EXTENDICARE®

... helping people live better

NOTICE

AND

MANAGEMENT INFORMATION AND PROXY CIRCULAR

FOR THE

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

OF

EXTENDICARE INC.

TO BE HELD ON

May 26, 2016

Dated: April 8, 2016

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NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF EXTENDICARE INC.

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the "**Meeting**") of the holders of common shares (collectively, the "**Shareholders**") of Extendicare Inc. ("**Extendicare**" or the "**Company**") will be held on:

Thursday, May 26, 2016
10:30 a.m. (Toronto time)
Fairmont Royal York
100 Front Street West
Toronto, Ontario, Canada

for the following purposes:

(1) to receive the consolidated financial statements of the Company for the year ended December 31, 2015 and the report of the auditors thereon;

(2) to appoint the auditors of the Company;

(3) to elect directors of the Company;

(4) to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution approving the Company's Long Term Incentive Plan (the **"LTIP"**), which is more particularly described in the accompanying management information and proxy circular of the Company (the "**Information Circular**"); and

(5) to approve an advisory (non-binding) resolution to accept the approach of the Company to executive compensation disclosed in the Information Circular; and

(6) to transact such further business as may properly come before the Meeting or any adjournment thereof.

The accompanying Information Circular contains additional information relating to the matters to be dealt with at the Meeting.

As a Shareholder, you are entitled to attend the Meeting and to cast one vote for each common share of the Company held by you.

Shareholders are cordially invited to attend the Meeting. Whether or not Shareholders are able to attend the Meeting, registered Shareholders and non-registered Shareholders are encouraged to provide voting instructions in accordance with the enclosed form of proxy or voting instruction form, respectively.

The Company has fixed Friday, April 8, 2016 as the record date, being the date for the determination of the Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment thereof. To be effective, proxies must be received by Computershare Trust Company of Canada, Stock Transfer Services, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, no later than 10:30 a.m. (Toronto time) on May 24, 2016, and if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet.

If you are a non-registered Shareholder and receive the Meeting materials through an intermediary, please carefully follow the instructions provided by the intermediary, including those regarding when and where the voting instruction form is to be delivered, in order to provide sufficient time for the intermediary to act on them prior to that deadline. Additional information relating to the exercise of voting rights by registered and non-registered Shareholders is included in the accompanying Information Circular.

If you are a new Shareholder or a non-registered Shareholder who did not elect to receive our 2015 Annual Report, you can view this report on our website at www.extendicare.com. If you wish to receive a hard copy of this report, please contact the Corporate Secretary of the Company at 905-470-5534.

DATED at Markham, Ontario on April 8, 2016.

By order of the Board of Directors of Extendicare Inc.

J Fountain

Jillian E. Fountain
Corporate Secretary

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, but not including the Schedules. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

"**2012 Conversion**" means the conversion of Extendicare REIT from an income trust structure to a corporate structure pursuant to a plan of arrangement under Section 192 of the CBCA, effective as of 12:01 a.m. (Toronto time) on July 1, 2012 and pursuant to which Unitholders ultimately received one Common Share for each REIT Unit held;

"**2015 Annual Information Form**" means the annual information form of Extendicare dated March 30, 2016, for the year ended December 31, 2015;

"**Advisory (Non-binding) Resolution**" means the advisory (non-binding) ordinary resolution to accept the Company's approach to executive compensation, as set forth under the heading "Business of the Meeting – Shareholder Advisory Vote on the Approach to Executive Compensation";

"**Audit Committee**" means the audit committee of the Board of Directors;

"**Board**" or "**Board of 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, including the regulations promulgated thereunder, in either case as amended;

"**Change of Control**" means:

(i) the acceptance of an offer, whether made by way of take-over bid or otherwise, by a sufficient number of holders of voting securities of the Company to constitute the offeror, together with persons or companies acting jointly or in concert with the offeror, a securityholder being entitled to exercise 50% or more of the aggregate number of voting rights attaching to the outstanding voting securities of the Company;

(ii) the completion of an arrangement, consolidation, merger, amalgamation, recapitalization or other form of reorganization of the Company with or into any other person or company and the holders of Common Shares and any other voting securities of the Company immediately prior to the completion of the reorganization will hold 50% or less of the aggregate number of voting rights attaching to the outstanding voting securities of the continuing entity upon completion of the reorganization;

(iii) the completion of a sale whereby all or substantially all of the undertakings and assets of the Company on a consolidated basis become the property of any other person or company and the holders of Common Shares and any other voting securities of the Company immediately prior to that sale hold 50% or less of the aggregate number of voting rights attaching to the outstanding voting securities of the other person or company immediately following the sale; or

(iv) any other event which in the opinion of the Board constitutes a change of control of the Company;

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

"**Computershare**" means Computershare Trust Company of Canada, the registrar and transfer agent of the Company;

"**DSU**" means a deferred share unit granted under the LTIP, representing the right to receive a cash payment equal to the LTIP FMV of a Common Share (determined in accordance with the LTIP), or its equivalent in fully paid Common Shares;

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

"**EHSI**" means Extendicare Health Services, Inc., a corporation incorporated under the laws of Delaware that was a subsidiary of Extendicare, prior to the closing of the U.S. Sale Transaction; and references to EHSI in this Information Circular mean EHSI alone or together with its subsidiaries, as the context requires;

"**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. pursuant to the 2012 Conversion and which is the successor to Extendicare REIT; references to Extendicare or the Company in this Information Circular mean Extendicare Inc. alone or together with its subsidiaries, as the context requires;

"**GAAP**" means generally accepted accounting principles as recommended in the Chartered Professional Accountants of Canada Handbook at the relevant time;

"**Home Health Acquisition**" means the acquisition by the Company on April 30, 2015, of a home health business for $84.3 million in cash that brought together two leading Canadian private-sector home health care providers;

"**HR/GN Committee**" means the human resources, governance and nominating committee of the Board of Directors;

"**Hugessen**" means Hugessen Consulting Inc.;

"**Information Circular**" means the management information and proxy circular of Extendicare Inc. dated April 8, 2016, together with all appendices thereto, distributed to Shareholders in connection with the Meeting;

"**LTC**" means long-term care;

"**LTIP**" means the new long-term incentive plan of the Company approved by the Board on April 7, 2016;

"**LTIP FMV**" means, on any particular date, the VWAP of a Common Share on the TSX during the last five (5) trading days immediately preceding that particular date;

"**LTIP Resolution**" means the ordinary resolution in respect of the Company's LTIP, as set forth under the heading "Business of the Meeting – Approval of the Extendicare Long Term Incentive Plan";

"**MD&A**" means management's discussion and analysis of financial condition and results of operations;

"**Meeting**" means the annual and special meeting of Shareholders to be held on May 26, 2016, at the Fairmont Royal York, 100 Front Street West, Toronto, Ontario, Canada, commencing at 10:30 a.m. (Toronto time) and all postponements or adjournments thereof, to consider and vote on the matters set out in the Notice of Meeting;

"**Named Proxyholder**" has the meaning set forth under the heading "General Proxy Matters – Appointment of Proxyholder";

"**NEO**" means a named executive officer under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**Non-registered Shareholder**" means a Shareholder who holds their Common Shares in the name of a "nominee", such as a bank, trust company, securities broker or other financial institution;

"**Notice of Meeting**" means the notice of the Meeting that accompanies this Information Circular;

"**Oxford Park**" means Oxford Park Group and its affiliates;

"**Oxford Park Agreement**" means the Settlement Agreement dated January 21, 2016, by and between Oxford Park Group and the Company;

"**PSU**" means a performance share unit granted under the LTIP, representing the right to receive a cash payment equal to the LTIP FMV of a Common Share (determined in accordance with the LTIP), or its equivalent in fully paid Common Shares;

"**QC Committee**" means the quality and compliance committee of the Board of Directors;

"**Record Date**" has the meaning set forth under the heading "General Proxy Matters — Record Date and Voting Rights";

"**Registered Shareholder**" means a Shareholder who holds Common Shares in such Shareholder's own name;

"**REIT**" or "**Extendicare REIT**" means Extendicare Real Estate Investment Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario, which was dissolved as a step in the 2012 Conversion and was the predecessor to Extendicare;

"**REIT Unit**" means a trust unit of Extendicare REIT;

"**RPP**" means the executive registered pension plan of Extendicare and ECI;

"**SAR FMV**" means, on any particular date, the VWAP of a Common Share on the TSX during the last 10 trading days immediately preceding that particular date;

"**SARs**" means, collectively, the share appreciation rights granted under the SARP and the unit appreciation rights granted under the UARP;

"**SARP**" means the 2012 Share Appreciation Rights Plan of Extendicare, which replaced the UARP effective as of 12:01 a.m. (Toronto time) on July 1, 2012, being the effective time of the 2012 Conversion, and pursuant to which SARs have been granted and Extendicare confirmed and acknowledged that it was liable for all of the obligations of the REIT under the UARP;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**SERP**" means the supplemental executive retirement plan of Extendicare and ECI;

"**Shareholders**" means the holders of Common Shares from time to time;

"**Transfer Agent**" means Computershare Investor Services Inc., the registrar and transfer agent of the Company;

"**TSX**" means the Toronto Stock Exchange;

"**UARP**" means the total return unit appreciation rights plan of the REIT, which was replaced by the SARP effective as of 12:01 a.m. (Toronto time) on July 1, 2012, being the effective time of the 2012 Conversion;

"**Unitholders**" means the former holders of REIT Units;

"**U.S. Sale Transaction**" means the sale by the Company of substantially all of its U.S. business, which closed on July 1, 2015, for a value of US$870 million ($1.1 billion using the noon U.S./Canadian dollar exchange rate of 1.2474 on June 30, 2015), partially settled through the assumption by the Purchaser of mortgage loans and other third party indebtedness relating to the U.S. business of approximately US$655 million, and working capital and other specified adjustments, resulting in gross proceeds of US$280.8 million, comprised of US$193.4 million received on July 1, 2015, and intercompany dividend of US$87.4 million received as part of a pre-closing reorganization on June 30, 2015;

"**VCPI**" means Virtual Care Provider, Inc., a corporation incorporated under the laws of Wisconsin and a subsidiary of Extendicare; and

"**VWAP**" means the volume-weighted average trading price.

EXTENDICARE INC.

MANAGEMENT INFORMATION AND PROXY CIRCULAR

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company for use at the Meeting for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. Unless otherwise indicated, all information provided in this Information Circular is given as of April 8, 2016. All dollar amounts referenced herein are expressed in Canadian dollars unless indicated otherwise.

It is anticipated that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone or other means of communication by management of the Company, who will not be specifically compensated therefor, or agents of the Company who will be specifically compensated therefor. All costs of the solicitation will be borne by the Company.

Record Date and Voting Rights

The Board of Directors has fixed the record date for the Meeting at the close of business on April 8, 2016 (the "**Record Date**") for the purpose of determining Shareholders entitled to receive notice of and to vote at the Meeting. Each Shareholder is entitled to one vote for each Common Share held as of the Record Date. Only Shareholders of record at the close of business on the Record Date and their duly authorized representatives shall be entitled to vote at the Meeting or any adjournment thereof. The voting process is different depending on whether a Shareholder is a registered or a non-registered Shareholder.

Appointment of Proxyholder

A proxyholder is the person appointed by a Shareholder to cast votes and act on behalf of the Shareholder at the Meeting, including any continuation of the Meeting that may occur in the event that the Meeting is adjourned. The persons named in the accompanying form of proxy are the designated proxyholders (the "**Named Proxyholders**") and are officers and/or directors of the Company. **A Shareholder has the right to appoint another person (who need not be a Shareholder) to vote on their behalf. Such person must be present at the Meeting or any adjournment therefore to represent the Shareholder. To exercise this right, the Shareholder may strike out the printed names and insert the name of the Shareholder's chosen proxyholder in the blank space provided in the form of proxy for that purpose or complete another proper form of proxy.**

Voting Instructions for Registered Shareholders

Registered Shareholders are Shareholders who hold their Common Shares in their own names and will have received this Information Circular in a mailing from Computershare, together with a form of proxy. **Registered Shareholders may exercise their voting rights by attending and voting their Common Shares in person at the Meeting or may give another person authority to vote at the Meeting on their behalf by appointing a proxyholder. Registered Shareholders who plan to attend and vote in person at the Meeting need not complete or return the accompanying form of proxy.** However, such a Shareholder may still complete and return the form of proxy accompanying this Information Circular to Computershare. Registered Shareholders attending the Meeting in person will be asked to register their attendance with Computershare upon arrival at the Meeting and any proxy previously given may be revoked at the Shareholder's request.

Registered Shareholders who do not plan to attend and vote in person at the Meeting can vote by using the accompanying form of proxy. To be valid, Registered Shareholders' proxies must be deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada, Attention: Stock Transfer Services, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 no later than 10:30 a.m. (Toronto time) on May 24, 2016 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet.

Voting Instructions for Non-registered Shareholders

Non-registered Shareholders or Shareholders who hold their Common Shares in the name of a "nominee", such as a bank, trust company, securities broker or other financial institution, will have received this Information Circular in a mailing from their nominee together with a voting instruction form.

Non-registered Shareholders who plan to attend and vote in person at the Meeting must write their name or the name of another person (who need not be a Shareholder) whom they wish to attend the Meeting and vote on their behalf in the place provided on the voting instruction form and adhere to the signing and return instructions provided by their nominee. The person whose name is written in the space provided will have full authority to present matters to the Meeting and to vote on all matters that are presented at the Meeting. Non-registered Shareholders attending the meeting in person should register their attendance with Computershare upon arrival at the Meeting.

Non-registered Shareholders who do not plan to attend the Meeting in person should mark their voting instructions on the voting instruction form, sign it and return it as instructed by their nominee. The voting instruction form may provide instructions on how to vote by telephone or over the internet.

Non-registered shareholders should carefully follow the instruction of their nominee, including those regarding when and where the voting instruction form is to be delivered. Intermediaries must receive the voting instructions from Non-registered Shareholders in sufficient time to be able to act on them. Computershare must receive proxy vote instructions from the intermediaries no later than 10:30 a.m. (Toronto time) on May 24, 2016 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting.

Revocation of Proxy

Registered Shareholders

Registered Shareholders may revoke any prior proxy by providing a new proxy with a later date, provided that the new proxy is received by Computershare no later than 10:30 a.m. (Toronto time) on May 24, 2016 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting. A Registered Shareholder may also revoke any prior proxy without providing new voting instructions by preparing a written statement to that effect. Such written statement must be delivered to: (i) the registered office of the Company, at 3000 Steeles Ave. East, Suite 103, Markham, Ontario, L3R 9W2, Attention: Corporate Secretary, no later than the close of business on May 25, 2016 or, in the case of any adjournment, not later than the close of business on the last business day preceding the date of commencement of the adjourned meeting, or (ii) the Chairman of the Meeting prior to commencement of the Meeting, on the day of the Meeting, or any adjournment thereof, or (iii) in any other manner permitted by law. A Registered Shareholder attending the Meeting may vote in person at the Meeting upon registering their attendance with Computershare, in which case any previous proxy given by the Registered Shareholder will be revoked.

Non-registered Shareholders

Non-registered Shareholders may revoke any prior voting instructions by providing new instructions on a voting instruction form with a later date, or at a later time in the case of voting by telephone or over the internet, provided that the new instructions are received by their nominee in sufficient time for their nominee to act on them. Non-registered Shareholders should contact their nominee if they want to revoke their proxy or change their voting instructions, or if they change their mind and want to vote in person.

Exercise of Discretion by Proxyholders

A Shareholder may instruct the appointed proxyholder how he or she wishes to vote on the matters listed in the Notice of Meeting by checking the appropriate boxes on the form of proxy. If the Shareholder has not specified how to vote on a particular matter, the appointed proxyholder is entitled to vote the Common Shares as he or she sees fit. **If the form of proxy does not specify how to vote on any particular matter and if the Shareholder has authorized the Named Proxyholders to act as his or her proxyholder, the Common Shares will be voted at the Meeting as follows:**

- **FOR the appointment of KPMG LLP as the Company's auditors;**
- **FOR the election of the nine nominees listed in this Information Circular to the Board of Directors;**
- **FOR the LTIP Resolution; and**
- **FOR the Advisory (Non-binding) Resolution to accept the Company's approach to executive compensation.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, the Board of Directors knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any such amendment, variation or other matter which is not now known should properly come before the Meeting, then the persons named in the enclosed forms of proxy will vote on such matters in accordance with their judgement, pursuant to the discretionary authority conferred by the forms of proxy with respect to such matters.

Principal Holders of Common Shares

As at the close of business on April 8, 2016, there were 88,157,858 Common Shares issued and outstanding. To the knowledge of the directors and the executive officers of the Company, as of the close of business on April 8, 2016, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting rights attached to the issued and outstanding Common Shares.

BUSINESS OF THE MEETING

Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2015, and the report of the auditors thereon, will be placed before the Shareholders by the Company at the Meeting. Shareholders may find a copy of these documents in the Company's 2015 Annual Report, which is available on its website at www.extendicare.com and on SEDAR at www.sedar.com under Extendicare's issuer profile.

Appointment of Auditors

With the recommendation of the Audit Committee, the Common Shares represented by proxies in favour of the persons named in the enclosed form of proxy will be voted in favour of the appointment of KPMG LLP, the present auditors, as auditors of the Company to hold office until the next annual meeting of the Company to be held in 2017, unless authority to vote in respect of the appointment of auditors is withheld in the form of proxy.

External Auditor Services Fees

Fees billed by the independent external auditor of the Company, KPMG LLP, during fiscal 2014 and 2015 totalled $1,568,000 and $1,964,0000, respectively, the nature of which are summarized below.

Audit fees billed by KPMG LLP for fiscal 2014 and 2015 were $1,309,000 and $1,116,000, respectively. These audit fees were 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 nursing centres and home health care operations, registration statements, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with securities offerings.

Audit-related fees billed by KPMG LLP for fiscal 2014 and 2015 were $170,000 and $155,000, respectively. These audit-related fees were in respect of due diligence related services, an audit opinion on controls of a wholly owned subsidiary, VCPI, in order that it may provide third-party assurance for services to its clients, consultations concerning accounting and financial reporting standards.

Other fees billed by KPMG LLP for fiscal 2014 and 2015 were nil and $397,000, respectively, and were for other advisory services rendered in connection with the Home Health Acquisition.

Tax planning fees billed by KPMG LLP for fiscal 2014 and 2015 were $89,000 and $296,000, respectively. These tax planning fees were in respect of services outside of the scope of the audit and represented consultations for tax planning and advisory services relating to domestic and international taxation, as well as advice with respect to various tax matters.

Election of Directors

The articles of the Company provide that the Board shall consist of a minimum of one and a maximum of twenty directors, with the number of directors from time to time within such range being fixed by resolution of the Board of Directors. Each director is elected annually and will hold office for a term expiring at the close of the next annual meeting of the Company, unless his or her office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Board has fixed the number of directors to be elected to the Board at nine. The Board of Directors presently consists of nine directors, all of whom are nominees for election at the Meeting as set out below under the heading "Nominees for Election as Directors". Each nominee proposed for election at the Meeting has confirmed his or her willingness to serve on the Board and has acknowledged and agreed to abide by the Company's majority voting policy.

