined below) or by the Debenture Trustee in certain circumstances in accordance with the terms of the Indenture.

The Indenture contains a provision that precludes the Company from declaring or paying any cash dividends on any Common Shares (or securities convertible into or exchangeable for Common Shares) at any time after the occurrence of an Event of Default caused by the failure to pay interest on any Debentures when due until such Event of Default has been cured or waived.

MODIFICATION

The rights of the Debentureholders may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions that make binding on all Debentureholders resolutions (each an “Extraordinary Resolution”) passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. If any such modification especially affects the rights of the holders of a particular series of Debentures in a manner or to an extent differing in any material way from that in or to which the rights of the holders of any other series of Debentures are affected (as determined by an opinion of counsel), then the Extraordinary Resolution will not be binding on the holders of the especially affected series of Debentures unless it is also approved by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures of such especially affected series present at the meeting or represented by proxy. Under the Indenture, the Debenture Trustee has the right to make certain amendments to the Indenture in its discretion without the consent of the Debentureholders.

SATISFACTION AND DISCHARGE OF DEBENTURES

The Company may satisfy and discharge its obligations under one or more series of Debentures by depositing with the Debenture Trustee, in trust for the benefit of holders of the applicable series of Debentures, such amount of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada, Common Shares or money, as is sufficient to pay, satisfy and discharge the aggregate amount of principal and interest owing in respect of the applicable series of Debentures for the period commencing on the date of such deposit and ending on the date of maturity or any repayment or redemption date. Upon such deposit, the Company will be deemed to have fully paid, satisfied and discharged the applicable series of Debentures and, except as expressly contemplated in the Indenture, the provisions of the Indenture will no longer be binding on the Company in respect of the applicable series of Debentures. Holders of such Debentures will continue to have the right to convert their Debentures in accordance with the terms of the Indenture. In addition, following such deposit, holders of the applicable series of Debentures will continue to receive regular interest payments and will be entitled to receive payments of principal when due.

OFFERS FOR DEBENTURES

The Indenture contains provisions to the effect that if an offer is made to acquire all outstanding Debentures issued under the Indenture where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures, and not less than 90% of the outstanding principal amount of such Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror or any Person acting jointly or in concert with the offeror) are taken up and paid for by the offeror, then the offeror will be entitled to acquire the outstanding Debentures held by holders thereof who did not accept the offer on the terms offered by the offeror.

NORMAL COURSE ISSUER BID

During 2023, the Company purchased for cancellation 1,749,131 Common Shares at a cost of $11.1 million, representing a weighted average price per share of $6.34.

In June 2023, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 7,273,707 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on June 30, 2023, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, daily purchases will be limited to 36,281 Common Shares. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. As at March 7, 2024, the Company had purchased for cancellation 1,121,631 Common Shares at a cost of $7.0 million under the current NCIB, representing a weighted average price per share of $6.23, all of which were acquired in 2023 (refer to "General Development of the Business – Normal Course Issuer Bid").

Under its prior NCIB that commenced on June 30, 2022, and expired on June 29, 2023, the Company purchased for cancellation 5,638,680 Common Shares at a cost of $39.1 million, representing a weighted average price per share of $6.94, of which 627,500 were acquired during 2023 at a cost of $4.1 million.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

The Common Shares and 2025 Debentures trade on the TSX under the symbols "EXE", and "EXE.DB.C", respectively. The following table sets forth the range of high and low prices and the total trading volumes of the Common Shares and the 2025 Debentures on the TSX on a monthly basis from January 2023 to February 2024.

	Common Shares (TSX: EXE)			2025 Debentures (TSX: EXE.DB.C)		
Month	**High ($)**	**Low ($)**	**Volume Traded**	**High ($)**	**Low ($)**	**Volume Traded**
January 2023	6.85	6.47	4,147,999	96.89	93.50	1,216
February 2023	6.82	6.48	2,988,949	97.00	94.25	516
March 2023	6.59	6.02	2,834,749	97.00	92.75	1,381
April 2023	6.57	6.26	2,108,611	95.00	92.00	1,275
May 2023	7.32	6.38	4,305,345	96.49	93.75	1,006
June 2023	7.45	6.71	2,505,807	96.34	93.80	780
July 2023	7.64	6.95	2,009,912	96.64	94.51	836
August 2023	7.44	6.39	3,430,720	96.75	95.00	743
September 2023	6.49	6.01	2,438,498	96.00	93.67	418
October 2023	6.25	5.77	1,893,965	95.90	92.50	559
November 2023	7.03	5.75	4,453,578	96.00	93.50	1,187
December 2023	7.39	6.96	2,337,711	98.50	95.25	914
January 2024	7.37	7.01	1,824,132	99.50	98.00	1,194
February 2024	7.12	6.68	1,991,243	99.25	98.20	640

DIRECTORS AND OFFICERS

The following table sets forth information relating to each of the Directors and Officers of Extendicare Inc., and includes the following: name, province or state, and country of residence, current positions held and principal occupations during the past five years; and the date he or she first became a Director of Extendicare Inc. Each Director is elected annually to hold office for a term expiring not later than the close of business at the next annual meeting, or until he or she vacates his or her office or his or her successor is appointed.