In the absence of a contrary instruction, the persons designated by management of the Company in the accompanying form of proxy intend to vote "**FOR**" the nine nominees whose names are set forth below. The Board of Directors does not contemplate that any of the nominees will be unable to serve as a director. If, for any reason, any of the nominees is unable to serve as a director, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their sole discretion.

The Board of Directors of Extendicare met on 16 occasions during 2015, at which attendance averaged 99%. During 2015, the Audit Committee met five times (attendance averaged 100%), the HR/GN Committee met six times (attendance averaged 100%), and the QC Committee met four times (attendance averaged 100%).

Majority Voting Policy Adopted

In December 2012, the Board adopted a majority voting policy in order to promote enhanced director accountability, and this will be the fourth meeting at which the policy is in effect. This policy enhances the Company's existing policies of electing directors individually and on an annual basis. The Company's majority voting policy stipulates that for uncontested elections, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall promptly tender his or her resignation to the Chairman of the Board. The HR/GN Committee will consider the resignation, and absent a compelling reason for the director to remain on the Board, will recommend that the Board of Directors accept the resignation effective within 90 days after the Meeting. The Board of Directors will promptly disclose its decision and, if applicable, the reasons for rejecting the tendered resignation. The nominee will not participate in any committee of the Board or Board deliberations in considering the resignation. In a contested election, where the number of director nominees exceeds the number of director position to be filled through the election, a plurality vote standard will continue to apply. This means that the nominees with the largest number of "for" votes will be elected as directors of the Company up to the maximum number of directors to be elected. More details on the Company's majority voting policy are provided under the heading "Majority Voting Policy" found in Schedule A – "Statement of Corporate Governance Practices".

Nominees for Election as Directors

The following table sets forth information relating to each of the nine nominees proposed for election as directors of the Company, and includes the following: name; province or state and country of residence; principal occupation during the past five years; the number of Common Shares, DSUs and PSUs beneficially owned or over which control or direction, directly or indirectly, is exercised by the nominee; the market value of such Common Shares, DSUs and PSUs, based on the TSX closing price of the Common Shares at April 8, 2016 of $9.25; the date the nominee became a director of Extendicare (or one of its predecessors); and attendance record at Board and committee meetings of Extendicare during 2015.

If elected to the Board of Directors, each of the nominees set forth below, other than Mr. Lukenda, will be an independent director of the Company.

The information set out below relating to the nominees for election as directors of the Company is based partly on the Company's records and partly on information received by the Company from such nominees.

Directors nominated to serve until the next Annual Meeting of Shareholders in 2017

BENJAMIN J. HUTZEL
Chairman of the Board
Ontario, Canada

Age: 74

Director Since
May 6, 2010

Status: Independent

2015 Annual Meeting Votes in Favour: 92.53%

Committee Membership
HR/GN

Mr. Hutzel was appointed Chairman of the Board of Extendicare effective November 5, 2013. Mr. Hutzel is a retired partner of Bennett Jones LLP where he had an extensive national and international legal practice specializing in financings, acquisitions and divestitures and joint venture structuring (1994 – 2009). Mr. Hutzel serves on the board of the Woodbine Entertainment Group (a corporation without share capital), where he is also Chair of the Pension, Human Resources and Compensation Committee and a member of the Audit Committee, and was the former Chair of the Audit Committee. Formerly, Mr. Hutzel served on the board of MI Developments Inc. (2008 – 2011; the predecessor of Granite Real Estate Inc., a TSX listed company), where he was Chair of the Corporate Governance and Compensation Committee. In addition, as a nominee of the Federal Liberal Government, Mr. Hutzel is a former director of the Greater Toronto Airports Authority (1995 – 2006), where he served as Chairman of the Compensation and Corporate Governance Committee and as a member of the Audit Committee, during which time the board oversaw a redevelopment of Toronto Pearson International Airport in excess of $4 billion. Mr. Hutzel was the founding Chairman of the Canadian Lawyers Liability Assurance Society, formed as a reciprocal insurance company to provide professional liability insurance to a number of major Canadian law firms, comprising over 5,000 lawyers. In addition, from 1993 to 1998, Mr. Hutzel was National Revenue Chair and Chief Fundraiser for the Federal Liberal Party, and served as the party's Chief Financial Officer from 1998 to 2005.

Areas of Expertise

Director/Board * Financial Literacy * Corporate Finance/Mergers and Acquisitions * Real Estate/REITs * Seniors Housing * Health Care * Law * Human Resources * Government Relations * Risk Management and Mitigation

Other Current Public Board Memberships: None

Board/Committee Attendance (total 100%)		**Security Ownership and Total Value**	
Board	16/16	Common Shares	425,000
HR/GN	6/6	DSUs	1,978
QC	3/3	Total value	$3,949,545

Share Ownership Requirements Met or in Progress: Yes

FREDERIC A. WAKS
Vice Chairman of the Board
Ontario, Canada

Age: 58

Director Since
January 22, 2016

Status: Independent

Committee Membership
Audit

Mr. Waks is the President and Chief Executive Officer of Trinity Development Group Inc., an Ottawa-based real estate development firm (since early 2015). He has over 30 years of commercial real estate experience, including as a former President and Chief Operating Officer of RioCan Real Estate Investment Trust, a TSX listed company from 2012 to 2014, which he joined in 1995, as Senior VP of Development. Mr. Waks is currently the Chair of the Campus Redevelopment Committee for Baycrest Health Centre, the Vice-Chair of Sunnybrook Hospital Foundation, a board member of the Royal Ontario Museum and a Trustee of the Jewish Foundation of Greater Toronto. Mr. Waks is a graduate of University of Toronto and holds a B.A. degree in Political Science.

Areas of Expertise

Director/Board * Financial Literacy * CEO/Executive Leadership * Real Estate/REITs

Other Current Public Board Memberships:	None.
Board/Committee Attendance (N/A)	**Security Ownership and Total Value**
N/A	Common Shares 10,000 DSUs 508 Total value $97,199
Share Ownership Requirements Met or in Progress:	Yes

MARGERY O. CUNNINGHAM
New York, United States

Age: 56

Director Since
August 30, 2010

Status: Independent

2015 Annual Meeting Votes in Favour: 95.09%

Committee Membership
Audit

Ms. Cunningham has been a Vice President at Avalere Health, a leading advisory firm focused on health care business strategy and public policy since August 2011. Prior thereto, Ms. Cunningham was with Lehman Brothers from 1997 to 2008, during which time she held a number of progressively senior executive roles, including as Managing Director and Global Head of Product Training, Associate Director of Credit Research, and High Yield Bond Analyst. Her research career spanned more than 20 years, including both equity and fixed income research for firms such as Kidder, Peabody & Co., and Paine Webber. As an analyst, Ms. Cunningham was a perennial *Institutional Investor* magazine all-star analyst in the high yield health care category. In addition, from 1995 to 1997, Ms. Cunningham served as the Director, Financial Planning and Analysis for Marriott Management Services, performing strategic and financial analysis on acquisitions. Ms. Cunningham is a CFA, and received her A.B. in Applied Mathematics from Harvard University and her M.S. in Management with concentration in Finance and Economics from the MIT Sloan School of Management.

Areas of Expertise

Director/Board * Financial Literacy * Corporate Finance/Mergers and Acquisitions * Real Estate/REITs * Seniors Housing * Health care * Human Resources * Government Relations

Other Current Public Board Memberships:	None
Board/Committee Attendance (total 95%)	**Security Ownership and Total Value**
Board 15/16 Audit 5/5	Common Shares 2,000 DSUs 4,008 Total value $55,578
Share Ownership Requirements Met or in Progress:	Yes

SANDRA L. HANINGTON
Ontario, Canada

Age: 54

Director Since
August 5, 2014

Status: Independent

2015 Annual Meeting Votes in Favour: 94.98%

Committee Membership
Audit, QC

Ms. Hanington is the President and Chief Executive Officer of the Royal Canadian Mint (since February 2015), and is the co-founder and a director of Jack.org, promoting mental health and wellness for youth in Canada, since 2010. Ms. Hanington has an extensive background in the financial industry. She was previously with BMO Financial Group in a number of progressively senior executive roles in North America (1999 – 2011). Prior to joining BMO Financial Group, she worked for Manulife Financial/North American Life Assurance, Royal Trustco Ltd. and Suncor Inc./Sunoco Group. Ms. Hanington was named by the Women's Executive Network (WXN)™ as one of Canada's Top 100 Most Powerful Women three times in a row, from 2007 to 2009, and was inducted into the WXN Hall of Fame in 2010. Ms. Hanington is a licensed professional engineer with a BASc from the University of Waterloo, holds an MBA from the Rotman School of Management, University of Toronto, and holds the ICD.D designation from the Institute of Corporate Directors.

Areas of Expertise

Director/Board * Financial Literacy * CEO/Executive Leadership * Human Resources * Government Relations * Risk Management and Mitigation

Other Current Public Board Memberships:	None
Board/Committee Attendance (total 100%)	**Security Ownership and Total Value**
Board 16/16 Audit 5/5 QC 2/2	Common Shares 3,000 DSUs 659 Total value $33,848
Share Ownership Requirements Met or in Progress:	Yes

ALAN R. HIBBEN
Ontario, Canada

Age: 62

Director Since
January 22, 2016

Status: Independent

Committee Membership
Audit

Mr. Hibben is a corporate Board member 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, private equity, financing, corporate strategy, valuation, governance, as well as expert witness services. Mr. Hibben recently retired from RBC Capital Markets as Managing Director in the Mergers and Acquisitions Group (March 2011 to December 2014). Previously he had been a partner with Blair Franklin Capital Partners (2009 to 2011). Up until 2007, Mr. Hibben held the position of Head, Strategy & Development at RBC Financial Group. In this role, he was responsible for corporate strategy as well as merger, acquisition and development activities for RBC Financial Group. He was also Chief Executive Officer, RBC Capital Partners, the private equity investment arm of RBC Financial Group (2000 to 2007). Mr. Hibben has been a director of a number of Canadian public and private companies, both in financial services and as part of his responsibility for private equity and venture capital investments. He is currently a director of Hudbay Minerals Inc (a TSX and NYSE listed company) and is a director of the Mount Sinai Hospital Foundation. Mr. Hibben is a CPA, CA, and CFA, and holds the ICD.D designation.

Areas of Expertise

Director/Board * Financial Literacy * CEO/Executive Leadership * Government Relations * Corporate Finance/Mergers and Acquisitions

Other Current Public Board Memberships:	Hudbay Minerals Inc.
Board/Committee Attendance (N/A)	**Security Ownership and Total Value**
N/A	Common Shares 5,000 DSUs 2,172 Total value $66,344
Share Ownership Requirements Met or in Progress:	Yes

DONNA E. KINGELIN
Ontario, Canada

Age: 60

Director Since
January 6, 2016

Status: Independent

Committee Membership
HR/GN, QC

Ms. Kingelin is the owner and the Managing Partner of Kingswood Consulting, a partnership specializing in providing comprehensive services for seniors' housing companies (since 2012). She has over 30 years of leadership and operating experience in the senior living industry that includes the administration of long-term care centres, retirement communities, and home care, in public and private organizations. Previously, Ms. Kingelin held the position of Managing Director at Holiday Corporation, a private independent retirement living company (June 2010 – June 2012). Prior to that, she was a senior executive at Revera Inc. (1997 to 2010), a seniors' housing company that is wholly owned by the Public Service Pension Investment Board, and which was taken private in 2007 (formerly Retirement Residences REIT, or "**RRR**", a TSX listed company). Ms. Kingelin was Senior Vice President of Operations from 1997 to 2007, and Chief Operating Officer from 2007 to 2010, where she played a key role in taking the long-term care division public in 1997 as CPL Long Term Care REIT, followed by its acquisition in 2002 by RRR, and back to private in 2007. She is currently the Chair of the Board of Trustees for Lakeridge Health, as well as past Chair of the resource and quality committees, and past member of the finance and audit committees. In addition, Ms. Kingelin is currently a Trustee and Chair of the Human Resources Committee of the Oshawa Public Utility Board of Trustees. Ms. Kingelin is a Registered Nurse, holds the ICD.D designation and has completed executive management training at Queen's University.

Areas of Expertise	
Director/Board * Financial Literacy * CEO/Executive Leadership * Real Estate/REITs * Seniors Housing * Health Care * Human Resources	
Other Current Public Board Memberships:	None
Board/Committee Attendance (N/A)	**Security Ownership and Total Value**
N/A	Common Shares nil DSUs 1,319 Total value $12,197
Share Ownership Requirements Met or in Progress:	Yes

TIMOTHY L. LUKENDA
Ontario, Canada

Age: 51

Director Since
May 8, 2008

Status: Management

2015 Annual Meeting Votes in Favour: 95.07%

Committee Membership
None

Mr. Lukenda has been the President and Chief Executive Officer of Extendicare since joining the Company in 2008. He has almost 20 years in a leadership role in the North American senior housing and services industry including 11 years as the President and Chief Operating Officer of Tendercare (Michigan) Inc., the largest private operator of skilled nursing facilities in the State of Michigan, which was acquired by Extendicare in late 2007. As a leader in the senior care industry, Mr. Lukenda has served on the Board of the American Healthcare Association, the Alliance for Quality Care, the Healthcare Association of Michigan and, currently, the Ontario Long-Term Care Association, as well as numerous committees of these associations. Prior to his career in seniors health care, Mr. Lukenda gained valuable experience as a Vice-President of Investment Banking with RBC Capital Markets (1991-1995), where he participated in a number of large corporate financings including privatizations, as well as mergers and acquisitions and advisory engagements. Mr. Lukenda holds a Bachelor of Business Administration in Finance (with Honors) from the University of Notre Dame, and both a Law degree and a Masters of Business Administration from the University of Western Ontario and the Ivey School of Business.

Areas of Expertise

Director/Board * Financial Literacy * CEO/Executive Leadership * Corporate Finance/Mergers and Acquisitions * Real Estate/REITs * Seniors Housing * Health Care * Law * Government Relations * Risk Management and Mitigation

Other Current Public Board Memberships:	None
Board/Committee Attendance (total 100%)	**Security Ownership and Total Value**
Board 16/16	Common Shares 140,000 PSUs 102,848 Total value $2,246,344
Share Ownership Requirements Met or in Progress:	Yes

GAIL PAECH
Ontario, Canada

Age: 68

Director Since
January 22, 2016

Status: Independent

Committee Membership
QC

Ms. Paech is the President and Chief Executive Officer of Associated Medical Services Inc., a Canadian charitable organization that supports the education of health care professionals, compassionate care and bioethics (since 2013). She previously served as Interim Chief Executive Officer of the Ontario Long-Term Care Association, Ontario's largest association of long-term care providers, from August 2011 to June 2012. From 2009 to 2011, Ms. Paech served as Associate Deputy Minister of Economic Development and Trade in Ontario, and from 1998 to 2009, she served as Assistant Deputy Minister of Health and Long-Term Care in Ontario. Between 1991 and 1998, she was the President and Chief Executive Officer of Toronto East General Hospital. She has also been an Assistant Professor in the Faculties of Nursing and Medicine at the University of Toronto. Ms. Paech holds a B.Sc in Nursing from the University of Ottawa and a M.Sc. in Nursing from the University of Toronto.

Areas of Expertise

Financial Literacy * CEO/Executive Leadership * Seniors Housing * Health Care * Government Relations

Other Current Public Board Memberships:	None
Board/Committee Attendance (N/A)	**Security Ownership and Total Value**
N/A	Common Shares nil DSUs 1,106 Total value $9,397
Share Ownership Requirements Met or in Progress:	Yes

ALAN D. TORRIE
Ontario, Canada

Age: 65

Director Since
January 6, 2016

Status: Independent

Committee Membership
HR/GN

Mr. Torrie is the President and Chief Executive Officer of Morneau Shepell Ltd. (since 2008), a TSX listed company that is a leading provider of employee and family assistance programs, the largest administrator of pension and benefits plans and the largest provider of integrated absence management solutions in Canada, and has been a member of its board of directors since 2005. Mr. Torrie has over 30 years of experience as a senior executive leader in the seniors' housing and health and science industries, including as Chief Operating Officer of RRR from 2005 to 2007, before it was taken private as Revera Inc., and in a number of senior executive positions at MDS Inc. (a predecessor of Nordion Inc.) from 1987 to 2005, where he served as Executive Vice President of MDS Inc. (2003 – 2005), and as President and Chief Executive Officer of MDS Diagnostics and MDS Laboratories (1999 – 2003). He has also served as Executive-in-Residence with Clairvest Private Equity, a Toronto-based private equity management firm, and earlier in his career as the President and CEO of Joseph Brant Hospital and Chief Operating Officer and Vice President of Humber Memorial Hospital. Mr. Torrie has served on numerous community boards, and is currently a director and Chairman of the Finance Committee of Appleby College. In addition, he is the immediate past Chair of Trillium Health Partners and previously served on the board of Cynapsus Therapeutics and as a member of its Audit Committee. Mr. Torrie holds a B.Sc in Biochemistry from McMaster University, a DHA in Healthcare Management from the University of Toronto and has completed the Advanced Management Program from Harvard University.

Areas of Expertise	
Director/Board * Financial Literacy * CEO/Executive Leadership * Corporate Finance/Mergers and Acquisitions * Real Estate/REITs * Seniors Housing * Health Care * Human Resources	
Other Current Public Board Memberships:	None
Board/Committee Attendance (N/A)	**Security Ownership and Total Value**
N/A	Common Shares nil DSUs 1,319 Total value $12,197
Share Ownership Requirements Met or in Progress:	Yes

Corporate Orders and Bankruptcies

To the knowledge of the Company, except as described below, none of the proposed nominees for election as a director of the Company had, as at the date of this Information Circular or in the last 10 years, been (a) a director, chief executive officer or chief financial officer of a company that was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (b) a director or executive officer of a company that made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors.

Mr. Torrie was a director of LMI Legacy Holdings II Inc. (formerly known as Landauer-Metropolitan, Inc.) (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**") pursuant to Chapter 11 of the U.S. Bankruptcy Code. On April 28, 2014, the U.S. Bankruptcy Court entered an order confirming the Plan, and the effective date for the Plan was May 1, 2014.

Approval of the Extendicare Long Term Incentive Plan

Effective April 7, 2016, the Board unanimously adopted the Extendicare Inc. Long Term Incentive Plan (the "**LTIP**"). The LTIP provides for the grant of performance share units ("**PSUs**") to eligible employees of Extendicare and its direct and indirect subsidiaries (the "**Extendicare Group**") and the grant of deferred share units ("**DSUs**") to non-employee directors of Extendicare. The PSUs and the DSUs provide for the payment of certain amounts, or, at the election of the Company, the issuance of Common Shares, to the participants, as described in the summary of the LTIP set out below. No further grants of SARs will be granted under the SARP.

The TSX Company Manual requires shareholder approval of security-based compensation arrangements in respect of arrangements that involve the issuance from treasury or the potential issuance from treasury of securities of an issuer which are listed on the TSX. The LTIP provides for the potential issuance from treasury of Common Shares at the discretion of the Company in lieu of the cash payment that would otherwise be payable to holders of PSUs and DSUs. The ability to settle PSUs and DSUs with Common Shares issued from treasury will allow the Company to manage the cash expense of granting PSUs and DSUs under the LTIP. The LTIP has been conditionally approved by the TSX. If the LTIP Resolution is approved by a majority of votes cast by Shareholders present in person or represented by proxy at the Meeting, in accordance with the TSX Company Manual, every three years, all unallocated PSUs and DSUs issuable under the LTIP must be ratified and approved by a majority of the Directors and the Shareholders because the LTIP has a fixed maximum percentage of Common Shares issuable (as opposed to a fixed maximum aggregate number of Common Shares issuable).