Name/Residence/Director Since	Current Positions/Principal Occupation for Past Five Years
Alan D. Torrie Ontario, Canada **Director since:** January 22, 2016 **Committees:** GS, HR	Mr. Torrie was appointed Chairman of the Board of Extendicare on May 25, 2017. He served as President and CEO of Morneau Shepell Inc. (a predecessor of LifeWorks Inc. (TSX: LWRK)) from 2008 to May 2017, and as a member of its board from 2005 to 2017. Mr. Torrie also served as the President and CEO of Discovery Air Inc. from August 2017 to September 2018. Mr. Torrie has over 30 years of experience as a senior executive leader in health care and life sciences, including as Chief Operating Officer of Retirement Residences REIT ("RRR") from 2005 to 2007 (a predecessor of Revera Inc.), and in a number of senior executive positions at MDS Inc. (a predecessor of Nordion Inc.) from 1987 to 2005, including as President and CEO of MDS Diagnostics and MDS Laboratories. Mr. Torrie has served on numerous corporate and community boards, and is currently a director and Chair of the Audit Committee of Flow Capital Corp. (TSXV: FW) and Chair of Green Shield Canada.

Name/Residence/Director Since	Current Positions/Principal Occupation for Past Five Years
Norma Beauchamp Ontario, Canada **Director since:** May 30, 2019 **Committees:** HR, QR	Ms. Beauchamp is a corporate director with over 30 years of healthcare experience in corporate and non-profit organizations, including executive positions at Bayer Healthcare (Canada and Global) and Sanofi Canada. Most recently, she served as the President and CEO of Cystic Fibrosis Canada (2014 to 2017). Ms. Beauchamp currently serves on the respective TSX-listed boards of Aurora Cannabis Inc., as Chair of its Nominating and Corporate Governance Committee and a member of its Audit Committee, and HLS Therapeutics Inc., a pharmaceutical company. Ms. Beauchamp gives back to her community and serves as a member of the National Research Council of Canada and as a Regional Ambassador with Women Get on Board where she connects with women aspiring to serve on boards.
Michael Guerriere Ontario, Canada **Director since:** March 12, 2018	Dr. Guerriere was appointed the President and CEO of Extendicare on October 22, 2018. He has a diverse background with over 25 years of experience in medical practice, hospital operations, management consulting and health technology. Dr. Guerriere was Chief Strategy Officer at TELUS Health, a provider of technology services to clinical professionals, hospitals, government agencies, health authorities, pharmacies and consumers across Canada, from May 2011 to October 2018. Dr. Guerriere was a founding partner of Courtyard Group, an international health care consultancy, from 2000 until it was acquired by TELUS Health. Dr. Guerriere also served 10 years as an executive in university teaching hospitals, including as Executive Vice President and Chief Operating Officer at the University Health Network. Dr. Guerriere chairs the Health and Life Sciences Advisory Board at the University of Toronto's Rotman School of Management where he teaches a graduate course on Digital Health and has served on numerous boards, including Ryerson University (where he served as Chair), MediSolution Ltd. (member of audit committee), Canada Health Infoway (chair of finance committee), the Canadian Institute for Health Information, and the Institute of Clinical Evaluative Sciences.
Sandra L. Hanington, M.S.C. Ontario, Canada **Director since:** August 5, 2014 **Committees:** Audit, GS, QR	Ms. Hanington is a corporate director and advisor, and is a former President and CEO of the Royal Canadian Mint (February 2015 to July 2018). From 1999 to 2011, she held a number of progressively senior executive roles in the financial services sector in North America, culminating as Executive Vice-President and a member of the Management Committee of BMO Financial Group. Ms. Hanington currently serves on the board of The Descartes Systems Group Inc. (TSX: DSG) and as a member of the Governing Council of the University of Toronto. Ms. Hanington is the co-founder and a director of Jack.org, promoting mental health and wellness for youth in Canada since 2010.

Name/Residence/Director Since	Current Positions/Principal Occupation for Past Five Years
Alan R. Hibben Huby, England **Director since:** January 22, 2016 **Committees:** Audit, GS, INV	Mr. Hibben is a corporate director and advisor. Since December 2014, he has been the principal of Shakerhill Partners Ltd., a consulting firm providing strategic and financial advice, specializing in mergers and acquisitions, corporate strategy and governance, as well as expert witness services. Previously, Mr. Hibben was a Managing Director in the Mergers and Acquisitions Group at RBC Capital Markets, Head of Strategy and Development at Royal Bank of Canada and CEO of RBC Capital Partners. He has been a director of a number of Canadian public and private companies, both in financial services and as part of his responsibility for overseeing private equity and venture capital investments. Mr. Hibben currently serves on the board of Mattr Corp. (TSX: MATR) (formerly Shawcor Ltd.).
Brent Houlden Ontario, Canada **Director since:** May 28, 2020 **Committees:** Audit, INV, QR	Mr. Houlden is a corporate director, advisor and interim manager. Most of Mr. Houlden's career has been spent consulting in the area of strategy and operations, and as a financial advisor on urgent business critical transactions. He is an operator and strategist with a wide breadth of management skills and consulting expertise. After retiring as a senior Deloitte partner in November 2014, Mr. Houlden has held various management roles including being the CEO of Dealnet Capital (October 2017 to December 2020). Mr. Houlden currently serves on the boards of Corus Orthodontists Inc. (a private company) and the Mount Pleasant Group of Cemeteries. He has previously served on a number of other boards including that of Dealnet Capital for five years and Deloitte for six years.
Donna E. Kingelin Ontario, Canada **Director since:** January 6, 2016 **Committees:** HR, QR	Ms. Kingelin is a corporate director and consultant, and is the retired owner and managing partner of Kingswood Consulting, a partnership that specialized in providing comprehensive services for seniors' housing companies (2012 to 2017). Prior to that, Ms. Kingelin held several senior executive positions, including Managing Director at Holiday Corporation, a private independent retirement living company (June 2010 to June 2012), and as a senior executive at Revera Inc. (1997 to 2010), a seniors' housing company wholly owned by the Public Service Pension Investment Board (formerly TSX: RRR). She holds board positions at Oshawa Power and Utilities Corporation (Chair of the Governance, Human Resources and Nomination Committee); Pallium Canada (Chair of the Human Resources and Nomination Committee); Kinark Child and Family Services; and the Kinark Foundation.
Samir Manji British Columbia, Canada **Director since:** May 30, 2019 **Committees:** INV	Mr. Manji is the founder and CEO of Sandpiper Group, a Vancouver-based real estate private equity firm established in 2016, and is the President and CEO, and a Trustee of Artis Real Estate Investment Trust (TSX: AX.UN). Mr. Manji has been involved in over $3 billion in hospitality, seniors' housing and multifamily residential real estate transactions and has over 25 years of experience in real estate and seniors housing. Mr. Manji was the founder, Chairman and CEO of Amica Mature Lifestyles Inc. ("Amica"), a TSX-listed company from 1997 until its sale to the Ontario Teachers' Pension Plan in 2015. Mr. Manji is widely credited with building Amica into the premier high-end independent living brand it is today. Mr. Manji is a member of the Young Presidents' Organization and he is the current President of the Ismaili Council for British Columbia.

Name/Residence/Director Since	Current Positions/Principal Occupation for Past Five Years
Al Mawani Ontario, Canada **Director since:** December 1, 2017 **Committees:** Audit, HR, INV	Mr. Mawani is the Principal of Exponent Capital Partners Inc., a private equity investor and real estate advisory firm. He has over 35 years of experience in the commercial real estate industry, including 15 years of c-suite experience as SVP/EVP & CFO of Oxford Properties Group Inc. (1989 to 2001), President and CEO of Calloway/Smart Centres Real Estate Investment Trust (2011 to 2013), and President & CEO of privately-owned Rodenbury Investments Limited (2015 and 2016). Mr. Mawani has been an independent board member of national and North American firms across multiple asset classes, including private-pay retirement living operations. He currently serves on the TSX-listed boards of First Capital Real Estate Investment Trust, as Chair of its Governance & Sustainability Committee and member of its Audit Committee (previously Chair); and Granite Real Estate Investment Trust, as a member of its Audit Committee.
David Bacon Senior Vice President, Chief Financial Officer Ontario, Canada	Mr. Bacon joined the Company in his current role in April 2019. Prior to joining the Company, he held a variety of senior executive roles across a variety of industries, ranging from environmental services, logistics, renewable energy and telecommunications. Prior to joining the Company, Mr. Bacon served as the Executive Vice President, CFO of GFL Environmental Inc. (2017 to 2018), and the Executive Vice President, CFO of Canada Cartage System (2010 to 2017). He is a CPA, CA with a Bachelor of Arts degree from the University of Western Ontario and MBA from the Schulich School of Business at York University and holds the ICD.D designation.
John Toffoletto Senior Vice President, Chief Legal Officer and Corporate Secretary Ontario, Canada	Mr. Toffoletto joined the Company in his current role in November 2019. Prior to joining the Company, he served as an executive of Enercare Inc. from January 2009 to January 2019, most recently as Senior Vice President, Chief Legal Officer and Corporate Secretary, where he managed a diverse portfolio, including human resources, labour relations, government relations and divisional oversight, in addition to the legal function. Mr. Toffoletto practiced law at Torys LLP (2001 to 2008) and holds a Bachelor of Arts Honours Degree and a Bachelor of Laws Degree (with Honours) from the University of Toronto.
Steve Paraskevopoulos Senior Vice President, ParaMed and Chief Technology Officer Ontario, Canada	Mr. Paraskevopoulos joined the Company in his current role in September 2022. He has a broad leadership career of more than 25 years spent in the seniors' living, life science and telecom industries. Prior to joining the Company, Mr. Paraskevopoulos served as an executive of Revera Inc. (January 2011 to August 2022), most recently as Chief Technology Officer. Mr. Paraskevopoulos holds a Bachelor of Science (Honours) degree in Physics from McMaster University.
Katie LeMoyne Senior Vice President, Chief Human Resources Officer Ontario, Canada	Ms. LeMoyne was appointed Senior Vice President, Chief Human Resources Officer in September 2023. She had previously been Vice President, Information Technology for ECI (November 2020 to September 2023). Ms. LeMoyne joined the Company in October 2019, as Director, ParaMed Business Transformation. Prior to joining the Company, Ms. LeMoyne was with TELUS Health (October 2015 to October 2019), most recently as a Principal, leading large scale health systems integration projects. Ms. LeMoyne also spent several years in healthcare consulting in Canada, the United States and Bahamas. Ms. LeMoyne has a BSc in Health Information Science from the University of Victoria and an MBA from the Kellogg School of Management at Northwestern University.