The Board has determined that the LTIP is in the best interests of the Company and unanimously recommends that Shareholders vote "FOR" the ordinary resolution approving the LTIP. To pass, the LTIP Resolution must be approved by a majority of votes cast by Shareholders present in person or represented by proxy at the Meeting. In the event that the LTIP Resolution is not passed at the Meeting, the Company will have no alternative but to settle PSUs and DSUs in cash or in Common Shares acquired in the secondary market, in each case reducing the cash otherwise available to the Company for other purposes. The text of the LTIP Resolution is set forth below:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that:

(1) the Long Term Incentive Plan of the Company (the "**LTIP**"), the material terms and conditions of which are described in the management information circular of the Company dated April 8, 2016, is hereby ratified, confirmed and approved;

(2) the maximum number of common shares of the Company ("**Common Shares**") which may be reserved for issuance from treasury relating to grants of performance share units ("**PSUs**") and deferred share units ("**DSUs**") awarded under the LTIP (together with additional PSUs and DSUs credited to LTIP participants on account of dividends paid on the Common Shares shall not, in the aggregate, exceed that number of Common Shares equal to five percent (5%) of the number of issued and outstanding Common Shares from time to time on a non-diluted basis;

(3) the issuance of Common Shares under the LTIP be and is hereby approved until May 26, 2019 or such earlier date as may be required by the policies of the Toronto Stock Exchange; and

(4) any one director or officer of the Company be and is hereby authorized and directed, acting for, in the same and on behalf of the Company, to execute or cause to be executed, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or cause to be done all such other acts and things as such director or officer of the Company determines to be necessary or desirable in order to carry out the intent of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing."

Summary of LTIP

Set out below is a summary of the LTIP, which is qualified in its entirety by the full terms of the LTIP, a full copy of which was filed on SEDAR at www.sedar.com under the Company's issuer profile on April 20, 2016, under the filing category "other security holders documents".

Purposes of the LTIP

The principal purposes of the LTIP are:

(a) to attract, retain and motivate employees of the Extendicare Group by granting such employees (each such employee, a "**PSU Participant**") PSUs, a notional Common Share based award, with the number of PSUs ultimately vesting and the amount of the payout being determined based on the employee's and/or the Company's performance as measured against pre-determined targets, thereby focusing such employees on and rewarding such employees for, achieving specific financial goals and performance objectives of the Company and promoting a greater alignment of interests between such employees and Shareholders; and

(b) to attract and retain non-employee Directors, whose training, experience and ability will promote the interests of the Company, by granting such non-employee Directors (each such director, a "**DSU Participant**") DSUs, a notional Common Share based award, on an automatic basis with respect to a prescribed percentage of their annual Board retainer and on an elective basis with respect to other Director fees, thereby promoting a greater alignment of interests between such non-employee Directors and Shareholders.

Common Shares Subject to the LTIP

The maximum number of Common Shares which may be reserved for issuance by the Company from treasury relating to grants of PSUs and DSUs awarded under the LTIP (together with additional PSUs and DSUs credited to PSU Participants and DSU Participants on account of dividends paid on the Common Shares) shall not, in the aggregate, exceed that number of Common Shares equal to five percent (5%) of the number of issued and outstanding Common Shares from time to time on a non-diluted basis.

Limitation on Issuance of Common Shares under the LTIP

The aggregate number of Common Shares reserved for issuance by the Company from treasury at any time to insiders of the Company within the meaning of applicable securities laws who are "**reporting insiders**", as defined in National Instrument 55 - 104 - *Insider Reporting Requirements and Exemptions* of the Canadian Securities Administrators ("**Insiders**") under the LTIP and under all other security-based compensation arrangements of the Company, if any, shall not exceed ten percent (10%) of the issued and outstanding Common Shares on a non-diluted basis and during any one year period, the aggregate number of Common Shares issued by the Corporation from treasury to Insiders under the LTIP and under all other security-based compensation arrangements of the Corporation, if any, shall not exceed ten percent (10%) of the issued and outstanding Common Shares on a non-diluted basis.

Terms of Performance Share Units Awarded to Employees of the Extendicare Group

Each PSU entitles the PSU Participant to receive upon the vesting of a PSU, which shall occur on the date that is the third anniversary of the date of grant (the "**PSU Vesting Date**"):

(a) a cash payment in an amount (the "**PSU Cash Amount**") equal to the product of the LTIP FMV of a Common Share, determined as of the redemption date of the PSU (which will be as soon as practicable after the PSU Vesting Date), and the number of vested PSUs so redeemed (less any applicable taxes and other source deductions required to be withheld by the Company); or

(b) subject to the receipt of any necessary shareholder and other approvals required by the TSX, the Company may, in its sole discretion and in lieu of the PSU Cash Amount referred to in paragraph (a), on the date of redemption of the PSUs issue to the PSU Participant Common Shares from treasury or, through a broker designated by the PSU Participant, purchase Common Shares on the secondary market, in each case, such number of Common Shares being determined in accordance with the LTIP.

An account to be known as a "**Performance Share Unit Account**", shall be maintained by the Company for each PSU Participant. On each date of grant ("**Date of Grant**"), the PSU Participant's Performance Share Unit Account shall be credited with PSUs granted to the PSU Participant on that date, the number of which shall be based on the LTIP FMV of a Common Share on the Date of Grant. A PSU Participant's Performance Share Unit Account shall from time to time during the period commencing on the Date of Grant and ending on the PSU Vesting Date be credited with additional PSUs, the number of which shall reflect any dividends declared by the Company on the Common Shares that would have been paid to the PSU Participant if the PSUs in his or her Performance Share Unit Account on the relevant record date for dividends on the Common Shares had been Common Shares (excluding dividends paid in the form of additional Common Shares). Any such PSUs so credited shall be subject to the same terms and conditions relating to vesting as the related PSUs granted under the award agreement, evidencing the terms and conditions under which an award of PSUs has been granted to an employee of the Extendicare Group.

On the PSU Vesting Date, the number of PSUs granted under an award agreement shall vest in accordance with the following formula:

# of Vested PSUs = (Combined Payout Percentage) multiplied by (# of PSUs Credited)

The "**# of PSUs Credited**" means the number of PSUs granted to the PSU Participant as specified in an award agreement, plus any additional PSUs credited to such PSU Participant's Performance Share Unit Account on account of dividends on the Common Shares that have been allocated to that award agreement. The "**Combined Payout Percentage**", which shall range from 0% to 200%, shall be based on performance goals established by the HR/GN Committee (collectively, the "**PSU Performance Goals**") and specified in the applicable award agreement for the "**PSU Performance Goal Period**" (being the period commencing on the first day of the Fiscal Year in which the Date of Grant of PSUs falls and ending on the last day of the second full Fiscal Year after the Fiscal Year in which the Date of Grant of PSUs falls).

Following the end of the PSU Performance Goal Period and prior to the PSU Vesting Date in respect of a particular award agreement or as soon as practicable after the PSU Vesting Date, the HR/GN Committee shall determine whether and to what extent the PSU Performance Goals specified in the award agreement have been met, along with the Combined Payout Percentage and the # of Vested PSUs. The HR/GN Committee may adjust or modify the PSU Performance Goals specified in an award agreement and the resulting # of Vested PSUs in recognition of:

(a) any unusual or extraordinary transaction, event or development or any other unusual or non-recurring event affecting the Company or any other member of the Extendicare Group (to the extent applicable to the PSU Performance Goals); or

(b) changes in applicable rules, regulations or other requirements of any governmental body, securities commission or similar regulatory authority, stock exchange, accounting principles, law or business conditions.

Any PSU which does not vest in accordance with the terms of the applicable grant of PSUs shall become void and of no further force and effect.

Subject to an exception by reason of the death of a PSU Participant and the provisions of any applicable award agreement or employment agreement between a PSU Participant and a member of the Extendicare Group, upon a PSU Participant terminating his or her employment with any member of the Extendicare Group for any reason, any unvested PSUs previously credited to such PSU Participant's Performance Share Unit Account shall be terminated and forfeited without payment. Notwithstanding the foregoing, the HR/GN Committee may, in its sole subjective discretion, after considering all of the circumstances of such termination, determine to vest all or any portion of the aggregate number of unvested PSUs in the PSU Participant's Performance Share Unit Account, after applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined as at the PSU Participant's termination date, and with respect to PSU Performance Goals that are still in progress or that otherwise cannot be so determined as at the PSU Participant's termination date, assuming that such PSU Performance Goals are achieved at target.

Subject to the provisions of any applicable award agreement or a written employment agreement between a PSU Participant and a member of the Extendicare Group, upon a PSU Participant ceasing to be an employee of the Extendicare Group by reason of death of the PSU Participant, any unvested PSUs credited to the PSU Participant's Performance Share Unit Account shall vest on his or her date of death, on the basis that only a *pro rata* proportion of such PSUs based on the number of days between the Date of Grant of such PSUs and the DSU Participant's date of death and the number of days in the entire PSU Performance Goal Period for such PSUs, after applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined as at the PSU Participant's date of death and with respect to PSU Performance Goals that are still in progress or that otherwise cannot be so determined as at the PSU Participant's date of death, assuming that such PSU Performance Goals are achieved at target. Notwithstanding the foregoing, the HR/GN Committee may, in its sole subjective discretion, determine that a greater proportion of PSUs in the PSU Participant's Performance Share Unit Account shall become vested PSUs by applying a greater proration factor (not to exceed 100%).

Terms of Deferred Share Units Awarded to Non-employee Directors

Each DSU entitles the non-employee Director holder thereof to receive as soon as practicable after the date on which the DSU Participant ceases to be a Director (the "**DSU Redemption Date**"):

(a) a cash payment in an amount (the "**DSU Cash Amount**") equal to the product of the LTIP FMV of a Common Share, determined as of the DSU Redemption Date, and the number of vested DSUs redeemed (less any applicable taxes and other source deductions required to be withheld by the Company); or

(b) subject to the receipt of any necessary shareholder and other approvals required by the TSX, the Company may, in its sole discretion and in lieu of the DSU Cash Amount referred to in paragraph (a), on the DSU Redemption Date issue to the DSU Participant Common Shares from treasury or, through a broker designated by the DSU Participant, purchase Common Shares on the secondary market, in each case, such number of Common Shares being determined in accordance with the LTIP.

Under the LTIP, a certain percentage of the DSU Participant's annual board retainer payable to the DSU Participant for serving as a Director (other than the Chairman) or as the Chairman during a fiscal year of the Company for accounting purposes, which is currently the calendar year (a "**Fiscal Year**"), which for the 2016 Fiscal Year is $50,000 and $150,000, respectively, shall be satisfied by grants of DSUs. The "**Automatic DSU Retainer**" in respect of the 2016 Fiscal Year is 50% of the dollar amount of the DSU Participant's annual board retainer and in respect of all subsequent Fiscal Years 50% of the dollar amount of the DSU Participant's annual board retainer or such other percentage determined by resolution of the Board in advance of the relevant Fiscal Year. In addition, a DSU Participant may elect, in advance, to have 100%, 75%, 50%, 25% or none of his or her annual cash retainer (other than the portion automatically satisfied by grants of DSUs), together with 100% of the DSU Participant's annual committee retainer and meeting fees, satisfied by additional grants of DSUs.

An account to be known as a "**Deferred Share Unit Account**", shall be maintained by the Company for each DSU Participant. On each Date of Grant, the DSU Participant's Deferred Share Unit Account will be credited with the DSUs granted to the DSU Participant on that date. A DSU Participant's Deferred Share Unit Account shall from time to time, during the period commencing on the Date of Grant and ending on the DSU Redemption Date also be credited with additional DSUs to reflect dividends declared by the Company on the Common Share in substantially the same manner as a Performance Share Unit Account is so credited. All DSUs credited to a DSU Participant's Deferred Share Unit Account shall vest immediately.

Transferability

The LTIP provides that a PSU Participant or a DSU Participant may, by written instrument filed with the Company, designate an individual to receive any amount payable under the LTIP in the event of a PSU Participant's or DSU Participant's death or, failing any such effective designation or where the designated individual does not survive the PSU Participant or the DSU Participant, the PSU Participant's or the DSU Participant's estate. The interest of any PSU Participant or DSU Participant under the LTIP or in any PSU or DSU is not transferable or alienable by him or her by pledge, assignment or in any other manner whatsoever, otherwise than by testamentary disposition or in accordance with applicable law governing the devolution of property in the event of death; and after the PSU Participant's or DSU Participant's lifetime shall enure to the benefit of and be binding upon the PSU Participant's beneficiary of DSU Participant's beneficiary.

Amendments

The LTIP provides that the Board may at any time, without further action by, or approval of Shareholders, amend the LTIP or any PSU or DSU granted under the LTIP in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to:

(a) ensure that PSUs and DSUs granted under the LTIP will comply with any provision respecting performance share units, deferred share units or other security-based compensation arrangements in the *Income Tax Act* (Canada) or other laws in force in any country or jurisdiction of which a participant to whom a PSU or DSU has been granted may from time to time perform services or be resident;

(b) cure any ambiguity, error or omission in the LTIP, a PSU or a DSU or to correct or supplement any provision of the LTIP that is inconsistent with any other provision of the LTIP;

(c) comply with Applicable Law or the requirements of any stock exchange on which the Common Shares are listed;

(d) amend the provisions of the LTIP respecting administration;

(e) make amendments of a "housekeeping" nature;

(f) change the terms and conditions on which PSUs and DSUs may be or have been granted pursuant to the LTIP, including a change to, or acceleration of, the vesting provisions of Performance Share Units (provided that no extension to the terms benefiting an Insider is permissible);

(g) amend the treatment of PSUs on ceasing to be an employee; and

(h) change the termination provisions of PSUs, DSUs or the LTIP.

The Board may not, however, without the consent of the Participants, or as otherwise required by law, materially and adversely alter or impair any of the rights or obligations under any outstanding PSUs or DSUs.

The LTIP provides that the approval of Shareholders will be required in order to:

(a) increase the maximum number of treasury Common Shares issuable pursuant to the LTIP:

(b) amend the determination of LTIP FMV of a Common Share under the LTIP in respect of any PSU or DSU;

(c) modify or amend the provisions of the LTIP in any manner which would permit PSUs or DSUs, including those previously granted, to be transferable or assignable, other than for normal estate settlement purposes;

(d) add to the categories of eligible Participants under the LTIP;

(e) remove or amend the Insider participation restrictions;

(f) change the termination provisions of PSUs or DSUs which would result in an extension beyond the original expiry date of a PSU or DSU held by an Insider;

(g) amend the amending provisions of the LTIP; or

(h) make any other amendment to the LTIP where Shareholder approval is required by the TSX.

Change of Control

The LTIP provides that if, before any of the PSUs of a PSU Participant vest in accordance with the terms hereof:

(a) a Change of Control (as defined in the LTIP) occurs; and

(b) the PSU Participant ceases to be an employee of any member of the Extendicare Group by reason of termination:

    (i) by the member of the Extendicare Group that employs the PSU Participant during the 180-day period immediately following the change of control (the "**Control Period**") and such termination was for any reason other than for "cause";

    (ii) by the PSU Participant as a result of a "constructive dismissal" provided that the material change imposed by the Employer or any of its affiliates without the PSU Participant's consent occurs during the Control Period;

then, unless otherwise provided in an award agreement or in a written employment agreement between a member of the Extendicare Group and a PSU Participant:

(c) a *pro rata* portion of the PSUs credited to the PSU Participant's Performance Share Unit Account shall vest on the basis that the PSU Vesting Date is the date of the Change of Control (unless otherwise determined by the HR/GN Committee, acting reasonably), such *pro rata* portion of such PSUs to be determined based on the number of days between the date of grant and the date of the Change of Control versus the number of days in the entire PSU Performance Goal Period for such PSUs, after applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined as at the date of the Change of Control, and with respect to the PSU Performance Goals that are still in progress or that otherwise cannot be so determined as at the date of the Change of Control, assuming that such Performance Goals are achieved at target.

If PSUs become vested in connection with a Change of Control, the fair market value with respect to the PSUs shall be the price per Common Share offered or provided for in the Change of Control transaction (unless otherwise determined by the HR/GN Committee, acting reasonably).

Substitution Event or Permitted Reorganization

Upon the occurrence of: (a) a Change of Control pursuant to which the Common Shares are converted into, or exchanged for, other property, whether in the form of securities of another person, cash or otherwise; or (b) a reorganization of the Extendicare Group where the shareholdings or ultimate ownership remains substantially the same upon the completion of the reorganization, the surviving or continuing entity (the "**Continuing Entity**") shall, to the extent commercially reasonable, take all necessary steps to continue the LTIP and to continue the PSUs and DSUs granted under the LTIP or to substitute or replace the PSUs or DSUs with similar units measurable in value to the securities of the Continuing Entity for the PSUs and DSUs outstanding under the LTIP on substantially the same terms and conditions in the LTIP.

If: (a) the Continuing Entity does not comply with the foregoing paragraph; (b) the HR/GN Committee determines, acting reasonably, that compliance by the Continuing Entity with the foregoing paragraph is not practicable; (c) the HR/GN Committee determines, acting reasonably, that compliance by the Continuing Entity with the foregoing paragraph would give rise to adverse tax results to holders of PSUs or DSUs; or (d) the securities of the Continuing Entity are not or will not be listed and posted for trading on the TSX or other stock exchange, then, unless otherwise determined by the HR/GN Committee a *pro rata* portion of the PSUs credited to a PSU Participant's Performance Share Unit Account shall vest in accordance with the provisions of the LTIP relating to a Change of Control (which are summarized above, other than portions of such provisions in paragraph (b) that relate to the PSU Participant's termination date) and each PSU Participant's vested PSUs shall be redeemed by the Company for cash only.

Changes in Capital

If the number of outstanding Shares is increased or decreased as a result of a sub division, consolidation, reclassification or recapitalization and not as a result of the issuance of Shares for additional consideration or by way of a dividend in the ordinary course, the HR/GN Committee shall, subject to TSX approval, if necessary, make appropriate adjustments to the number of outstanding PSUs and DSUs outstanding under the LTIP, provided that the dollar value of PSUs credited to a PSU Participant's Performance Share Unit Account and DSUs credited to a DSU Participant's Deferred Share Unit Account immediately after such an adjustment shall not exceed the dollar value of PSUs or DSUs, as applicable, credited to such PSU Participant's Performance Share Unit Account or such DSU Participant's Deferred Share Unit Account, as applicable, immediately prior thereto. Any determination by the HR/GN Committee as to the adjustments shall be made in its sole discretion and all such adjustments shall be conclusive and binding for all purposes of the LTIP.

Shareholder Advisory Vote on the Approach to Executive Compensation

The Board of Directors believes that Shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board has used to make executive compensation decisions and to have an advisory vote on the Board's approach to executive compensation. The Board's advisory vote policy is substantially consistent with the Canadian Coalition for Good Governance's model "Say on Pay" policy for boards of directors. This non-binding advisory shareholder vote, commonly known as "Say on Pay", provides Shareholders with the opportunity to endorse or not endorse the Company's approach to its executive compensation program in the year that payments are made, as well as over a longer period of time.