Name/Residence/Director Since	Current Positions/Principal Occupation for Past Five Years
Wendy Gilmour Senior Vice President, Long-term Care Operations Ontario, Canada	Ms. Gilmour joined the Company on August 1, 2023 and is the Senior Vice President, Long-term Care Operations of Extendicare Inc. Prior to joining the Company, Ms. Gilmour served as Senior Vice President, Long-term Care of Revera Inc. (October 2014 to July 2023). In previous roles, Ms. Gilmour supported several Canadian health care organizations and hospital corporations, including Sunnybrook Health Sciences Centre, as Vice President of Clinical Support Services. Ms. Gilmore has a Bachelor of Science in Medical Laboratory Sciences and an MBA from the University of Alberta.
Joe Belinsky Vice President, Information Technology and Chief Information Officer Ontario, Canada	Mr. Belinsky joined the Company in his current role in January 2024. Prior to joining the Company, Mr. Belinsky served as an executive of Revera Inc. (June 2020 to January 2024), most recently as Chief Information Officer, and as Vice President, Infrastructure Services at Moneris (2012 to 2019). Mr. Belinsky holds a Bachelor of Science from the University of Redlands and an MBA from the University of Wales.
Kathryn Bradley Vice President, Corporate Development Ontario, Canada	Ms. Bradley was appointed Vice President, Corporate Development in August 2023. She had previously been Vice President, Strategy & Performance of the Company (January 2022 to August 2023). Ms. Bradley joined the Company as Director Strategy & Performance Management in 2019. Prior to joining the Company, Ms. Bradley was a management consultant at KPMG LLP (2010-2019), most recently as a Director in the Deal Advisory practice. Ms. Bradley is a CPA, CMA with an MBA from the DeGroote School of Business at McMaster University and a Bachelor of Arts (Honours) degree from Queen's University.
Elaine E. Everson Vice President, Redevelopment Ontario, Canada	Ms. Everson was appointed Vice President, Redevelopment in August 2023. She joined the Company in 1985 as a member of the financial reporting department and has held a number of executive positions, most recently as Vice President, Corporate Development (April 2019 to August 2023), Vice President and Chief Financial Officer (May 2015 to April 2019), and as Vice President and Controller (2006 to May 2015). Ms. Everson is a CPA, CA, and holds a Bachelor of Mathematics degree from the University of Waterloo.
Jillian E. Fountain Vice President, Investor Relations Ontario, Canada	Ms. Fountain was appointed Vice President, Investor Relations in May 2018. She joined Extendicare in 1988 as a member of the financial reporting department and served as Corporate Secretary from 1999 to May 2018. Ms. Fountain is a CPA, CA, and holds a Bachelor of Mathematics degree from the University of Waterloo.

Audit:	Audit Committee	INV:	Investment Committee
GS:	Governance and Sustainability Committee	HR:	Human Resources Committee
		QR:	Quality and Risk Committee

As at March 7, 2024, there were 83,158,315 Common Shares issued and outstanding, of which the Directors and officers of Extendicare as a group, beneficially owned, or controlled or directed, directly or indirectly, 11,780,167, or 14.2%, of the Common Shares.

Mr. Torrie was a director of LMI Legacy Holdings II Inc. (formerly known as Landauer-Metropolitan, Inc., and together with certain affiliated entities, "LMI") which filed a petition in the U.S. Bankruptcy Court for the District of Delaware for relief under Chapter 11 of the U.S. Bankruptcy Code on August 16, 2013. Following a sale of substantially all of LMI's assets on February 7, 2014, LMI filed a Joint Plan of Liquidation (the "Plan") under Chapter 11 of the U.S. Bankruptcy Code. On April 28, 2014, the U.S. Bankruptcy Court entered an order confirming the Plan. The effective date for the Plan was May 1, 2014. In addition, Mr. Torrie served as President and CEO of Discovery Air Inc. from August 2017 to September 2018, which commenced restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) on March 21, 2018 and bankruptcy proceedings under the *Bankruptcy and Insolvency Act* (Canada) on September 4, 2018.

Mr. Houlden was named Interim CFO of Danier Leather Inc. on July 2, 2015, to help with its restructuring, a position he held until leaving the company in April 2016. The company announced on February 4, 2016, that it had filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada). In addition, on November 7, 2022, Mr. Houlden's appointment as the sole director of Datatax Business Services Limited ("Datatax") was approved by the Ontario Superior Court and on August 14, 2023, Datatax filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) with a stalking horse bidder. The sale of Datatax's assets closed on October 14, 2023 with the secured lenders recovering their loans.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen's Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes and retirement communities located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

In January 2022, four active class actions against the Company in Ontario were consolidated into one action pursuant to the *Class Proceedings Act* (Ontario). The consolidated claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The consolidated claim seeks damages in the aggregate of $110 million. On March 7, 2024, the consolidated claim was certified against the Company, but only in respect of the Ontario LTC homes it owns and with a gross negligence cause of action. The Company and/or the plaintiffs may appeal the decision in whole or in part.

The Company intends to vigorously defend itself against these claims and these claims are subject to insurance coverage maintained by the Company. However, given the status of the proceedings, the Company is unable to assess their potential outcome and they could have a materially adverse impact on the Company's business, results of operations and financial condition (see "Risk Factors").

In December 2020, the Government of Ontario passed Bill 218, *Supporting Ontario's Recovery Act* (Ontario), which provides targeted liability protection against COVID-19 exposure-related claims against any individual, corporation, or other entity that made a "good faith" or "honest" effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with "gross negligence". The protection under Bill 218 is retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic. Similar legislation has been passed in other provincial jurisdictions, including Saskatchewan.

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of certain unions in respect of a legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the long-term care sector, including the Government of Ontario, are working to resolve the matter. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below, there were no material interests, direct or indirect, of the Directors or executive officers of Extendicare or its subsidiaries, any Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year, or any proposed transaction, which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The following are the only material contracts entered into by the Company that are still in effect, other than material contracts entered into in the ordinary course of business that are not required to be filed under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators:

- the Indenture;
- the Retirement Sale Agreement; and
- the Shareholder Rights Plan.

These material contracts are disclosed elsewhere in this AIF and copies have been filed on SEDAR+ and are available at www.sedarplus.ca.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, located in Toronto, Ontario, is the transfer agent and registrar of the Common Shares and the 2025 Debentures.

INTERESTS OF EXPERTS

KPMG LLP ("KPMG"), the Company's external auditors, have reported on the consolidated financial statements of the Company, which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for the years then ended. KPMG have advised that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE CHARTER

Extendicare maintains an audit committee (the "Audit Committee") that operates within a written mandate, approved by the Board of Directors of Extendicare. The full text of the Audit Committee Charter, which describes the Audit Committee's objectives and responsibilities, is attached as Appendix A to this AIF.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is currently composed of the following four Directors: Brent Houlden (Chair), Sandra L. Hanington, Alan R. Hibben, and Al Mawani. The Board of Directors has determined each member of the Audit Committee to be "independent" and "financially literate" under National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, and has made this determination based on the education and experience of each member.

RELEVANT EDUCATION AND EXPERIENCE

The Board believes that the members of the Audit Committee have significant experience and a level of financial literacy that is relevant to the performance of his or her responsibilities as a member of the Audit Committee. The following is a description of the education and experience of each member of the Audit Committee.

Name of Independent Director (member of Audit Committee since)	**Education and Experience**
Brent Houlden (Chair) May 2020 **Financially literate:** Yes	Former senior Deloitte partner (retired in 2014 after 36 years) and former Interim CFO of Danier Leather Inc. (July 2015 to April 2016); a CPA, CA and LIT (retired), an MBA from Queens University; and an ICD.D.
Sandra L. Hanington, M.S.C. August 2014 **Financially literate:** Yes	Former President and CEO of the Royal Canadian Mint and former senior executive of BMO Financial Group; BASc from the University of Waterloo; MBA from the Rotman School of Management; and an ICD.D.
Alan R. Hibben January 2016 **Financially literate:** Yes	Former Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets; former Head, Strategy & Development of RBC Financial Group; former CEO of RBC Capital Partners; has served on many TSX-listed boards including as chair of audit committees; a CPA, CA; a CFA; and an ICD.D.
Al Mawani December 2017 **Financially literate:** Yes	Principal of Exponent Capital Partners Inc., a private equity investor real estate advisory firm; 11 years as SVP/EVP & CFO of then TSX-listed Oxford Properties Group Inc.; has served on many TSX-listed boards including as chair of audit committees; a CPA, CA, has a Masters in Law from York University and an MBA from University of Toronto.

EXTERNAL AUDITOR SERVICE FEES

Fees billed by the Company's independent external auditors, KPMG LLP, during fiscal 2023 and 2022, respectively, and the nature of such fees are detailed in the following table. In addition, a description of the nature of the fees is provided below the table.

Fee Category	**Year ended 2023**	**Year ended 2022**
Audit	$1,369,000	$1,323,000
Audit fees related to prior year	24,000	77,000
Other	11,000	–
Total	**$1,404,000**	**$1,400,000**

Audit fees were for professional services rendered by KPMG LLP in respect of audit services and interim reviews of the consolidated financial statements of the Company, including separate audits and reviews of certain of its wholly owned subsidiaries. In addition, services during both years were provided in respect of other regulatory-required auditor attest functions associated with government audit reports for the long-term care homes and home health care operations.

Other fees were for services rendered by KPMG LLP in respect of education and training provided to the Company.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted policies and procedures for the pre-approval of services performed by its external auditors, with the objective of maintaining the independence of the external auditors. The policy requires that the Audit Committee pre-approve all audit, audit-related, tax and other permissible non-audit services to be performed by the external auditors, including all engagements of the external auditors with respect to the Company's subsidiaries. The Audit Committee pre-approved all such fees and services in 2022 in accordance with the policy. The policy sets out the details of the permissible non-audit services consistent with the independence requirements of the Canadian independence standards for auditors. The procedures require the CFO to present the details of any proposed assignments of the external auditor for consideration by the Audit Committee. The procedures do not allow delegation of the Audit Committee's responsibilities to management.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form:

"**2025 Debentures**" means the convertible unsecured subordinated debentures issued by the Company in April 2019, and due April 30, 2025, bearing interest at an annual rate of 5.00%, payable semi-annually in arrears on April 30th and October 31st in each year;

"**AHS**" means Alberta Health Services, the provincial health authority responsible for overseeing the planning and delivery of health care services in Alberta;

"**Annual Information Form**" or "**AIF**" means this annual information form for the year ended December 31, 2023 of Extendicare dated March 7, 2024;

"**Axium**" means Axium Infrastructure Inc. and its affiliates;

"**Axium JV**" means Axium Extendicare LTC LP, a limited partnership formed under the laws of the Province of Ontario;

"**Axium JV II**" means Axium Extendicare LTC II LP, a limited partnership formed under the laws of the Province of Ontario;

"**Axium Transaction**" has the meaning given to such term in this AIF under "General Development of the Business – Acquisitions and Dispositions – Revera and Axium Transactions";

"**Board**", "**Board of Directors**", or "**Directors**" means at any time the individuals who are the directors of Extendicare;

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985 c.C-44, and the regulations thereunder, in either case, as amended;

"**CCA**" means the *Continuing Care Act, 2022* (Alberta) and the regulations thereunder, in either case, as amended;

"**CCHA**" means the *Convenient Care at Home Act, 2023* (Ontario) and the regulations thereunder, in either case, as amended;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**Change of Control**" has the meaning given to such term under "Description of the Debentures – Put Right Upon a Change of Control" (which is the same meaning as the meaning given to the term "Change of Control" in the Indenture);