At the Company's annual meeting held in 2015, 91% of the Shareholders voted in favour of the Company's approach to executive compensation. As this vote is an advisory vote, the results will not be binding upon the Board of Directors. However, the HR/GN Committee and the Board of Directors will take the results of the vote into account, as appropriate, together with feedback received from Shareholders, when considering future compensation policies, procedures and decisions. Please refer to the discussion under the heading "Say on Pay" found in Schedule A – "Statement of Corporate Governance Practices" for more details on the Company's policy with respect to this advisory vote, and how Shareholders may contact the Board of Directors with any comments or questions.

The Company's compensation policies and procedures are designed to provide a strong and direct link between performance and compensation. To assist Shareholders in making their voting decision, please refer to the Compensation Discussion and Analysis (the "**CD&A**") below. The CD&A describes the Board of Directors' approach to executive compensation, the details of the compensation program and the Board of Directors' compensation decisions in 2015. This disclosure has been approved by the Board on the recommendation of the HR/GN Committee.

The Board of Directors unanimously recommends the Shareholders vote FOR the Advisory (Non-binding) Resolution. The text of the Advisory (Non-binding) Resolution is set forth below:

"Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in this Information Circular delivered in advance of the 2016 annual and special meeting of Shareholders of the Company."

COMPENSATION DISCUSSION AND ANALYSIS

Composition of the Human Resources, Governance and Nominating Committee

The HR/GN Committee performs the functions of a compensation committee. A description of the roles and responsibilities of the HR/GN Committee is set out under the heading "Compensation" in Schedule A – Statement of Corporate Governance Practices". On issues related to executive compensation, part of the HR/GN Committee's mandate is to evaluate annually the performance of, and recommend compensation for, the Chief Executive Officer (the "**CEO**") and other senior executives of the Company and its subsidiaries. To aid the HR/GN Committee in making its determinations, the CEO provides recommendations annually to the HR/GN Committee regarding the compensation of all other senior executives. Each senior executive, in turn, participates in an annual performance review with the CEO to provide input about his or her contributions during the year. The HR/GN Committee reviews the design and competitiveness of the executive compensation package with a view to ensuring that the Company and its subsidiaries are able to attract and retain high calibre executive officers, and to motivate performance of executive officers in furtherance of the strategic objectives of the Company and its subsidiaries.

The HR/GN Committee is composed of three independent directors of the Company. No member of the HR/GN Committee is an officer of the Company or any of its subsidiaries, or has been an officer or employee of the Company or any of its subsidiaries within the last three years. During 2015, the members of the HR/GN Committee were Benjamin J. Hutzel (Chair), Governor Howard B. Dean, and Alvin G. Libin. In January 2016, Messrs. Libin and Dean retired from the Board and Donna E. Kingelin and Alan D. Torrie were appointed to the Board and the HR/GN Committee.

The experience of the members of the HR/GN Committee in top leadership roles during their careers and extensive knowledge of the health care industry as well as their mix of experience in business, governmental affairs and as executives, directors, and members of compensation committees of various private and public companies, provides the collective experience, skills and insight to effectively support the HR/GN Committee in carrying out its mandate. Further information on the background and experience of Messrs. Hutzel and Torrie and Ms. Kingelin is provided under the heading "Election of Directors".

2015 Comprehensive Review of Executive and Director Compensation Programs

The Company's approach to executive compensation was approved in an advisory vote of Shareholders by 91% of the votes cast at the Company's 2015 annual and special meeting of Shareholders. The HR/GN Committee and the Board remain committed to continuously improving the Company's compensation practices with a view to aligning them with leading market practices. Following the closing of the U.S. Sale Transaction in July 2015, and reflecting the evolution of the Company's business and its new Canadian focused strategy, the HR/GN Committee and management initiated a review of the Company's executive and director compensation practices. As part of this review, the HR/GN Committee engaged Hugessen Consulting Inc. ("**Hugessen**") to provide it with independent advice and to make recommendations to the HR/GN Committee on the Company's compensation practices.

The specific objectives of this review were to assess the Company's current executive and director compensation programs and to make changes, if necessary, with a view to ensuring that such programs: are fair, competitive, and aligned with the Company's strategic plan; attract, retain, and reward high performing executives; align employee interests with the interests of shareholders; and are in alignment with market practices.

As a result of this initiative and after considering the advice of Hugessen, the Board has approved, for implementation in 2016, the following key changes to the Company's executive and director compensation practices.

Changes to Executive Compensation

- Annual grants of SARs under the SARP have been discontinued (outstanding SARs will continue to vest);
- Executives will receive annual awards of PSUs, which will cliff vest on the third anniversary of the date of grant. Payout values will be based on performance goals established by the HR/GN Committee and will be paid in cash or, subject to the receipt of any necessary shareholder and other approvals required by the TSX, in Common Shares. See "Approval of the Extendicare Long Term Incentive Plan – Term of Performance Share Units Awarded to Employees of the Extendicare Group";
- A rebalancing of the components of the CEO's compensation package to more closely align it with the Company's performance and Shareholders' interests; this was achieved by reducing the proportion of his total compensation attributable to base salary and annual cash incentives, and increasing the long-term incentive component (which will now be satisfied by an annual award of PSUs); and

- New share ownership requirements for the executive team:
  - our CEO will be required to own Common Shares and/or PSUs, with an aggregate value of three times his base salary within five years; and
  - all other senior executive officers will be required to own Common Shares and/or PSUs, with an aggregate value of one times his or her base salary within five years.

Changes to Director Compensation

- Annual grants of SARs under the SARP have been discontinued (outstanding SARs will continue to vest);
- All of the Company's non-employee Directors will receive not less than 50% of their annual retainer for serving as a Director during the year, which for 2016 is $50,000 for Directors other than the Chairman and $150,000 for the Chairman, in DSUs, with the option to elect to receive some or all of their remaining annual retainer (not automatically satisfied by grants of DSUs) together with committee retainers and meeting fees satisfied by additional grants of DSUs. DSUs will be paid in cash or, subject to the receipt of any necessary shareholder and other approvals required by the TSX, in Common Shares. See "Approval of the Extendicare Long Term Incentive Plan – Terms of Deferral Share Units Awarded to Non-Employee Directors"; and
- Enhanced share ownership requirements for non-employee Directors:
  - all non-employee Directors will be required to own Common Shares and/or DSUs with an aggregate value of three times the annual Board retainer within the later of three years from the adoption of the share ownership policy or five years from date of their appointment or election to the Board.

Independent Compensation Consultant

The HR/GN Committee retained the services of Hugessen in September 2015 to provide independent advice on the Company's compensation practices. More specifically, Hugessen was engaged by the HR/GN Committee to: (a) review and comment on the competitiveness and appropriateness of the Company's executive compensation programs and related governance practices in the context of the Company's new Canadian focused strategy; (b) support the HR/GN Committee and management in developing the key terms and conditions of the new LTIP, including the attributes of the PSUs and DSUs, and scenario testing of outcomes; (c) support the HR/GN Committee and management in rebalancing the CEO's compensation and developing the key terms and conditions of the CEO's termination benefits; and (d) review and comment on the Company's internally completed exercise assessing the competitiveness of its non-employee director compensation program (collectively the "**Consultant's Report**"). The Consultant's Report, along with recommendations from the CEO, was presented to the HR/GN Committee, and these recommendations were taken into account by the HR/GN Committee when making its recommendations to the Board on how the Company's compensation practices should be changed. The Board made its decisions relating to changes to the Company's compensation practices after consideration of the HR/GN recommendations. All decisions and actions taken by the HR/GN Committee and the Board have been based on numerous factors and circumstances, which may, but do not necessarily, reflect the information or advice contained in the Consultant's Report.

Hugessen has not provided any services to Extendicare, or to its affiliates or subsidiaries, or to any of its directors or management, other than as described herein. Extendicare's management was not involved in the preparation of the Consultant's Report, except to provide Hugessen with information requested by Hugessen regarding the then current compensation of the executives and non-employee directors under review.

Executive Compensation-related Fees

No external compensation consultant was retained by the Company in 2014. The aggregate fees billed by Hugessen in 2015, for the services described above, were $94,500. No other fees were paid in 2015 by the Company to any consultants or advisors or any of their affiliates, for services related to determining compensation for any of the Company's directors and executive officers.

Overview of Executive Compensation Programs

The compensation philosophy of the Company is intended to be competitive with service sector and other health care companies of comparable size and complexity in Canada (North America prior to 2016) in order to attract, retain and motivate its executives, and reward its executives for the Company's financial and operational performance and their individual contributions. The compensation practices for executives are built around reward systems that recognize financial results, quality of services provided by the Company and individual performance. The total compensation package is designed to provide a strong and direct link between performance and compensation, using a combination of base salary, short-term incentives achieved through annual incentive or bonus payments, and long-term incentives formerly achieved through the Company's SARP, and beginning in 2016, through grants of PSUs to executives.

Extendicare's incentive programs use key drivers such as quality of services, regulatory compliance, accreditation, occupancy levels and overall financial performance to promote and encourage specific actions and behaviours. In reviewing and approving the incentive programs, the HR/GN Committee ensures that risk is appropriately considered, that the incentive programs do not encourage undue risk-taking on the part of executives and that risks are accounted and adjusted for in the incentive compensation payouts. In addition, the Company has a formal clawback policy in respect of incentive compensation in the event of fraud or material misconduct, or actions resulting in a restatement of the financial statements of the Company and/or any of its subsidiaries. This is further described below under the heading "Reimbursement of Incentive Compensation". The HR/GN Committee believes the total compensation package of the CEO and other senior executives of the Company and its subsidiaries are competitive in the Canadian markets in which it operates.

This CD&A reviews how the HR/GN Committee determined the compensation for the following NEOs:

- Timothy L. Lukenda, President and Chief Executive Officer;
- Elaine E. Everson, Vice President and Chief Financial Officer;
- Jillian E. Fountain, Corporate Secretary;
- Christina L. McKey, Vice President, Eastern LTC Operations of ECI;
- Deborah C. Bakti, Vice President, Human Resources and SGP Purchasing Partner Network, of ECI; and
- Dylan T. Mann, former Senior Vice President and Chief Financial Officer.

Comparator Group

As part of the HR/GN Committee's review of the Company's executive and director compensation practices discussed above, Hugessen developed a comparator group of companies that consisted of 10 Canadian organizations (the "**Comparator Group**") against which the HR/GN Committee used to assess the Company's executive compensation levels and practices. The Comparator Group was generated based on a broad industry scan, selected primarily based on market capitalization, revenue, and general alignment with Extendicare's business model. Recognizing the limited directly comparable publicly traded entities to Extendicare in the Canadian market, the Comparator Group also includes those issuers with service delivery, business-to-customer models, large diverse asset and employee bases, and with exposure to government regulation. The Comparator Group has generally excluded issuers involved in manufacturing and sale of goods and those with business-to-business models.

The companies included in the Comparator Group were:

- Amica Mature Lifestylse Inc.
- Chartwell Retirement Residences
- Chorus Aviation Inc.
- COGECO Inc.
- EnerCare Inc.
- Great Canadian Gaming Corp.
- Regal Lifestyle Communities Inc.
- Sienna Senior Living Inc.
- Transat AT, Inc.
- Whistler Blackcombe Holdings Inc.

The table below summarizes the relevant criteria relating to the Comparison Group based on data provided by Hugessen, compiled using publicly available information as at December 31, 2015.

(dollars in millions)		Revenue (TTM December 31, 2015)	Market Capitalization
Extendicare		$980	$849
Comparison Group:	75th Percentile	$1,330	$1,007
	Median	$517	$779
	25th Percentile	$319	$585

2016 Changes to CEO Compensation

As a result of the review of the Company's executive compensation practices, the Board approved a number of changes to the terms of Mr. Lukenda's compensation, effective April 1, 2016. Specifically, the Board approved: (i) a reduction in and change in currency of his base salary from US$885,441 to C$650,000; (ii) a cap on his annual cash bonus at 100% of his base salary (rather than an unspecified maximum); (iii) an annual award of PSUs under the LTIP with a grant date value of 150% of his base salary (rather than 50,000 SAR units); and (iv) a phase out of his existing separation payment entitlements to more standard severance terms, including a double-trigger change of control provision. For further information on the revisions to Mr. Lukenda's employment agreement, refer to the discussion under the heading "Termination and Change of Control Benefits – Employment Agreements".

Base Salary

Base salaries are reviewed at least annually, and are established by salary ranges developed from publicly available market data and from time to time with the assistance of external consultants. The salary ranges are intended to be competitive in the markets applicable to the Company's business units and are intended to allow the organization to recruit and retain qualified employees. In addition, the HR/GN Committee takes into consideration the executive's level of responsibility and experience, internal equity among executives, and the executive's overall performance, such as the executive's success in developing and executing strategic plans of the Company's business units, addressing the significant challenges affecting the health care industry, developing key employees and demonstrating leadership.

Short-term Incentives

An annual cash incentive program is provided for executive officers and other key employees of the Company and its subsidiaries that is formula-based and is measured against pre-determined performance targets. Awards are granted on the basis of profit centre results, consolidated results, quality of services and individual performance, as measured against pre-established objectives, such as quality measures, occupancy levels, accreditation, and regulatory compliance for the year. Incentive potential or levels for each executive are established based on the individual's ability to contribute to the overall goals and performance of the Company and its subsidiaries.

With respect to the CEO's short-term incentive awards, the CEO's target bonus for 2015 was not less than 50% of his base salary, with no specified maximum. Beginning on April 1, 2016, along with the reduction in his annual base salary to $650,000, Mr. Lukenda's target and maximum annual cash bonus has been set at 100% of his base salary.

For the other NEOs, the annual incentive payments for 2015 reflected a target range of approximately 17.5% to 22.6% of their base salaries, to a maximum range of 25% to 35% of their base salaries.

The amount of the short-term incentive payments are at the discretion of the HR/GN Committee to recommend for approval by the Board. The HR/GN Committee may recommend a decrease in the amount of incentive payment otherwise earned as a result of material unforeseen events or circumstances that have occurred during the year, including any restatement of financial results. In addition, the HR/GN Committee may recommend an award notwithstanding that the applicable pre-determined performance targets have not been met (subject to Board approval). For example, the HR/GN Committee may apply its informed judgement to consider adjustments for one-time or unusual items in assessing the financial performance measures of the Company. This use of discretion by the HR/GN Committee is intended to ensure that awards appropriately reflect risk as well as other unexpected circumstances that arise during the year, and to eliminate the possibility of unintended outcomes determined solely by formula.

Long-term Incentives

<u>2012 Total Return Share Appreciation Rights Plan</u>

As a result of the outcome of HR/GN Committee's review of the Company's executive and director compensation practices discussed above, beginning in 2016, there will be no further awards granted under the Company's SARP. SARs that have already been awarded and are outstanding will continue to vest pursuant to the SARP. SARs were historically granted at the discretion of the Board of Directors, upon recommendation by the HR/GN Committee. Other than to effect an alteration of the underlying Common Shares, the Board cannot otherwise amend the base value established at the date of grant.

Awards under the SARP vest after three years, subject to conditions as described below, and permit the participant to receive, at the election of the Board of Directors, either a payment in cash or equivalent value of Common Shares acquired on the TSX (or any other stock exchange on which the Common Shares are listed and traded), by a broker designated by the participant. Vesting of SARs is subject to continued employment of the participant, with pro-rating provisions in the event of the participant's death, retirement or termination of employment as described below, and a minimum Common Share price. Consideration for vested SARs is equal to the appreciation in the SAR FMV of the vested SARs from the date of grant of the SAR, plus Accrued Distributions. The SAR FMV of a Common Share, on any particular date, means the VWAP of the Common Share on the TSX during the last 10 trading days immediately preceding that particular date. "Accrued Distributions" means the aggregate amount of cash distributions per Common Share declared payable to holders of record during the three year term of the SAR.

The SARP contains provisions providing for adjustments in the event of a corporate reorganization, including an amalgamation or merger of the Company with or into another entity, or in the event of a change in control (as defined in the SARP). Upon termination of employment (for cause) of a participant, all of his or her SARs shall be cancelled and terminated without payment. In the event of the death, retirement, or termination of employment (other than for cause) of a participant, that occurs on or after the first anniversary date of the date of grant of a particular SAR, the number of SARs available to vest for the remaining term of such grant is prorated based on the elapsed time since the date of grant (subject to the provisions of any agreement between the participant and the Company). The balance of the number of SARs under such grant shall be cancelled and terminated without payment. If the date of any such event occurs prior to the first anniversary date of the date of grant of a particular SAR, then such SAR is cancelled and terminated without payment.

New Long-term Incentive Plan Implemented in 2016

The Company is seeking Shareholder approval of the LTIP implemented by the Board in April 2016. The key elements of the LTIP are discussed above under the heading "Business of the Meeting – Approval of the Extendicare Long Term Incentive Plan", and a full copy of the LTIP was filed on SEDAR at www.sedar.com under the Company's issuer profile on April 20, 2016, under the filing category "other security holders documents". The Board has approved the implementation of the LTIP in 2016 to provide for a new equity-based component of our executive and director compensation designed to encourage a greater alignment of interests between executives and directors and our Shareholders, in the form of PSUs for our employees and DSUs for our non-employee directors. The LTIP permits settlement of PSU and DSU awards in cash, market-purchased Common Shares or, subject to requisite TSX and shareholder approvals, Common Shares issued from treasury. The Board will retain full discretion over awards and payouts of PSUs under the LTIP. PSUs and DSUs will not carry any voting rights. If the LTIP Resolution is not passed at the Meeting, the Company will have no alternative but to settle PSUs and DSUs in cash or market-purchased Common Shares, in each case reducing the cash otherwise available to the Company for other purposes.

Performance Share Units (PSUs): The LTIP provides for the grant of PSUs to employees, which is an "at-risk" notional Common Share based award, the vesting of which are subject to specified performance criteria to be determined at the time of grant. The purpose of the PSUs is to enhance the ability of the Company to attract and retain senior executives, to enhance the alignment of executive pay with the Company's performance and Shareholders' interests, and to allow participants to share in the Company's long-term success.

Grant date values of PSUs will be determined in the context of the eligible employee's total compensation, and sized as a percentage of his or her base salary, with the intention that the annual awards of PSUs represent a meaningful percentage of the eligible employee's total compensation. The number of PSUs granted will be calculated by dividing the grant date value of the award by the LTIP FMV of a Common Share as at the date of grant. The LTIP FMV of a Common Share, on any particular date, means the VWAP of the Common Share on the TSX during the last five trading days immediately preceding that particular date.

PSU awards will cliff vest three years from the date of grant. Vesting of PSUs will be conditional on specified performance criteria, and subject to continued employment of the participant, with specific provisions in the event of the participant's death, retirement or termination of employment (subject, in each case, to the provision of any agreement between the participant and the Company). The number of PSUs to ultimately vest will be determined based on a performance multiplier having a possible range of 0% (i.e. no PSUs vest) to 200% (i.e. twice the number of PSUs that were originally granted). The performance criteria and underlying multipliers will be established at the time of grant and may be based on a combination of operational and financial measures. The HR/GN Committee anticipates that the PSU performance criteria for the NEOs will be primarily based on a combination of a relative total shareholder return ("**TSR**") and AFFO targets. If awards are settled in cash, the final payout amount will be calculated as the number of vested PSUs multiplied by the LTIP FMV of a Common Share as at the redemption date.

In addition, a PSU participant's account will be credited with dividend equivalents in the form of additional PSUs when dividends are paid on Common Shares.

Deferred Share Units (DSUs): The LTIP will provide for the grant of DSUs to non-employee directors, which is a notional Common Share based award.

The HR/GN Committee has determined that in respect of the 2016 Fiscal Year that non-employee Directors will receive 50% of their annual Board retainer in the form of DSUs, granted on a quarterly basis. Non-employee Directors have the option to receive some or all of their remaining cash retainer and meeting fees in DSUs. The number of DSUs granted will be calculated by dividing the grant date value of the award by the LTIP FMV of a Common Share as at the date of grant. The DSUs vest immediately at the time of grant but will not carry any voting rights, and will be redeemed by the Company upon the non-employee Director retiring or otherwise leaving the Board. If awards are settled in cash, the final payout amount will be calculated as the number of vested DSUs multiplied by the LTIP FMV of a Common Share as at the redemption date.

In addition, the DSU participant's account will be credited with dividend equivalents in the form of additional DSUs when dividends are paid on Common Shares in the ordinary course of business.

Defined Benefit Plans

Extendicare and ECI provide executive defined benefit arrangements in the form of a registered pension plan (the "**RPP**") and a supplemental executive retirement plan (the "**SERP**"). Both plans were closed to new entrants in 2000, and the only current active participants in the plan are Ms. Everson, Vice President and Chief Financial Officer, and Ms. McKey, Vice President, Eastern Operations of ECI. The SERP is a non-registered unfunded plan and all benefits are paid from cash from operations. The benefit obligations under the SERP are secured by letters of credit. Coverage under these plans provides for a benefit of 4% of the average of the best three consecutive years of base salary for each year of service to a maximum of 15 years and 1% per year thereafter. These arrangements provide a maximum benefit guarantee of 50% of base salary after 10 years of service, 60% after 15 years of service, and 70% after 25 years of service. Normal retirement age is 60 years or age 55 with the Company's consent. Retirement benefits under these plans are not subject to any deduction for social security or Canada Pension Plan, and are payable as an annuity over the lifetime of the plan participant with a portion continuing to be paid to his or her spouse after the death of the plan participant, depending on the form of pension elected by the participant at retirement.

Non-Qualified Defined Contribution and Deferred Compensation Plans

Prior to the closing of the sale of the U.S. business, EHSI, which managed the Company's U.S. senior care and related operations, maintained an executive retirement plan (the "**ERP**") and a deferred salary plan (the "**DSP**"). Following the closing of the sale of the U.S. business, these plans were terminated and cash settlement payments were made to the plans' participants.

Executive Retirement Plan

The ERP was offered to the CEO and EHSI's vice presidents, under which EHSI contributed an amount equal to 10% of the employee's annual base salary on a monthly basis into an account to be invested in certain mutual funds at the participant's discretion. Employees were not permitted to make contributions to the ERP. Amounts contributed by EHSI to the ERP, including amounts earned thereon, vested based on years of employment as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years.

Deferred Salary Plan

The DSP was offered to the CEO and EHSI's vice presidents who participated in the ERP. Under the DSP, an employee could defer up to 10% of his or her annual base salary. Amounts contributed by an employee to the DSP were 100% vested and earned interest at the prime rate.

Registered Defined Contribution Plans

In Canada, Extendicare maintains a group registered retirement savings plan (the "**RRSP**") for executives, under which the employer contributes 10% of the employee's base salary, subject to the legal limits of the plan. The employer contributions vest immediately. Participants in Extendicare's defined benefit plan and SERP are not eligible to participate in the group RRSP.

Reimbursement of Incentive Compensation

The Board of Directors of the Company may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that it is in the Company's best interest to do so, require reimbursement of full or partial incentive compensation from all current or former Vice Presidents and above of the Company and its subsidiaries in the event of fraud or material misconduct, or actions resulting in the restatement of the Company's and/or its subsidiaries financial statements that would have reduced the amount of incentive compensation had the financial results been correctly reported.

Restrictions on Trading and Hedging Extendicare Securities

Senior officers of the Company and its subsidiaries, including the NEOs, are prohibited from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of the Common Shares and the Company's other securities.

Executive Share Ownership Guidelines

Beginning in 2016, the CEO is subject to share ownership guidelines of three times his base salary to be achieved within five years, and the other executives are subject to share ownership guidelines of one times his or her base salary, to be achieved within five years. Executives can meet the share ownership requirements through direct or beneficial ownership of Common Shares and PSUs. The determination of the value of the share ownership will be the higher of the original grant value / acquisition cost or market value. Our CEO has already met his share ownership requirement and each of our other NEOs is progressing towards meeting his or her share ownership requirement within the five-year period

Compensation for 2015 and Revisions applicable in 2016

Base Salary

Base salaries are reviewed annually and may be adjusted to better match the market value of the individual's role and/or to recognize the individual's growth and development in his or her position. Changes in the base salaries earned of the NEOs for 2015, along with changes established to date relating to 2016, are illustrated in the table below.

The NEOs received an increase in annual base salary for 2015 of 2.5%, based on their annual base salary in effect at the end of 2014. However, the table below reflects increases greater than 2.5% for Ms. Everson, due to a change in position in July 2015, as explained in the notes to the table below.

In December 2015, the Board approved a 2% increase in the annual base salaries of the NEOs, effective January 1, 2016. However, following the completion of the review of the executive and director compensation programs and taking into account Hugessen's recommendations, the components of Mr. Lukenda's total compensation were amended to increase his long-term incentive component, and, as a result, his annual base salary was reduced to C$650,000 from US$885,441, effective April 1, 2016 (refer to the discussion above under the heading "Overview of Executive Compensation Programs – 2016 Changes to CEO Compensation").

The base salaries for Messrs. Lukenda and Mann have been reported in the table below in United States dollars and converted to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's consolidated financial statements for the respective periods, with the exception of the 2016 base salary for Mr. Lukenda, which has been translated using the exchange rate as at December 31, 2015.

NEO	Base Salary Earned 2014	Base Salary Earned 2015	2015 % Change	2016 Annual Base Salary	2016 % Change
T.L. Lukenda President and Chief Executive Officer	US$846,900 C$935,401	US$868,079 C$1,110,013	2.5%	US$885,441 C$1,225,450	2.0%
2016 annual base salary effective April 1, 2016				C$650,000	(53.0)%
E.E. Everson (1) Vice President and Chief Financial Officer	C$193,221	C$229,026	18.5%	C$265,200	2.0%
J.E. Fountain Corporate Secretary	C$191,501	C$196,289	2.5%	C$200,215	2.0%
C.L. McKey Vice President, Eastern LTC Operations of ECI	C$173,561	C$177,900	2.5%	C$181,458	2.0%
D.C. Bakti Vice President, Human Resources and SGP Purchasing Partner Network of ECI	C$167,655	C$171,846	2.5%	C$175,283	2.0%
D.T. Mann (2) former Senior Vice President and Chief Financial Officer	US$306,000 C$337,977	US$153,000 C$189,016	n/a	n/a	n/a
U.S./Canadian dollar exchange rate:	1.1045	1.2787		1.3840	
For the six months ended June 30, 2015 *(applicable for Mr. Mann)*		1.2354			

Notes:

(1) Ms. Everson's increase in base salary earned in 2015 over 2014 was 18.5%, reflecting her appointment to the position of Vice President and Chief Financial Officer of the Company, effective July 1, 2015, and an increase in her annual base salary from $198,052 to $260,000. Prior thereto, Ms. Everson was Extendicare's Vice President and Controller. The $229,026 reported for 2015 represents her prorated base salary earned in 2015. For 2016, Ms. Everson received a 2% increase in her annual base salary from $260,000 to $265,200.

(2) Mr. Mann was the Company's Senior Vice President and Chief Financial Officer from July 2013 to July 1, 2015, and he worked from the Company's U.S. head office in Wisconsin where he resided with his family. Mr. Mann decided to remain in the U.S. following the U.S. Sale Transaction. Mr. Mann's 2015 annual base salary was US$306,000. The US$153,000 reported for 2015 represents his prorated base salary earned for the year.

Short-term Incentives for 2015

During 2015, all of the NEOs participated in our annual cash incentive program that is formula-based and measured against pre-determined performance targets, including financial and individual performance measures. The financial performance measures are not recognized under GAAP, and do not have standardized meanings prescribed by GAAP. Such non-GAAP measures may differ from similar computations as reported by other issuers. For a description of such non-GAAP measures, refer to the discussion under the heading "Non-GAAP Measures". The HR/GN Committee has the discretion to consider adjustments for one-time or unusual items in assessing the financial performance measures of the Company and its subsidiaries.

The following describes the 2015 annual cash incentives for the NEOs.

***Mr. Lukenda, President and CEO of the Company*:** In accordance with Mr. Lukenda's employment contract, his target bonus for 2015 was not less than 50% of his base salary with no specified maximum. Beginning on April 1, 2016, along with the reduction in his annual base salary to $650,000, Mr. Lukenda's target and maximum annual cash bonus was set at 100% of his base salary. The amount of any such bonus is to be determined by the HR/GN Committee in its discretion (subject to Board approval) and shall take into account, among other factors determined by the HR/GN Committee to be appropriate, the operating results of the Company during 2015, the individual performance of Mr. Lukenda and the extent to which Mr. Lukenda's efforts have contributed to the execution of the Company's strategy during the year. In addition to the "normal course" annual incentive outlined below, Mr. Lukenda was also awarded a special one-time cash bonus of US$625,000, relating to the successful execution of the U.S. Sale Transaction.

The following table illustrates Mr. Lukenda's target 2015 annual incentive goals and achievements.

2015 Annual Incentive	**Financial Performance Measure**		**% of Bonus**	
T.L. Lukenda, President and CEO	**Target**	**Achieved**	**Target**	**Achieved**
Extendicare –AFFO from continuing operations per share	$0.453	$0.508	25%	25%
Extendicare –Adjusted EBITDA margin	8.50%	8.82%	25%	25%
Successful accreditation renewal of Ontario long-term care centres			25%	25%
Effective execution of the Company's strategic plan			25%	25%
% of Target Bonus			**100%**	**100%**
Bonus as a % of Base Salary			**50%**	**50%**

***Other NEOs*:** The following table illustrates the eligibility of the NEOs, other than the CEO, to receive an annual cash bonus, a portion of which is based on corporate performance measures and the balance on his or her individual performance. The NEO's eligibility for an award under the annual incentive program is conditional upon: in the case of Ms. Everson, Ms. Fountain and Ms. Bakti, the Company achieving greater than 95% of targeted results; and in the case of Ms. McKey, her respective profit centre achieving greater than 95% of targeted results. If the Company incurs serious deficiencies in care or services provided, all or part of the NEO's annual bonus may be forfeited.

NEO	**Title**	**Target Bonus as % of Base Salary**	**Maximum Bonus as % of Base Salary**	**Bonus Components**	
				Corporate Performance	**Individual Objectives**
E.E. Everson	Vice President and Chief Financial Officer	22.8%	35%	70%	30%
	former Vice President and Controller	22.5%	30%	50%	50%
J.E. Fountain	Corporate Secretary	17.5%	25%	60%	40%
C.L. McKey	Vice President, Eastern LTC Operations of ECI	18.0%	30%	80%	20%
D.C. Bakti	Vice President, Human Resources and SGP Purchasing Partner Network of ECI	22.5%	30%	50%	50%

Ms. Everson held the position of Vice President and Controller of the Company until her appointment on July 1, 2015 to her current position. Consequently, Ms. Everson's 2015 annual bonus entitlement was prorated based on her maximum entitlement of 30% of base salary, during the period in 2015 that she was Vice President and Controller, and 35% of base salary in her current position. The corporate component for Ms. Everson in her current role was set at 70% of her annual bonus because the HR/GN Committee believes that as Vice President and Chief Financial Officer of the Company, a significant component of Ms. Everson's annual bonus should be based on the overall performance of the Company.

In the case of Ms. McKey, the HR/GN Committee set the corporate financial performance at 80% because it believes that as vice president of a profit centre, a significant component of her annual bonus should be based on the financial performance of the respective profit centre and the Company as a whole.

***Ms. Everson's 2015 Annual Incentive*:** The following table illustrates the components of Ms. Everson's target and maximum 2015 annual short-term incentive programs, which were weighted equally to reflect the change in her position halfway through the year. With respect to the corporate performance measure applicable to her position as Vice President and Chief Financial Officer, for each 1% over 95% of target budgeted results achieved, Ms. Everson is eligible to receive 7% of the potential bonus relating to corporate performance, with the award accumulating at such 7% rate for each additional 1% of budget to a maximum of 105% of budget. With respect to the two corporate performance measures applicable to her position as Vice President and Controller, for each 1% over 95% of target budgeted results achieved, Ms. Everson is eligible to receive 2.0% and 3.0% of the award potential, respectively, with the awards accumulating at such rates for each additional 1% of budget to a maximum of 105% of budget.

Ms. Everson's individual objectives for 2015 included: (i) overseeing the financing of the Home Health Acquisition; (ii) assisting in the execution of the Home Health Acquisition and the retirement community acquisitions, including successful integration of back office systems and processes; (iii) assisting in the execution of the U.S. Sale Transaction, including required changes of the financial reporting and internal audit departments; and (iv) overseeing the redevelopment strategy of the Ontario class "C" long-term care centres.

2015 Annual Incentive	**Target % of**		**Maximum % of**		**Achieved % of**	
E.E. Everson	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**
Vice President and Chief Financial Officer:						
Extendicare – Adjusted Net Earnings from Continuing Operations	100%	35.0%	105%	70.0%	103.60%	60.2%
Individual performance measures	100%	30.0%	100%	30.0%	100.00%	30.0%
% of Target Bonus		**65.0%**		**100.0%**		**90.2%**
Bonus as a % of Base Salary		**22.8%**		**35.0%**		**31.6%**
Vice President and Controller:						
Extendicare – Adjusted Net Earnings from Continuing Operations	100%	10.0%	105%	20.0%	103.60%	17.2%
ECI – Adjusted EBIT of its health care operations	100%	15.0%	105%	30.0%	99.65%	14.0%
Individual performance measures	100%	50.0%	100%	50.0%	100.00%	50.0%
% of Target Bonus		**75.0%**		**100.0%**		**81.2%**
Bonus as a % of Base Salary		**22.5%**		**30.0%**		**24.4%**

***Ms. Fountain's 2015 Annual Incentive*:** The following table illustrates the components of Ms. Fountain's target and maximum 2015 annual incentive program, which reflects a maximum of 60% derived from corporate performance measures and 40% from individual performance measures. With respect to the corporate performance measures, for each 1% over 95% of target budgeted results achieved, she is eligible to receive 6% of the award potential, with the awards accumulating at such 6% rate for each additional 1% of budget to a maximum of 105% of budget.

Ms. Fountain's individual objectives for 2015 included: (i) assisting in the execution of Company's strategic plan; (ii) assisting in corporate governance matters, including matters relating to the Company's reporting obligation under applicable securities laws and acting as corporate secretary at Board and Committee meetings; and (iii) assisting in the overall management of the Company's public communication as a member of the investor relations team.

2015 Annual Incentive	**Target % of**		**Maximum % of**		**Achieved % of**	
J.E. Fountain	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**
Extendicare – Adjusted Net Earnings from Continuing Operations	100%	30.0%	105%	60.0%	103.60%	51.6%
Individual performance measures	100%	40.0%	100%	40.0%	80.00%	32.0%
% of Target Bonus		**70.0%**		**100.0%**		**83.6%**
Bonus as a % of Base Salary		**17.5%**		**25.0%**		**20.9%**

***Ms. McKey's 2015 Annual Incentive*:** The following table illustrates the components of Ms. McKey's target and maximum 2015 annual incentive program, which reflects a maximum of 80% derived from corporate performance measures and 20% from individual performance measures. With respect to the three corporate performance measures, for each 1% over 95% of target budgeted results achieved, she is eligible to receive 1.5%, 1.5% and 5.0% of the award potential, respectively, with the awards accumulating at such percentage rates for each additional 1% of budget to a maximum of 105% of budget.

Ms. McKey's individual objectives for 2015 included: (i) assistance with the redevelopment strategy of the Ontario class "C" long-term care centres; (ii) achievement of targeted quality indicators for Ontario long-term care centres; and (iii) successful accreditation renewal of the Company's Ontario long-term care centres.

2015 Annual Incentive	**Target % of**		**Maximum % of**		**Achieved % of**	
C.L. McKey	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**
Extendicare –Adjusted Net Earnings from Continuing Operations	100%	7.5%	105%	15.0%	103.60%	12.9%
ECI –Adjusted EBIT of its health care operations	100%	7.5%	105%	15.0%	99.65%	7.0%
Profit centre Adjusted EBIT	100%	25.0%	105%	50.0%	100.96%	29.8%
Individual performance measures	100%	20.0%	100%	20.0%	66.66%	13.3%
% of Target Bonus		**60.0%**		**100.0%**		**63.0%**
Bonus as a % of Base Salary		**18.0%**		**30.0%**		**18.9%**

***Ms. Bakti's 2015 Annual Incentive*:** The following table illustrates the components of Ms. Bakti's target and maximum 2015 annual incentive program, which reflects a maximum of 50% derived from corporate performance measures and 50% from individual performance measures. With respect to the two corporate performance measures, for each 1% over 95% of target budgeted results achieved, she is eligible to receive 2% and 3% of the award potential, respectively, with the awards accumulating at such rates for each additional 1% of budget to a maximum of 105% of budget.

Ms. Bakti's individual objectives for 2015 included: (i) achieving targeted profit centre results for SGP Purchasing Partner Network; (ii) achieving targeted client objectives for SGP Purchasing Partner Network; and (iii) assisting with the Home Health Acquisition in so far as it related to the integration of the human resources and management structure.

2015 Annual Incentive	**Target % of**		**Maximum % of**		**Achieved % of**	
D.C. Bakti	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**	**Performance Measure**	**Max. Bonus**
Extendicare –Adjusted Net Earnings from Continuing Operations	100%	10.0%	105%	20.0%	103.60%	17.2%
ECI –Adjusted EBIT of its health care operations	100%	15.0%	105%	30.0%	99.65%	14.0%
Individual performance measures	100%	50.0%	100%	50.0%	100.00%	50.0%
% of Target Bonus		**75.0%**		**100.0%**		**81.2%**
Bonus as a % of Base Salary		**22.5%**		**30.0%**		**24.4%**

2015 Annual Incentive Awards Table

Other than with respect to the special one-time bonus awarded to the CEO upon completion of the U.S. Sale Transaction, the HR/GN Committee did not exercise its discretion to award short-term incentives to the NEOs in amounts greater than what they were otherwise eligible to receive under their respective pre-determined incentive programs for 2015.

The corporate performance measures and weightings set by the HR/GN Committee for 2015 under the annual cash incentive program, as well as the individual's achievement of each goal, along with the amount of the annual cash incentive that was awarded, are set out in the table below. The amounts for Mr. Lukenda have been reported in the table below in United States dollars and converted to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's consolidated financial statements for the 2015 year of 1.2787.