"**Class A**", "**Class B**", "**Class C**" or "**New**" home or bed means the MLTC's categorization based on whether or not an LTC home or bed meets or exceeds certain structural design guidelines, as follows:

- "New" homes are those that were built after 1998 to the design standards published by the MLTC dated May 1999, as amended;
- "A" homes are those that were built prior to 1998 and almost meet the 1999 design standards, as amended;
- "B" homes are those that have been upgraded from the 1972 design standards but do not meet the 1999 design standards, as amended; and
- "C" homes are those that meet the 1972 design standards;

"**CMHC**" means Canada Mortgage and Housing Corporation;

"**Common Shares**" means the common shares in the capital of Extendicare;

"**Conversion Price**" means the conversion price of the Debentures specified under "Description of the Debentures – Conversion Rights";

"**CSA Group**" means Canadian Standards Association;

"**Current Market Price**" means the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event;

"**Debentureholder**" means a holder of Debentures;

“**Debentures**” means the debentures, notes or other evidence of indebtedness of the Company issued, certified and outstanding under the Indenture, or deemed to be issued, certified and outstanding under the Indenture, including, without limitation, the 2025 Debentures;

“**Debenture Trustee**” means Computershare Trust Company of Canada, as trustee under the Indenture;

“**Dividend Reinvestment Plan**” means the dividend reinvestment plan established by the Company as described under “Dividends – Dividend Reinvestment Plan”;

“**ECI**” means Extendicare (Canada) Inc., a corporation amalgamated under the laws of Canada and a subsidiary of Extendicare; and references to ECI in this AIF mean ECI alone or together with its subsidiaries, as the context requires;

“**Event of Default**” has the meaning given to such term in this AIF under “Description of the Debentures – Events of Default”;

“**Extendicare**” or the “**Company**” means the corporation known as “Extendicare Inc.”, which continued as one corporation as a result of the amalgamation of 8067929 Canada Inc., Extendicare Holding General Partner Inc., 8120404 Canada Inc. and Extendicare Inc. effective July 1, 2012, and which is the successor to Extendicare Real Estate Investment Trust; references to Extendicare or the Company in this AIF mean Extendicare Inc., either alone or together with its subsidiaries, as the context requires;

“**Extendicare Assist**” means Extendicare Assist, the Company’s management contracts and consulting and other services division;

“**FLTCA**” means the *Fixing Long-Term Care Act, 2021* (Ontario) and the regulations thereunder, in either case, as amended;

“**HCCSS**” means Home and Community Care Support Services, which is the provincial health agency in Ontario responsible for regional administration of in-home and community-based care services in Ontario, and which is the successor to the LHINs;

“**HSO**” means Health Standards Organization;

“**Indenture**” means the original trust indenture dated June 21, 2007, between a predecessor of Extendicare, and the Debenture Trustee, as supplemented by a first supplemental indenture dated June 19, 2008, a second supplemental indenture dated July 1, 2012, a third supplemental indenture dated September 25, 2012, and a fourth supplemental indenture dated April 17, 2018, pursuant to which Extendicare issued the 2025 Debentures;

“**Independent**” has the meaning given to that term in National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

“**Joint Ventures**” means collectively Axium JV and Axium JV II;

“**LHIN**” means the Local Health Integration Network, which was the local health authority responsible for regional administration of public health care services in Ontario, and which is the predecessor to HCCSS;

“**LTC**” means long-term care, as it relates to the type of care and services provided in a residential home that is designed for individuals, usually seniors, that cannot live independently and require professional nursing care on a daily basis and 24-hour supervision;

“**MLTC**” means the Ministry of Long-Term Care (Ontario);

“**Ontario Health**” means the Crown agency of the Government of Ontario established in June 2019 to oversee health care delivery;

“**Ontario Health Teams**” or “**OHTs**” means the groups of health care providers and organizations that, at maturity, will be clinically and fiscally accountable for delivering a full and coordinated continuum of care to a defined population;

“**ParaMed**” means ParaMed Inc., a corporation incorporated under the laws of Canada and a subsidiary of the Company, which provides home health care services in Canada under the business name ParaMed Home Health Care;

“**Person**” means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or any other entity;

“**Preferred Shares**” means the preferred shares in the capital of Extendicare;

“**RAI-MDS**” means resident assessment instrument – minimum data set; a tool used to assess clinical and functional characteristics of residents in long-term care settings in order to measure and assess a resident’s level of care needs;

“**Retirement Living Sale**” and “**Retirement Sale Agreement**” have the meaning given to such term in this AIF under “General Development of the Business – Acquisitions and Dispositions – Sale of Retirement Living Portfolio”;

“**Revera**” means Revera Inc. and its affiliates;

“**Revera Acquisition**”, “**Revera Transactions**” and “**Revera and Axium Transactions**” have the meanings given to such terms in this AIF under “General Development of the Business – Acquisitions and Dispositions –Revera and Axium Transactions”;

“**RHA**” means the *Retirement Homes Act, 2010* (Ontario) and the regulations thereunder, in either case, as amended;

“**RHRA**” means the Retirement Homes Regulatory Authority established under the RHA;

“**Saskatchewan LTC Homes**” and “**Saskatchewan LTC Home Transition**” have the meanings given to such terms in this AIF under “General Development of the Business – Acquisitions and Dispositions – Sale of Saskatchewan LTC Homes”;