	2015 Annual Incentive Opportunity (as a % of base salary)			2015 Annual Cash Incentive Awarded		
NEO	**Threshold**	**Target**	**Maximum**	**% of base salary**	**Amount (US$)**	**Amount (C$)**
T.L. Lukenda						
2015 performance	50.00%	50.00%	n/a	50.00%	434,040	555,007
Special one-time					625,000	799,187
Total for 2015				122.00%	1,059,040	1,354,194
E.E. Everson	14.73%	22.63%	32.50%	28.45%	–	65,154
J.E. Fountain	11.50%	17.50%	25.00%	20.90%	–	41,024
C.L McKey	8.40%	18.00%	30.00%	18.90%	–	33,623
D.C. Bakti	16.50%	22.50%	30.00%	24.35%	–	41,845

Long-term Incentives for 2015 – Share Appreciation Rights

Pursuant to the HR/GN Committee's policy, annual awards of SARs for senior executives were generally made in the first or second quarter of the year, and awards have been granted during any given year in connection with, among other things, the hiring or promotion of an employee. The HR/GN Committee did not use a set formula to determine the appropriate number of SARs awarded in 2015. The base value and minimum Common Share price condition of each SAR is equal to the SAR FMV at the date of the grant, which was $6.55 for the awards granted on January 29, 2015, and $7.69 for the awards granted on May 25, 2015. Accordingly, holders of these SARs will only receive a pay out if the SAR FMV of the Common Share exceeds the base value at the end of the three-year term. Further details of the SARs granted to the NEOs are provided under the heading "Incentive Plan Awards".

As a result of the review of the Company's long-term incentive program in 2015, there will be no further awards granted under the SARP.

Long-term Incentives for 2016 – Performance Share Units

The Board has approved the implementation of a new LTIP in 2016, to provide for performance-based awards in the form of PSUs for employees. Further details of the LTIP are provided under the heading "Overview of Executive Compensation Programs – Long-term Incentives – New Long-term Incentive Plan Implemented in 2016".

On April 7, 2016, the Board approved the following PSU awards to the NEOs (the "**2016 PSU Award**"), sized as a percentage of his or her base salary, with the number of PSUs determined based on the LTIP FMV as at the date of grant of $9.48.

NEO	Grant Date / Expiry Date	2016 PSU Award as % of Base Salary	2016 PSU Award (#)	2016 PSU Award Grant Date Value ($)
T.L. Lukenda	April 7, 2016 / April 7, 2019	150%	102,848	975,000
E.E. Everson	April 7, 2016 / April 7, 2019	40%	11,190	106,080
J.E. Fountain	April 7, 2016 / April 7, 2019	35%	7,392	70,075
C.L McKey	April 7, 2016 / April 7, 2019	35%	6,699	63,510
D.C. Bakti	April 7, 2016 / April 7, 2019	35%	6,471	61,349

The PSUs granted under the **2016 PSU Award**, plus any additional PSUs credited for dividend equivalents, will be subject to adjustment by multiplying the number of PSUs credited to a PSU Participant by the Combined Payout Percentage, as determined below, in order to determine the number of vested PSUs, relating to the 2016 PSU Award.

The ultimate payout value of the 2016 PSU Award will depend on two performance metrics over the three-year PSU Performance Goal Period, being our AFFO performance relative to our annual AFFO targets and our TSR performance relative to the S&P/TSX Completion Index, and our Common Share price following the end of the vesting period on the date of redemption of the PSUs, as shown below.

Number of PSUs credited	X	Combined Payout Percentage ranging from 0% to 200% based on: AFFO Multiplier X 50% + TSR Multiplier X 50%	X	5-day VWAP of the Common Shares immediately preceding the redemption date of the PSU	=	PSU Cash Amount ($) (before deduction of applicable withholding taxes)

The "**AFFO Multiplier**" is determined based on the achievement of our annual AFFO targets weighted equally for each of the three years during the PSU Performance Goal Period. The Company's performance against the AFFO targets will be measured as follows: (i) achieving target equates to a multiplier of 100%; (ii) achieving 20% above target equates to a multiplier of 200%, and (iii) achieving 20% below target equates to a multiplier of 0%, with the amount of the multiplier linearly interpolated if the actual AFFO for the year falls between the minimum and maximum performance levels.

The "**TSR Multiplier"** is determined based on the achievement of our TSR performance relative to the S&P/TSX Completion Index (the "**TSR Target**"), or any replacement index, during the three-year PSU Performance Goal Period. The TSR performance will be weighted based on applying a 20% weighting to the annual TSR Target in each of the three years during the PSU Performance Goal Period, and applying a 40% weighting to the cumulative TSR Target over the three-year PSU Performance Goal Period. Extendicare's performance relative to the TSR Target will be measured as follows: (i) achieving the TSR Target equates to a multiplier of 100%; (ii) achieving 15% above the TSR Target equates to a multiplier of 200%, and (iii) achieving below 15% of the TSR Target equates to a multiplier of 0%, with the amount of the multiplier linearly interpolated if performance falls between the minimum and maximum performance levels.

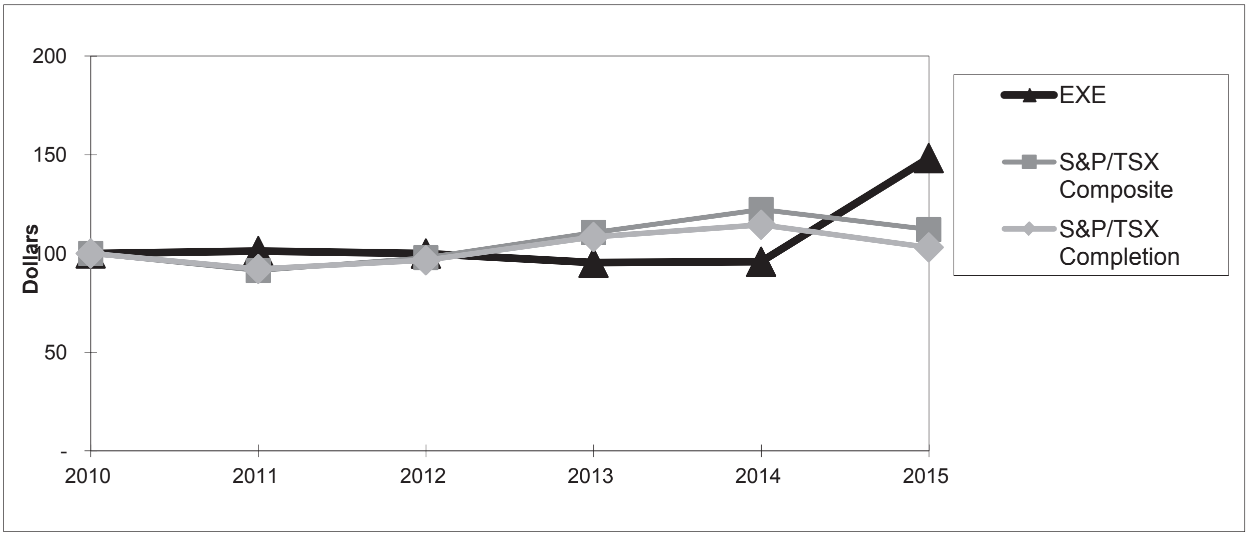
Extendicare's relative TSR is an important performance measure because it is reflective of our performance relative to companies which are affected by similar market conditions, and is an important metric of value creation. The HR/GN Committee determined, with assistance from Hugessen, and the Board approved, the selection of the S&P/TSX Completion Index on the basis that it was a broad industry index of small- to mid-cap TSX companies that provided a relatively high degree of correlation to Extendicare's historical TSR.

The PSU Cash Amount will be paid in cash, market-purchased shares or, subject to the receipt of any necessary shareholder and other approvals required by the TSX, in Common Shares. See "Approval of the Extendicare Long Term Incentive Plan – Term of Performance Share Units Awarded to Employees of the Extendicare Group".

Performance Graph

The Common Shares were listed on the TSX on July 5, 2012, in substitution for the REIT Units following the 2012 Conversion. The following graph illustrates the total cumulative return over the last five years on the REIT Units and Common Shares, respectively (assuming a $100 investment in REIT Units was made on December 31, 2010), with the total cumulative return of the S&P/TSX Composite Index and the S&P/TSX Completion Index. The values assume the reinvestment of all Common Share dividends and REIT Unit distributions.

Total Shareholder Return



For the Year	2010	2011	2012	2013	2014	2015
Extendicare (EXE/EXE.UN)	$100.00	$101.16	$99.95	$95.28	$95.81	$148.29
S&P/TSX Composite Index	$100.00	$91.29	$97.85	$110.56	$122.23	$112.06
S&P/TSX Completion Index	$100.00	$92.15	$96.52	$108.32	$114.53	$103.07

The compensation paid to the NEOs is not directly tied to the total return to Shareholders during the period shown in the chart above. However, the long-term compensation awarded to all NEOs in the form of SARs that cliff vest at the end of three years does provide an alignment of management and Shareholder interests. As a result of the reduction in share price from the base value at the date of grant, none of the SARs awarded to NEOs since 2010 have vested in the money, other than those awarded to Mr. Mann in 2013 and 2014 that were settled as a result of the U.S. Sale Transaction. As indicated in the table under the heading "Incentive Plan Awards – Outstanding Share-base Awards", the NEOs each have SAR awards that were granted in 2013, 2014 and 2015, and which vest in 2016, 2017 and 2018, respectively.

With the exception of increases due to changes in responsibility, the base salaries of NEOs were frozen in 2011. In 2012, Mr. Lukenda voluntarily took a 10% reduction in his base salary, while the other NEOs received increases ranging from 2% to 3%. With the exception of increases due to changes in responsibility, and an increase awarded to Mr. Lukenda in 2013, the base salaries of the NEOs increased by 2% in each of 2013 and 2014, and by 2.5% in 2015. With respect to the number of SARs awarded annually to the NEOs, there has been no change other than to reflect a change in position of responsibility.

SUMMARY COMPENSATION TABLE OF NAMED EXECUTIVE OFFICERS

The following Summary Compensation Table sets forth all annual and long-term compensation for services in all capacities to the Company and its subsidiaries for the individuals who were, as at December 31, 2015, the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers of the Company and its subsidiaries and for Mr. Mann, the former Senior Vice President and Chief Financial Officer (collectively the NEOs) of the Company.

Name and Principal Position	Year	Salary (1) (C$)	Option-based Awards (2) (C$)	Annual Non-equity Incentive Plans (1) (C$)	Pension Value (1) (C$)	All Other Compensation (1) (5) (C$)	Total Compensation (C$)
T.L. Lukenda	2015	1,110,013	72,900	1,354,194	55,501	46,609	2,639,217
President and Chief Executive	2014	935,401	45,500	414,188	93,540	39,471	1,528,100
Officer	2013	827,068	78,500	128,738	82,707	28,755	1,145,768
E.E. Everson (3)	2015	229,026	36,900	65,154	465,654	34,062	830,796
Vice President and Chief Financial	2014	193,221	16,380	43,378	109,197	35,717	397,893
Officer	2013	189,432	28,260	35,803	85,722	31,999	371,216
J.E. Fountain	2015	196,289	22,140	41,024	–	40,144	299,597
Corporate Secretary	2014	191,501	16,380	47,875	–	40,747	296,503
	2013	187,746	28,260	46,937	–	43,313	306,256
C.L. McKey	2015	177,900	22,140	33,623	86,383	27,353	347,399
Vice President, Eastern LTC	2014	173,561	13,650	16,766	89,803	25,120	318,900
Operations of ECI	2013	170,158	23,550	18,820	70,559	36,909	319,996
D.C. Bakti	2015	171,846	22,140	41,845	–	49,253	285,084
Vice President, Human Resources	2014	167,655	13,650	28,682	–	42,992	252,979
and SGP Purchasing Partner	2013	164,368	23,550	14,629	–	46,563	249,110
Network of ECI							
D.T. Mann (4)	2015	189,016	–	–	18,902	28,888	236,806
former Senior Vice President and	2014	337,977	27,300	123,700	33,798	24,105	546,880
Chief Financial Officer	2013	180,232	47,100	51,495	18,023	88,466	385,316

Notes:

(1) Messrs. Lukenda and Mann's compensation, other than amounts for option-based awards, was earned in United States dollars and has been converted to Canadian dollars using the average U.S./Canadian dollar exchange rates that were used in preparing the Company's consolidated financial statements as follows: 2013 – 1.0299; 2014 – 1.1045; and for 2015, 1.2787 was used for Mr. Lukenda, and 1.2354 was used for Mr. Mann, representing such U.S./Canadian dollar exchange rate for the six months ended June 30, 2015.

(2) The values of the option-based awards were determined using the Black-Scholes option pricing model on the same basis as that used to determine the accounting values, using the assumptions outlined in the table below, assuming a term of three years with no cancellations or terminations. Mr. Lukenda's 2015 annual award of 50,000 SARs, was comprised of 20,000 SARs awarded in January 2015 and 30,000 SARs awarded in May 2015.

Year of Grant	Applicable to	Date of Grant	Base Value ($)	Risk-free Interest Rate (%)	Expected Volatility (%)	Fair Value ($)
2015	Mr. Lukenda	January 29, 2015	6.55	0.45	40.23	1.81
2015	All NEOs	May 25, 2015	7.69	0.69	22.13	1.23
2014	All NEOs	May 23, 2014	6.88	1.14	17.65	0.91
2013	All NEOs	August 23, 2013	6.52	1.33	33.50	1.57

(3) Ms. Everson was promoted to the position of Vice President and Chief Financial Officer on July 1, 2015, the date of the closing of the U.S. Sale Transaction, with an increase in annual base salary to $260,000.

(4) Mr. Mann was Senior Vice President and Chief Financial Officer of Extendicare until July 1, 2015, when he decided to remain in the U.S. following the closing of the U.S. Sale Transaction. The amounts for Mr. Mann's salary and annual incentive plans earned in 2015 represents the amounts earned on a pro rata basis.

(5) All other compensation includes employer contributions to RRSP programs, life insurance premiums, long-term disability (LTD) premiums, group accidental death and dismemberment (ADD) premiums, health benefits, and "other" which consists of automobile allowances and club dues. In addition, in the case of Mr. Mann "other" includes a signing bonus of US$75,000 earned in 2013.

The components of "all other" compensation for the NEOs are as follows:

NEO	Year	Employer Contribution to Group RRSP (C$)	Life/LTD/ ADD/ Health	Other	Total (US$)	Total (C$)
T.L. Lukenda	2015	–	US$14,285	US$22,165	36,450	46,609
	2014	–	US$13,581	US$22,155	35,736	39,471
	2013	–	US$6,341	US$21,580	27,921	28,755
E.E. Everson	2015	–	C$17,744	C$16,318	–	34,062
	2014	–	C$18,581	C$17,136	–	35,717
	2013	–	C$16,068	C$15,931	–	31,999
J.E. Fountain	2015	19,632	C$8,134	C$12,378	–	40,144
	2014	19,152	C$7,717	C$13,878	–	40,747
	2013	18,780	C$9,638	C$14,895	–	43,313
C.L. McKey	2015	–	C$12,932	C$14,421	–	27,353
	2014	–	C$10,837	C$14,283	–	25,120
	2013	–	C$21,388	C$15,521	–	36,909
D.C. Bakti	2015	17,196	C$15,857	C$16,200	–	49,253
	2014	16,776	C$14,649	C$11,567	–	42,992
	2013	16,440	C$18,571	C$11,552	–	46,563
D.T. Mann	2015	–	US$4,824	US$18,560	23,384	28,888
	2014	–	US$12,225	US$9,600	21,825	24,105
	2013	–	US$5,297	US$80,600	85,897	88,466

INCENTIVE PLAN AWARDS

Outstanding Option-based and Share-based Awards

The following table sets forth all awards outstanding as at December 31, 2015, for each of the NEOs made under the SARP, as well as the 2016 PSU Awards granted on April 7, 2016. Incentive plan awards prior to 2016 were made under the SARP that has been discontinued, and any that have already been awarded and outstanding awards will continue to vest pursuant to the SARP. Beginning in 2016, the NEOs are eligible to receive PSUs under the new LTIP. For a description of the new LTIP and SARP, refer to the discussion above in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives".

NEO	Grant Date / Expiry Date	Grant Price ($)	SAR Awards (#)	SAR Payout Value as at Dec. 31, 2015 ($)	PSU Awards (#)	PSU Grant Date Value as at April 7, 2016 ($)
T.L. Lukenda	April 7, 2016 / April 7, 2019	9.48	–	–	102,848	975,000
	May 25, 2015 / May 25, 2018	7.69	30,000	58,800	–	–
	Jan. 29, 2015 / Jan. 29, 2018	6.55	20,000	65,200	–	–
	May 23, 2014 / May 23, 2017	6.88	50,000	162,500	–	–
	Aug. 23, 2013 / Aug. 23, 2016	6.52	50,000	198,500	–	–
E.E. Everson	April 7, 2016 / April 7, 2019	9.48	–	–	11,190	106,080
	May 25, 2015 / May 25, 2018	7.69	30,000	58,800	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	58,500	–	–
	Aug. 23, 2013 / Aug. 23, 2016	6.52	18,000	71,460	–	–
J.E. Fountain	April 7, 2016 / April 7, 2019	9.48	–	–	7,392	70,075
	May 25, 2015 / May 25, 2018	7.69	18,000	35,280	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	58,500	–	–
	Aug. 23, 2013 / Aug. 23, 2016	6.52	18,000	71,460	–	–
C.L. McKey	April 7, 2016 / April 7, 2019	9.48	–	–	6,699	63,510
	May 25, 2015 / May 25, 2018	7.69	18,000	35,280	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	58,500	–	–
	Aug. 23, 2013 / Aug. 23, 2016	6.52	18,000	71,460	–	–
D.C. Bakti	April 7, 2016 / April 7, 2019	9.48	–	–	6,471	61,349
	May 25, 2015 / May 25, 2018	7.69	18,000	35,280	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	58,500	–	–
	Aug. 23, 2013 / Aug. 23, 2016	6.52	18,000	71,460	–	–

The SARs vest on the third anniversary date of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective grant price values only, with no associated performance criteria. The payout value of the SARs is as at December 31, 2015, and is based on the appreciation in value of a Common Share from its grant price value to the 10 day VWAP of $9.33 as at December 31, 2015, plus Accrued Distributions. The payout value as at December 31, 2015, amounted to $3.97 per SAR for the SARs granted in August 2013, $3.25 per SAR for the SARs granted in May 2014, $3.26 per SAR for the SARs granted in January 2015, and $1.96 per SAR for the SARs granted in May 2015.

Incentive Plan Awards – value earned and paid out during 2015

The following table sets forth the amounts earned and paid to Mr. Mann with respect to SARs that fully vested and expired on June 30, 2015, in connection with the closing of the U.S. Sale Transaction. For a description of the SARP, refer to the discussion above in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives – 2012 Total Return Share Appreciation Rights Plan".