“**Senior Indebtedness**” means the principal of, and the interest and premium (or any other amounts payable thereunder), if any, on:

(a) all indebtedness, liabilities and obligations of the Company (other than Debentures), whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition by the Company of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers’ acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers’ acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any subsidiary of the Company for payment of which the Company is responsible or liable, whether absolutely or contingently; and

(b) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to the Debentures issued pursuant to the Indenture which by their terms are subordinated;

“**SGP**” means SGP Purchasing Partner Network, the Company’s group purchasing division;

“**SHA**” means the Saskatchewan Health Authority, the provincial health authority responsible for overseeing the planning and delivery of health care services in Saskatchewan;

“**Shareholder Rights Plan**” means the amended and restated shareholder rights plan agreement dated as of May 24, 2018, between the Company and Computershare Trust Company of Canada, as rights agent;

“**Shareholders**” means the holders of Common Shares from time to time; and

“**TSX**” means the Toronto Stock Exchange.

APPENDIX A

EXTENDICARE INC.

(“Extendicare” or the “Company”)

AUDIT COMMITTEE CHARTER

(1) Purpose

The Audit Committee is a committee of the board of directors of Extendicare (the “Board”). The primary function of the Audit Committee shall be to assist the Board in fulfilling its responsibilities for oversight of (1) the quality and integrity of the Company’s consolidated financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the external auditors’ qualifications and independence, (4) the performance of the Company’s external auditors and internal audit function, (5) the accounting and financial reporting processes of the Company and its internal controls over financial reporting, and (6) reviewing progress on enterprise risks and management mitigation plans for risks allocated by the Board for oversight to the Audit Committee. The Audit Committee is also responsible for preparing any reports required to be prepared by it under the rules and regulations of applicable regulatory authorities.

The Audit Committee is directly responsible for the (1) recommendation for appointment of the external auditors by the Company’s shareholders, (2) compensation and oversight of the external auditors, and (3) resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors are ultimately accountable to (and shall directly report to) the Audit Committee, as representatives of the shareholders.

The Audit Committee has final authority and responsibility for the appointment, and assignment of duties of the internal audit department. The Audit Committee shall direct that the internal audit department be authorized to have full, free and unrestricted access to all of the functions, records, property and personnel of the Company in order to carry out the duties prescribed by the Audit Committee.

The activities enumerated in Section 4 of this Charter are designed to promote the Audit Committee’s fulfillment of its functions, as well as to facilitate communications between the Board, management, the internal auditors and external auditors on significant accounting judgments, estimates, principles, practices and policies. Notwithstanding the Audit Committee’s role in oversight of the Company’s consolidated financial reporting process and financial statements, it is acknowledged that the Company’s management ultimately has responsibility for that process and the Company’s consolidated financial statements.

(2) Composition

(a) The Audit Committee shall be comprised of not fewer than three (3) nor more than six (6) directors of the Company. The members of the Audit Committee shall be appointed annually. Unless a Chair is elected by the Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee.

(b) Each member shall satisfy the independence and experience requirements of applicable regulatory authorities. The Board will exercise their business judgment to determine an individual’s eligibility to be a member of the Audit Committee including a determination regarding his or her independence and experience.

(c) The Audit Committee shall consist of at least one member who shall have “Accounting or Related Financial Expertise”. The designation of such a member shall not impose any duties, obligations or liabilities on such member greater than the regular duties, obligations and liabilities as a member of the Audit Committee.

(d) The Chair of the Audit Committee and the other members of the Audit Committee shall:

(i) be “Financially Literate”, as this qualification is interpreted by the Board in their business judgment, or must become “Financially Literate” within a reasonable period of time after appointment to the Audit Committee;

(ii) be “Independent” and no member shall have a material relationship with Extendicare which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment;

(iii) not be an officer or employee of Extendicare, nor a compensated officer or employee of a subsidiary of Extendicare, nor have been such within the three-year period preceding his or her appointment as a member of the Audit Committee; and

(iv) not receive, either directly or indirectly, compensation from Extendicare or any subsidiary of Extendicare, other than in the member's capacity as a member of the Board.

(3) Meetings and Procedures

(a) The Audit Committee shall meet as often as it deems appropriate to discharge its responsibilities and in any event at least four (4) times per year. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business. The meetings will be scheduled so as to permit timely review and consideration of the interim and annual financial statements as well as allowing sufficient time to consider and review the audit plan with management and the external auditors. Additional meetings may be held as deemed necessary by the Chair of the Audit Committee or as requested by any member of the Audit Committee or the external auditors.

(b) As part of its job to foster communication, the Audit Committee shall meet periodically in separate executive sessions with management, internal audit, and the independent auditors to discuss any matter that the Audit Committee believes should be discussed privately.

(c) The minutes of all meetings of the Audit Committee shall be provided to the Board. Oral reports by the Chair of the Audit Committee on matters that have not been recorded in the minutes of the Audit Committee shall be provided to the Board at the next meeting of the Board following the meeting of the Audit Committee and as otherwise requested by the Board.

(d) The Audit Committee, as it deems necessary in the exercise of its business judgment, may conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee is authorized to retain and determine funding for independent professionals to assist in the conduct of any investigation.

(4) Responsibilities and Duties

The following are activities of the Audit Committee designed to promote the fulfillment of its functions as described in this Charter (these functions are set forth as a guide with the understanding that the Audit Committee may diverge from this guide as appropriate given the circumstances).

(a) **Financial Reporting Process and Documents Review**

Review and report to the Board before release to the public, where appropriate, all public disclosure documents (including related news releases) containing audited or unaudited financial information, including any prospectus, interim and annual financial statements, management's discussion and analysis, the annual report, the annual information form, any report on corporate responsibility or sustainability, and any certification, report, opinion, or review rendered by the external auditor. Such review shall include discussions with management and where appropriate the external auditors, and shall specifically include:

(i) all critical accounting estimates and judgments including how policies were chosen among alternatives, the methodology of applying those estimates and policies, and the assumptions made, and the impact of changes in those estimates and policies, both qualitatively and quantitatively;

(ii) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on the Company's consolidated financial statements, financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses;

(iii) all material related-party transactions;

(iv) obtaining an explanation from management of all significant variances between comparative reporting periods and an explanation for items which vary from expected or budgeted amounts;

(v) internal control procedures, programs and policies, and assessment of the adequacy and effectiveness of internal controls over the accounting and financial reporting systems and other identified business risks;

(vi) all post-audit or management letters, containing the recommendations of the external auditor, and management's response and subsequent follow-up to any identified weaknesses or significant comments;

(vii) all certifications of management with respect to financial information, as well as the existence and performance of internal controls;

(viii) all issues of operational risk management, including insurance coverages maintained by the Company or any subsidiary of the Company, legal exposure, including legal claims or other contingencies as well as tax assessments that could have a material effect upon the consolidated financial position or operating results of the Company, management compliance with regulatory requirements, conflicts of interest, and other related matters, in the exercise of its business judgment that it considers as having or tending to have a material impact on the financial position of the Company; and

(ix) any allegations of fraud, or other impropriety, whether or not material, that involves management or other employees who have a significant role in internal controls.

(b) **Independent External Auditors and Approval of Audit and Non-audit Services**
Possess the ultimate authority and responsibility to (1) recommend annually or more frequently as required the appointment or reappointment of the independent external auditors by the Company's shareholders, (2) evaluate, and where appropriate, replace the external auditors, and (3) determine the appropriate compensation to the external auditors. Such responsibility shall include:

(i) reviewing and approving the terms of the external auditors' engagement, the appropriateness and reasonableness of the proposed audit plan, audit fees and any unpaid fees;

(ii) establishing and maintaining procedures for pre-approval by the Audit Committee of all proposed non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and considering the impact of these on the independence of the external auditors;

(iii) the authority to delegate to one or more members the authority to grant the approvals required by the preceding paragraph; with a report of any such approvals to be presented to the full Audit Committee at its next regularly scheduled meeting;

(iv) reviewing and evaluating the performance of the external auditors annually or more frequently as required, including any problems experienced by the external auditors in performing their duties, any restrictions imposed by management, or significant accounting issues with which there was a disagreement with management;

(v) reviewing the evaluation of internal controls by the external auditors, together with management's response;

(vi) obtaining from the external auditors on a periodic basis, a formal written statement delineating all relationships between the external auditor and the Company, actively engaging in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors, and for recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence; and

(vii) reviewing all issues related to any change of external auditors, including the information to be included in the notice of change of auditor and the planned steps for an orderly transition.

(c) **Internal Audit Function**
Possess the ultimate authority and responsibility to review and report to the Board on the appointment, replacement, reassignment or dismissal of the internal auditor; and the functions of the internal audit department. Such responsibility shall include:

(i) reviewing and approving management's decisions related to the need for internal auditing;

(ii) reviewing the mandate, budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit department, as needed;

(iii) reviewing the appointment, performance, and replacement of the senior internal audit executive; and

(iv) reviewing significant reports prepared by the internal audit department together with management's response and follow-up to these reports.

(d) **Reports of the Audit Committee**
Prepare an annual Audit Committee report or other proxy statement disclosure about the activities of the Audit Committee in accordance with rules and regulations of applicable regulatory authorities.

(e) **Other Duties**

(i) review the appointment of the chief financial officer and of any key financial executive involved in the financial reporting process or any changes in any of these positions, with a policy that the Company or any of its subsidiaries will not hire employees and former employees of the external auditors if their status as employees would cause the external auditors to cease being independent;

(ii) establish procedures for (a) the receipt, retention and treatment of complaints received by the Company or any of its subsidiaries regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company or any of its subsidiaries of concerns regarding questionable accounting or auditing matters;

(iii) annually, review and reassess the adequacy of the Audit Committee Charter and report thereon to the Board; and

(iv) annually, review and evaluate the performance of the Audit Committee's duties.

(5) General Provisions

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's consolidated financial statements are complete and accurate. This is the responsibility of management. Nor is it the duty of the Audit Committee to conduct investigations, or to assure compliance with laws and regulations.

The Audit Committee is by this Charter delegated the powers of the Board necessary to carry out its purposes, responsibilities and duties provided in this Charter or reasonably related to those purposes, responsibilities and duties.

The Audit Committee may form and delegate authority to subcommittees of one or more members when appropriate. Any subcommittee shall be subject to this Charter. The decisions of any subcommittees to which authority is delegated under this paragraph shall be presented to the full Audit Committee at its next regularly scheduled meeting.

This Charter amends in its entirety and replaces the charter of the Audit Committee as heretofore in effect.

(6) Definitions

"Accounting or Related Financial Expertise" means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with applicable generally accepted accounting principles.

"Financially Literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's consolidated financial statements.

"Independent" means a member who meets the independence criteria as set out by the Canadian Securities Administrators in section 1.4 of National Instrument 52-110.

3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada L3R 4T9
T: (905) 470-4000 | F: (905) 470-5588 | www.extendicare.com