NEO	SAR Grant Date	SAR Awards (#)	SAR Grant Price ($)	SAR Expiration Date	SAR Payout Value ($)
D.T. Mann	August 23, 2013	30,000	$6.52	June 30, 2015	55,200
	May 23, 2014	30,000	$6.88	June 30, 2015	33,600

The payout value of each of the SARs that fully vested and expired on June 30, 2015, was based on the appreciation in value of a Common Share from its base value to the 10 day VWAP of $7.44 at June 30, 2015, plus Accrued Distributions. The payout value of the August 23, 2013 grant was an aggregate of $1.84 per SAR (including Accrued Distributions of $0.92), and the payout value of the May 23, 2015 grant was an aggregate of $1.12 per SAR (including Accrued Distributions of $0.56).

PENSION PLAN BENEFITS

Defined Benefit Plans Table

Ms. Everson and Ms. McKey are the only active participants in Extendicare's defined benefit plans, which are discussed within this CD&A under the heading "Defined Benefit Plans". These plans allow for normal retirement at the age of 60 or 55 with the Company's consent. Ms. Everson is currently 59 and Ms. McKey is currently 58.

The following table provides information with respect to Extendicare's obligations to Ms. Everson and Ms. McKey under the respective plans, using the same assumptions and methods used for financial reporting purposes in preparing Extendicare's audited consolidated financial statements for the year ended December 31, 2015.

NEO	Number of Years Credited Service (#)	Annual Benefits Payable ($)		Accrued Obligation at Start of Year ($)	Compensatory Change ($)	Non-compensatory Change ($)	Accrued Obligation at Year End ($)
		At Year End	At Age 65				
E.E. Everson							
RPP	23	64,834	82,306	1,102,913	51,780	36,003	1,190,696
SERP	23	73,813	103,334	984,224	413,874	26,108	1,424,206
Total		**138,647**	**185,640**	**2,087,137**	**465,654**	**62,111**	**2,614,902**
C.L. McKey							
RPP	17	47,921	67,630	803,133	51,843	26,182	881,158
SERP	17	59,880	57,561	841,686	34,540	35,048	911,274
Total		**107,801**	**125,191**	**1,644,819**	**86,383**	**61,230**	**1,792,432**

Non-Qualified Defined Contribution and Deferred Compensation Plans Table

The following table provides information regarding the two non-qualified plans provided by EHSI to the NEOs. These plans are described within the CD&A under the heading "Overview of Executive Compensation Programs – Non-Qualified Defined Contribution and Deferred Compensation Plans". As a result of the U.S. Sale Transaction, the accumulated value of the amounts under the plans was settled in cash with the following NEOs.

NEO	Plan	Accumulated Value at Start of Year	Compensatory	Accumulated Value at Year End
T.L. Lukenda	ERP	US$656,354	US$43,404	nil
	DSP	US$367,634	–	nil
	Total – US$	US$1,023,988	US$43,404	nil
	Total – C$	**C$1,187,928**	**C$53,621**	**nil**
D.T. Mann	ERP	US$54,920	US$15,300	nil
	Total – C$	**C$63,713**	**C$18,902**	**nil**
U.S./Canadian dollar exchange rate (1)		1.1601	1.2354	

Note:

(1) The U.S./Canadian dollar exchange rates are those that were used by the Company in preparing its consolidated financial statements. The opening pension value amounts have been converted to Canadian dollars using the U.S./Canadian dollar exchange rate of 1.1601 as at December 31, 2014. The compensatory amounts received during 2015 have been converted to Canadian dollars using the average U.S./Canadian dollar exchange rate for the six months ended June 30, 2015 of 1.2354.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Employment Agreements

Effective April 1, 2016, the terms of Mr. Lukenda's employment were amended. Mr. Lukenda's new employment agreement with the Company provides for the payment of a base salary denominated in Canadian dollars (previously his base salary was US$885,441 and has now been reduced to C$650,000), an annual cash bonus under the Company's short term incentive program, capped at 100% of his base salary (rather than an unspecified maximum), an annual award of PSUs under the LTIP with a grant date value of 150% of his base salary, and certain other benefits, including an automobile allowance and club dues. Mr. Lukenda's employment is for an indefinite term until terminated by either party in accordance with the provisions of the agreement. In addition to the termination of Mr. Lukenda's employment due to his death, his employment may be terminated at any time by: (i) the Company for "cause" or without "cause"; (ii) the Company if he becomes disabled; or (iii) Mr. Lukenda for "good reason" (being (A) a material failure by the Company to comply with any provisions of the agreement; (B) a material diminution of his titles, duties, responsibilities or authority; (C) a reduction in his compensation or benefits, other than a uniform reduction applicable to all senior officers of the Company; or (D) a relocation of his office by more than 50 kilometers).

In the event of Mr. Lukenda's termination of employment due to his death or by the Company if he becomes disabled, Mr. Lukenda is entitled to any unpaid base salary through to his date of termination and a prorated portion of his target annual bonus (being 100% of his base salary). In addition, any unvested PSUs that have been granted to Mr. Lukenda will vest in full applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined as at the date of his termination and an achievement at target for PSU Performance Goals that are still in progress or that otherwise cannot be determined. In the event of Mr. Lukenda's death, each of his outstanding SARs will be settled in full. In the event of his termination by the Company due to becoming disabled, all of his outstanding SARs will continue to be eligible to become vested SARs on their prescribed vesting dates and to be paid out in accordance with the SARP.

If Mr. Lukenda's employment is terminated by the Company for "cause" or if Mr. Lukenda terminates his employment by resigning (and not for "good reason"), he will be entitled to any unpaid base salary through to his date of termination. All of Mr. Lukenda's unvested PSUs and SARs will be terminated and forfeited without payment.

If Mr. Lukenda's employment is terminated by the Company without "cause" (including, after a Change of Control) or by Mr. Lukenda for "good reason" (including, after a change of control), Mr. Lukenda will be entitled to a lump sum payment equal to any unpaid base salary through to his date of termination, the prorated portion of his target annual bonus (being 100% of his base salary), two times his then current base salary, two times his target annual bonus, and two times the annual value of his car allowance and club dues. In addition: (i) any of Mr. Lukenda's unvested PSUs will vest in full and be paid out in accordance with the LTIP applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined at the date of termination and an achievement at target for PSU Performance Goals that are still in progress or that otherwise cannot be so determined; and (ii) all of his outstanding SARs will continue to be eligible to become vested SARs on their prescribed vesting dates and to be paid out in accordance with the SARP.

Under Mr. Lukenda's former employment agreement (which was superseded in full by his new employment agreement), Mr. Lukenda had the right to voluntarily terminate his employment and resign at any time during the term of the agreement for "good reason", as defined in his former employment agreement, which included a "change of control" (as defined therein). The completion of the U.S. Sale Transaction on July 1, 2015, constituted a "change of control", thereby entitling Mr. Lukenda to a lump sum payment equal to (i) two times his then current base salary (which was US$868,079 on July 1, 2015), (ii) two times his estimated annual bonus if fully achieved, (iii) a prorated portion of his annual bonus expected to have been earned in the year of termination, (iv) two times the annual value of his car allowance and club dues, and (v) payment for participation in any long-term incentive, retirement or deferred compensation program on the basis that he would have been deemed to have been fully vested in such programs on the date of termination. In connection with the U.S. Sale Transaction, Mr. Lukenda offered to continue as the CEO. The Board accepted his offer and his old employment agreement was amended to clarify that Mr. Lukenda's entitlement to such lump sum payment was preserved in the event his employment was subsequently terminated by the Company or by Mr. Lukenda for any reason (i.e. by the Company for "cause" or without "cause", his death, by the Company due to Mr. Lukenda being disabled, by Mr. Lukenda for "good reason" or if he resigned). Mr. Lukenda 's new employment agreement limits his eligibility for such entitlement to the period ending on the date the Company releases its results for its 2016 fiscal year (which is anticipated to be in late February or early March of 2017) and fixes the amount of the lump sum payment at US$2.6 million. In the event that Mr. Lukenda's employment is terminated before the end of this period for any reason, in addition to the lump sum payment of US$2.6 million, he will also be entitled to any unpaid base salary through to his date of termination and all of his outstanding SARs will continue to be eligible to become vested SARs on their prescribed vesting dates and to be paid out in accordance with the SARP. All of the PSUs granted to Mr. Lukenda in 2016 would be terminated and forfeited and he would also forfeit any right to receive a bonus for the 2016 fiscal year.

Mr. Lukenda's new employment agreement contains confidentiality covenants, and certain restrictive covenants, including non-competition and non- solicitation covenants, that will continue to apply for a period of one year following the termination of his employment.

The other NEOs each have employment agreements that provide for (i) the payment of a base salary, (ii) incentive compensation and other plans at a level consistent with the employee's position, and (iii) certain other benefits, including but not limited to, an automobile allowance. The following summarizes the terms of their employment agreements in the event of termination.

In the event of the employee's termination of employment due to death, he or she is entitled to his or her unpaid base salary and other accrued benefits earned through to the date of termination, and all vested deferred compensation.

If the employee's employment is terminated for cause, the employee is entitled to his or her base salary earned through to the date of termination, and all vested deferred compensation, subject to the terms of the respective plan document. In addition, all amounts payable and benefits provided under employee benefit plans in which the employee participates shall be paid in accordance with their respective terms.

In the event that Ms. Bakti is terminated by the Company without cause, her agreement provides for a severance payment equivalent to one month of her then-current base salary for each year of service, to a maximum of 18 months. Ms. Bakti currently has nine years of service with Extendicare.

Ms. Everson's, Ms. Fountain's and Ms. McKey's employment agreements provide, subject to the employee providing written notification within a specified period, that the employee may terminate his or her employment for good reason in the event of (i) a relocation of his or her office by more than 50 kilometers, or (ii) a material diminution of his or her assigned duties and responsibilities, or (iii) a material reduction in his compensation or benefits.

The following description of termination benefits applies to Ms. Everson, Ms. Fountain and Ms. McKey. In the event that the employee is terminated by the Company without cause or the employee terminates his or her employment for good reason (as the result of an event described in the preceding paragraph), the employee is entitled to (i) severance pay in the amount of two years of his or her then-current base salary, (ii) a payment equal to the value of the prorated portion of the annual bonus for the year in which the date of termination occurs, as determined using the financial results for the most recently completed four quarters for the corporate performance and 100% of the specific individual objectives, (iii) a payment in lieu of bonus of a specified percentage of the base salary in (i), using the bonus percentage determined in calculating the prorated bonus payment pursuant to (ii), and (iv) a payment of the value of perquisites for 24 months. The severance payments would be made semi-monthly over the severance period. In addition, he or she is entitled to all vested deferred compensation, and subject to Board approval, the immediate vesting of any unvested SAR awards, which may be exercised in accordance with the terms of the applicable plans.

Quantification of Potential Payments upon Termination or Change of Control

The table below reflects estimates of the incremental amounts of compensation that would be paid to the NEOs in the event of their termination without cause or resulting from their termination for good reason, assuming such termination was effective as of December 31, 2015. As discussed above, if at any time prior to the release of the Company's 2016 year end results, Mr. Lukenda's employment is terminated by the Company or by Mr. Lukenda for any reason, he is eligible to receive a lump sum payment in the amount of US$2.6 million. In addition, the table includes for illustrative purposes, Mr. Lukenda's estimated incremental amounts of compensation in the event of termination without cause or resignation for good reason subsequent to the release of the 2016 year end results. With respect to the other NEOs, in the event of termination due to death or disability, the only incremental amounts of compensation that would be paid are the prorated portion of any incentive payable in the year of death or termination for disability. No incremental amounts of compensation would be paid in the event of termination for cause. The actual amounts to be paid to an NEO in the event of his or her termination of employment can only be determined at the time of such termination.

NEO / Type of Termination (1)	Salary (C$)	Payment in Lieu of Bonus (C$)	Employer Contribution to Benefit Plans (C$)	Other (2) (C$)	Lump Sum (US$)	SARs / PSUs (C$)	Total (5) (C$)
T.L. Lukenda Upon separation prior to release of 2016 year end results (3)	–	–	–	–	2,600,000	485,000	4,083,400
Subsequent to release of 2016 year end results: termination without cause or resignation for good reason (4)	1,300,000	1,300,000	–	44,331	–	1,460,000	4,104,331
E.E. Everson Termination without cause or resignation for good reason	520,000	182,000	–	42,714	–	–	744,714
J.E. Fountain Termination without cause or resignation for good reason	392,578	98,145	39,258	32,624	–	–	562,605
C.L. McKey Termination without cause or resignation for good reason	355,800	106,740	–	37,368	–	–	499,908
D.C. Bakti Termination without cause	128,885	–	–	–	–	–	128,885

Notes:

(1) Refer to the discussion under the heading "Employment Agreements" for a description of what constitutes termination for good reason.

(2) Other is comprised of automobile allowance and health benefits, and in the case of Mr. Lukenda, club dues.

(3) The estimated value for the SARs of $485,000 represents the payout value as at December 31, 2015, as described under the heading "Outstanding Share-based Awards".

(4) The estimated aggregate value for the SARs and PSUs of $1,460,000, represents the value of the SARs of $485,000 as described in note (3) plus the grant date value of the PSUs awarded on April 7, 2016, in the amount of $975,000, based on 150% of Mr. Lukenda's base salary.

(5) Compensation paid in United States dollars is reported in U.S. dollars and then converted to Canadian dollars using the U.S./Canadian dollar exchange rate of 1.3840 as at December 31, 2015, that was used in preparing the Company's consolidated financial statements for 2015.

COMPENSATION OF DIRECTORS OF EXTENDICARE

As discussed in the CD&A under the heading "Compensation Discussion and Analysis – 2015 Comprehensive Review of Executive and Director Compensation Programs", the HR/GN Committee recommended, and the Board approved, changes to directors' compensation beginning in 2016 that include: the elimination of grants under the Company's SARP; the adoption of a DSU plan whereby a minimum of 50% of the annual Board retainer is to be received in DSUs; a change to the annual Board retainer from $35,000 in cash to $50,000 (at least $25,000 of which will be received in DSUs), and in the case of the Chairman, from $135,000 in cash to $150,000 (at least $75,000 of which will be received in DSUs); and a revised director share ownership requirement under which Directors are expected to own Common Shares and/or DSUs equal in value to three times the annual Board retainer by the later of January 1, 2019 or five years from the date of appointment to the Board. Each of these amendments is described below under their respective headings.

Directors of Extendicare, who are also employees of Extendicare or any of its subsidiaries, are not compensated for their services as directors or as members of any committee of the Board.

Deferred Share Unit Plan

DSUs are an equity-based component of our non-employees Directors' compensation program designed to promote a greater alignment of interests between such Directors and Shareholders.

Beginning in 2016, non-employee directors will receive an annual grant of DSUs as the equity component of their annual Board retainer that will track the value of Common Shares. DSUs vest immediately and accrue dividend equivalents when dividends are paid on the Common Shares. The Board may elect to settle the accumulated DSUs in cash, market-purchased Common Shares or, subject to requisite TSX and shareholder approvals, Common Shares issued from treasury upon the non-employee Director's retirement or resignation from the Board. DSUs will be credited to non-employee directors on a quarterly basis and will not carry any voting rights.

Components of Directors' Fees

No changes had been made to the cash compensation paid to the non-employee directors of Extendicare since 2010. Beginning in 2016, the non-employee board retainer has been adjusted as outlined in the table below, with at least 50% of the annual Board retainer to be awarded in DSUs, with the option to receive some or all of the remaining annual Board retainer, committee retainers, and meeting fees in DSUs, with any remaining balance to be paid in cash.

The following table summarizes the elements of the compensation paid to non-employee directors of the Company for the year ended December 31, 2015, and the new director fee structure that took effect January 1, 2016.

	Year 2015		Effective 2016	
Components of Non-employee Directors' Fees [(1)]	**Number of SARs (#)**	**Cash ($)**	**Cash or DSUs ($)**	**DSUs ($)**
Board annual retainer (non-Chairman) ($):		35,000	25,000	25,000
Chairman annual retainer ($):		135,000	75,000	75,000
Committee annual retainers ($):				
Audit Committee Chair		25,000	25,000	
HR/GN Committee Chair		10,000	10,000	
QC Committee Chair		10,000	10,000	
Other committee chairs		5,000	5,000	
Audit Committee members (excluding chair)		5,000	5,000	
Per meeting fees (board & committee) **($)**		2,000	2,000	
SARs (#)	20,000			

Note:

(1) In addition to the components set out above, the Directors are entitled to a travel allowance with respect to meetings held outside of their vicinity of residence equal to 50% of the meeting fee, plus a further 50% of the meeting fee for each required overnight stay. As well, they are entitled to reimbursement of meeting related travel and out-of-pocket expenses, which is not considered compensation.

Anti-hedging and Anti-monetization

The Board has adopted a policy prohibited the Company's insiders, which include the directors, from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of the Company's securities.

Director Share Ownership Guidelines

Beginning in 2016, directors who are not also executive officers of Extendicare are subject to share ownership guidelines under which Directors are expected to own Common Shares and/or DSUs equal in value to three times their annual Board retainer, valued at the higher of original grant value/acquisition cost or market value, to be achieved by January 1, 2019 or five years from the date of appointment to the Board. Previously, non-employee directors were expected to hold 10,000 Common Shares within three years of the date of appointment to the Board. Our Chairman has already met his share ownership requirement and each of our other non-employee Directors is progressing towards meeting his or her share ownership requirement within the three-year period. For further information on each of the current Director's ownership of Common Shares, refer to the "Security Ownership and Total Value" section of each of the current director's biographical information located under the "Election of Directors" section of this Information Circular.

Director Compensation Table

The following table outlines the compensation paid to each of the Company's non-employee directors in 2015.

Name	Retainer/Meeting Fees Earned ($)	Travel Allowance ($)	Share-based Awards (1) ($)	All Other Compensation (2) ($)	Total ($)
J.F. Angus (3)	96,000	12,000	36,200	173	144,373
M.O. Cunningham	98,000	13,000	36,200	173	147,373
H.B. Dean (3)	101,000	14,000	36,200	173	151,373
S.B. Goldsmith (3)	120,000	21,000	36,200	173	177,373
S.L. Hanington	100,000	11,000	36,200	173	147,373
B.J. Hutzel	220,000	–	36,200	173	256,373
A.G. Libin (3)	85,000	2,000	36,200	173	123,373
J.T. MacQuarrie, Q.C. (3)	125,000	19,000	36,200	173	180,373
Total	**945,000**	**92,000**	**289,600**	**1,384**	**1,327,984**

Notes:

(1) The values of the option-based awards were determined using the Black-Scholes option pricing model on the same basis as that used to determine the accounting values, using the following assumptions, assuming a term of three years with no cancellations or terminations:

Date of Grant	Base Value ($)	Risk-free Interest Rate (%)	Expected Volatility (%)	Fair Value ($)
January 29, 2015	6.55	0.45	40.23	1.81

(2) All other compensation represents payments for accidental death and dismemberment coverage.

(3) Messrs. Angus, Dean, Goldsmith and MacQuarrie retired from the board in January 2016.

Awards

The following table sets forth all awards issued and outstanding as at December 31, 2015, for each non-employee director of the Company made under the SARP. The SARP has been discontinued, and any that have already been awarded and are outstanding SARs will continue to vest pursuant to the SARP, including those awarded to Messrs. Angus, Dean, Goldsmith and MacQuarrie, who retired from the board in January 2016. Beginning in 2016, the directors will receive a portion of their directors' fees in the form of DSUs (refer to the heading above "Deferred Share Unit Plan").

The SARs vest on the third anniversary of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective grant price values only, with no associated performance criteria. The payout value of the SARs is as at December 31, 2015, and is based on the appreciation in value of a Common Share from its grant price value to the 10 day VWAP of $9.33 as at December 31, 2015, plus Accrued Distributions. The payout value as at December 31, 2015, amounted to $3.26 per SAR.

For a description of the SARP, refer to the discussion in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives".

Name	SAR Grant Date	SAR Awards (#)	SAR Grant Price ($)	SAR Expiration Date	Payout Value of SARs that have not Vested ($)
J.F. Angus	January 29, 2015	20,000	6.55	January 29, 2018	65,200
M.O. Cunningham	January 29, 2015	20,000	6.55	January 29, 2018	65,200
H.B. Dean	January 29, 2015	20,000	6.55	January 29, 2018	65,200
S.B. Goldsmith	January 29, 2015	20,000	6.55	January 29, 2018	65,200
S.L. Hanington	January 29, 2015	20,000	6.55	January 29, 2018	65,200
B.J. Hutzel	January 29, 2015	20,000	6.55	January 29, 2018	65,200
A.G. Libin	January 29, 2015	20,000	6.55	January 29, 2018	65,200
J.T. MacQuarrie, Q.C.	January 29, 2015	20,000	6.55	January 29, 2018	65,200

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Company or any of its subsidiaries is indebted to the Company or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors, except as otherwise set out in this Information Circular, no director or executive officer of the Company, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of the directors or the appointment of auditors. The directors and senior officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 0.6 million Common Shares, representing approximately 0.7% of the outstanding Common Shares.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company and its subsidiaries carry claims-made insurance coverage with an annual aggregate policy limit of $55.0 million (includes Side A coverage of $15.0 million for non-indemnifiable losses). The primary policy has a deductible of $100,000 applicable to the Company; no deductible applies to the individual directors or officers. Under this insurance coverage, each entity has reimbursement coverage to the extent that it has indemnified any such directors and officers. The total liability is shared among the Company and its respective subsidiaries, and their respective directors and officers. The annual premium for the directors' and officers' liability policy that expires on June 30, 2016, was $174,250.

NON-GAAP MEASURES

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "EBIT", "Adjusted EBIT", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, loss from asset impairment, disposal and other items", "Adjusted Net Earnings from Continuing Operations", "Funds from Operations", and "Adjusted Funds from Operations". These measures are commonly used by Extendicare and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by Extendicare on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers, and accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP.

References to "EBIT" in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to "Adjusted EBIT" in this document are to EBIT adjusted to exclude the line item "loss (gain) from asset impairment, disposals and other items".

References to "EBITDA" in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to "Adjusted EBITDA" in this document are to EBITDA adjusted to exclude the line item "loss (gain) from asset impairment, disposals and other items". References to "Adjusted EBITDA Margin" are to Adjusted EBITDA as a percentage of revenue. Management believes that certain lenders, investors and analysts use EBITDA and Adjusted EBITDA to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement in the long-term care industry. For example, certain of our debt covenants use Adjusted EBITDA in their calculations.

References to "Adjusted Net Earnings from Continuing Operations", in this document are to earnings (loss) from continuing operations, excluding the following separately reported line items: "fair value adjustments", "loss (gain) on foreign exchange and financial instruments", and "loss (gain) from asset impairment, disposals and other items". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. They relate to the change in the fair value of, or gains and losses on termination of, convertible debentures, and interest rate agreements, as well as gains or losses on the disposal or impairment of assets, and foreign exchange gains or losses on capital items. In addition, these line items may include restructuring charges and the write-off of unamortized financing costs on early retirement of debt. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

"Funds from Operations", or "FFO", is defined as Adjusted EBITDA less depreciation for furniture, fixtures, equipment and computers, or "depreciation for FFEC", accretion costs, net interest expense, and current income taxes. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining "Funds from Operations", as the depreciation term is generally in line with the life of these assets.

"Adjusted Funds from Operations", or "AFFO", is defined as FFO plus the non-cash portion of financing and accretion costs, the principal portion of government capital funding, and income or losses of the Captive that are offset through investments held for self-insured liabilities, as such amounts do not impact the Company's reported cash and short-term investments. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in determining FFO. Since our actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion that are not representative of Extendicare's operating performance.

AUDIT COMMITTEE INFORMATION

The Audit Committee operates within a written mandate, approved by the Board of Directors. Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the 2015 Annual Information Form under the heading "Audit Committee Information", and in Schedule A to this Information Circular.

GOVERNANCE DISCLOSURE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") of the Canadian Securities Administrators requires the Company to disclose, on an annual basis, its approach to governance with reference to the guidelines provided in NI 58-101. The disclosure of the Company in this regard is set out in Schedule A to this Information Circular.

OTHER BUSINESS

The Board of Directors does not currently intend to present, and does not have any reason to believe that others will present, at the Meeting, any item of business other than those set forth in this Information Circular. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the form of proxy in their discretion. Proxies may also be voted in the discretion of those named with respect to any amendments or variations to the matters identified in the Notice of Meeting.

SHAREHOLDER PROPOSALS

Shareholders who meet the eligibility requirements under the CBCA are entitled to submit a Shareholder proposal as an item of business at the next annual Shareholder's meeting. Shareholder proposals must be submitted to the Corporate Secretary of Extendicare by January 6, 2017 (at least 90 days prior to the anniversary date of the notice of the prior annual meeting). Only Shareholder proposals that comply with the CBCA requirements received by that date, and the responses of the Company, will be included in the Management Information and Proxy Circular of the Company for the 2016 annual meeting of Shareholders.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com under Extendicare's issuer profile and on the Company's website at www.extendicare.com. Additional financial information is provided in the Company's consolidated financial statements and MD&A for the financial year ended December 31, 2015, as contained in the Company's 2015 Annual Report. A copy of this document and other public documents of the Company are available upon request to:

Extendicare Inc.
Attention: Corporate Secretary
3000 Steeles Avenue East, Suite 103
Markham, Ontario L3R 9W2
Phone: 905-470-5534
Fax: 905-470-4003

APPROVAL OF DIRECTORS

The contents and the sending of this Information Circular have been approved by the Board of Directors.

DATED at Markham, Ontario on April 8, 2016.

Timothy L. Lukenda
President and
Chief Executive Officer

Elaine E. Everson
Vice President and
Chief Financial Officer

SCHEDULE A

EXTENDICARE INC.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

This statement of corporate governance practices sets out Extendicare Inc.'s ("**Extendicare**" or the "**Company**") overview of its corporate governance practices, as assessed in the context of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and NP 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators. This overview has been prepared by the Human Resources, Governance and Nominating Committee and has been approved by the board of directors (the "**Board of Directors**" or the "**Board**") of the Company.

Overall Responsibilities of the Board

The Board of Directors is responsible for the overall stewardship of the business and affairs of the Company, including overseeing the Company's financial and strategic planning and direction, as well as management's implementation of the Company's plans. In fulfilling its responsibilities, the Board delegates the day-to-day authority to management of the Company, while reserving the ability to review management decisions and exercise final judgement on any matter. The Board reviews and approves on an annual basis the corporate objectives developed and adopted by the senior management team. The Board discharges its responsibilities directly and through committees. The Board and committee members operate under charters that clearly define their roles and responsibilities.

Independence of Directors

Independence of the Board of Directors is essential to fulfilling its role in overseeing the Company's business and affairs. Pursuant to a resolution of the Board of Directors, the number of directors of Extendicare to be elected at the May 26, 2016 annual and special meeting of holders of common shares ("**Common Shares**") of the Company (the "**Shareholders**") has been fixed at nine. Information relating to each of the nine nominees proposed for election as directors of Extendicare is set out in the "Election of Directors" section of the management information circular (the "**Information Circular**") relating to such meeting. The Board of Directors have determined that eight of these nine individuals are "independent", as determined in accordance with NI 58-101. By virtue of Mr. Lukenda's current role as President and Chief Executive Officer, he is a non-independent director of the Company. All committees of the Board are composed entirely of independent directors.

Details of other reporting issuers on which Extendicare's directors also sit as board members are disclosed under the heading "Election of Directors" in this Information Circular. At present no director has any common directorship with any other director.

The roles of Extendicare's Chief Executive Officer (the "**CEO**") and Board Chairman are separate. The Board has implemented the practice of holding *in camera* non-management director meetings at each regularly scheduled meeting of the Board to enable open and frank discussion.

Director Attendance

Board members are expected to attend all Board meetings and meetings of committees on which they serve. The Board met on 16 occasions during 2015, at which attendance averaged 99%. Each director's attendance record at Board meetings held during the 2015 financial year is described under the "Election of Directors" section of this Information Circular.

Board Mandate

The mandate of the Board of Directors is attached as Schedule B to this Information Circular.

Position Descriptions

The Board of Directors has developed a written position description for its Chairman. It has not developed such descriptions for the chair of any of its committees. The chair of each committee is expected to supervise the activities of such committee and to ensure that the committee is taking all steps necessary to fulfill its mandate.

The Board of Directors has developed a written position description for the Chief Executive Officer that outlines the basic functions and responsibilities of the CEO. The CEO's responsibilities include, among other things: directing the business with the objective of providing quality care and service excellence to clients and customers; providing maximum profit and return on invested capital; establishing current and long-range objectives, plans and policies; representing Extendicare with its major clients, and the public, and providing leadership to the management team.

Orientation and Continuing Education

A handbook has been developed that contains Board of Directors and committee mandates, codes of conduct, policies and other relevant information. Materials are updated annually, or more frequently as necessary. To ensure that the members of the Boards remain fully informed about Extendicare's operations on a continuing basis, management reports on Extendicare's and its subsidiaries' activities and on various aspects relevant to the business on an on-going basis, during regularly scheduled Board meetings and through periodic mailings. Management from the main operating divisions are invited to Board of Directors meetings to provide the directors with an overview of the current issues and business strategies. In addition, meetings are periodically combined with tours of the senior care centers of Extendicare so that the directors can gain greater insight into the business operations.

Ethical Business Conduct

Extendicare maintains an approved Business Conduct Policy for its directors, officers and employees, for which no waivers have currently been sought or granted. The Business Conduct Policy addresses conflicts of interest, confidentiality, protection of the assets, fair dealing, and compliance with laws, rules and regulations, and it encourages reporting of any illegal or unethical business practices. Anyone may obtain a copy of the Business Conduct Policy on SEDAR at www.sedar.com under Extendicare's issuer profile or on Extendicare's website at www.extendicare.com.

In circumstances in which the Board of Directors must consider transactions and agreements in respect of which a director or executive officer has a material interest, the nature of such interest is declared, and the affected individual does not participate in the vote on the matter.

Nomination of Directors

Extendicare has a Human Resources, Governance and Nominating Committee (the "**HR/GN Committee**"), which is composed of three members who are all independent directors of Extendicare. On issues relating to the nomination of directors to the Board, the HR/GN Committee makes recommendations as to the size and composition of the Board; reviews qualifications of potential candidates for election to the Board; recommends for the approval of the Board the nominees for the Board of Directors for presentation to each annual meeting of Shareholders; and makes recommendations with respect to the membership of committees. The HR/GN Committee assesses the effectiveness of the Board, the committees and the contributions of individual directors. These assessments include the use of formal surveys. The HR/GN Committee identifies individuals who it believes bring the attributes necessary to ensure the Board consists of individuals with strengths in a number of different areas required to meet Extendicare's needs.

The HR/GN Committee also oversees issues of governance as it applies to Extendicare and recommends amendments to governance procedures where appropriate. In addition, any director who wishes to engage outside advisors with respect to the affairs of Extendicare, at the expense of the Company, may do so by submitting a request through the HR/GN Committee.

The HR/GN Committee met six times during 2015, with full attendance at each meeting.

Oxford Park Agreement

As previously announced in January 2016, the Company entered into the Oxford Park Agreement, a copy of which is available on SEDAR at www.sedar.com under Extendicare's issuer profile. Pursuant to the terms of the Oxford Park Agreement:

- Alan Hibben, Gail Paech and Frederic Waks were appointed to the Board;
- Mr. Waks was appointed as Vice-Chairman of the Board;
- Benjamin Hutzel will continue in his role as Chairman of the Board until the annual general meeting of the Company to be held in 2017, at which point the Board will select a new Chair;
- Governor Howard Dean and John Angus retired from the Board;
- Oxford Park withdrew its requisition for a special meeting of Shareholders for the purposes of reconstituting the Board;
- at the Meeting and the annual general meeting of the Company to be held in 2017, the Company has agreed to include Mr. Hibben, Ms. Paech and Mr. Waks (or in certain circumstances alternate persons nominated by Oxford Park) on its slate of persons to be nominated for election as Directors and has agreed to solicit proxies in their support;
- Oxford Park has agreed to vote in favour of the Company's nominees to the Board (including Oxford Park's nominees) in connection with such annual and general meetings of the Company;
- the obligations of the Company described above are subject to Oxford Park providing evidence that Oxford Park, together with its affiliates, owns not less than 3% of the Common Shares as at the date of the Company's management information and proxy circular for each of the annual general meetings of the Company to be held in 2016 and 2017; and
- subject to certain exceptions, Oxford Park has agreed that it will not, and will cause its affiliates not to, at any time prior to the date of the annual general meeting of the Company to be held in 2018: (i) requisition a meeting of Shareholders, solicit proxies or make or publically propose any take-over bid, plan of arrangement, amalgamation, asset sale or other business combination involving the Company; or (ii) initiate discussions with respect to any of the foregoing, or advise, assist or encourage or negotiate with any person to take any action inconsistent with the foregoing.

Women on the Board and in Executive Offices

The Board has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board set targets regarding women on the Board. However, the Board values diversity, including, without limitation, diversity of experience, perspective, education, race and gender as part of its overall business strategy. In evaluating potential nominees to the Board, the Board takes into consideration the then current Board composition and the anticipated skills required to round out the capabilities of the Board, including the knowledge and diversity of its membership, with a view to ensuring there is an appropriate mix of relevant skills and experience and sufficiently diverse opinions to support balanced discussion and debate. As at the date hereof, four women are members of the nine member Board, representing approximately 44.4% of such positions.

The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments, nor does it set targets regarding women in executive positions. However, Extendicare is committed to the fundamental principles of equal employment opportunities and its employment policies and procedures provide that candidates are selected based primarily on experience, skill and ability. As at the date hereof, five women hold executive positions, representing 50% of such positions.

Majority Voting Policy

The Board's majority voting policy, as adopted in December 2012, is summarized in this Statement of Corporate Governance Practices, a full copy of which is posted on the Company's website at www.extendicare.com. The policy stipulates that in an uncontested election of directors of the Company, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (an "**Affected Director**") shall promptly tender his or her resignation to the Chairman of the Board following certification of the Shareholder vote.

The HR/GN Committee of the Board will promptly consider the Affected Director's resignation and will recommend to the Board whether to accept the Affected Director's resignation. In making its recommendation to the Board, the HR/GN Committee will consider all factors deemed relevant by its members including, without limitation, the underlying reasons why Shareholders "withheld" votes for election from the Affected Director (if ascertainable), the length of service and qualifications of the Affected Director, the Affected Director's contributions to the Company, whether by accepting such resignation the Company will no longer be in compliance with any applicable law, rule, regulation or governing document, and whether or not accepting the resignation is in the best interests of the Company. The HR/GN Committee may adopt such procedures as it sees fit to assist it in its determinations with respect to this policy.

The Board shall act on the HR/GN Committee's recommendation within 90 days following the applicable annual meeting. In considering the HR/GN Committee's recommendation, the Board will consider the factors considered by the HR/GN Committee and such additional information and factors that the Board considers to be relevant. Following the Board's decision on the resignation, the Board shall promptly disclose, via press release, its decision whether to accept the Affected Director's resignation including the reasons for rejecting the resignation, if applicable.

The Affected Director will not participate in the HR/GN Committee recommendation or the determination made by the Board. However, the Affected Director shall remain active and engaged in all other committee and Board activities, deliberations and decisions during this HR/GN Committee and Board process.

Director Term Limits and Other Mechanisms of Board Renewal

The Board has not adopted director term limits. The Board periodically reviews its composition to ensure that it continues to have the ideal mix of skills, perspectives, experience and expertise to effectively oversee management. There are benefits to having continuity and directors having in-depth knowledge of each facet of the Company's business, which necessarily takes time to develop. The Company believes that it is important to achieve an appropriate balance of both to ensure the effectiveness of the Board.

Compensation

On issues related to compensation, the HR/GN Committee reviews the compensation of senior management with a view to ensuring that the level of compensation reflects performance. The HR/GN Committee recommends to the Board of Directors for its approval the compensation to be given to the CEO and other senior executives of Extendicare and its subsidiaries. The HR/GN Committee is responsible for planning succession to the position of the CEO and for reviewing the performance of the CEO on an annual basis, and for monitoring the development of senior management. Further information on how the HR/GN Committee determines the compensation of the CEO and senior officers can be found under the heading "Compensation Discussion and Analysis" in this Information Circular.

The HR/GN Committee is also responsible for determining and recommending to the Board of Directors for its approval the compensation of the directors. In arriving at its recommendations the HR/GN Committee reviews external surveys to compare the compensation paid by the Company with compensation paid to directors in other organizations.

Say on Pay

Since 2010, Shareholders have participated in an annual non-binding advisory vote on Extendicare's approach to executive compensation, commonly known as "Say on Pay", which gives Shareholders the opportunity to endorse or not endorse Extendicare's approach to its executive compensation program.

At the annual meeting of Extendicare held in June 2015, 91% of the Shareholders voted in favour of Extendicare's approach to executive compensation.

The Board of Directors' policy on "Say on Pay", as adopted in 2010, is summarized in this Statement of Corporate Governance Practices, a full copy of which is posted on the Company's website at www.extendicare.com, and on SEDAR at www.sedar.com under Extendicare's issuer profile. The Board of Directors believes that this policy is meaningful to its Shareholders and is substantially consistent with that proposed by the Canadian Coalition for Good Governance and with other issuers.

The Board of Directors believes that Shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board of Directors has used in its approach to executive compensation decisions and to have an advisory vote on the Board's approach to executive compensation.

The result of the advisory vote will be disclosed as part of the Company's report on voting results for its annual meeting. The HR/GN Committee and the Board will take the results of the vote into account, as appropriate, together with feedback received from Shareholders, when considering future compensation policies, procedures and decisions. In the event that a significant number of Shareholders oppose the resolution, the Board will consult with its Shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Company's approach to compensation in the context of those concerns. Shareholders are encouraged to contact the Board of Directors to discuss their specific concerns.

The Board of Directors is always appreciative of any comments and questions on its executive compensation practices, or any governance matter. Shareholders may contact the Board of Directors, in care of the Corporate Secretary of Extendicare, with any specific concerns they wish to discuss as follows:

In writing: Chairman of the Board
c/o The Corporate Secretary of Extendicare
3000 Steeles Ave. East, Suite 103
Markham, Ontario L3R 9W2

By email: governance_matters@extendicare.com

The Company will answer correspondence received and will disclose to its Shareholders as soon as is practicable, and no later than in the management information and proxy circular for its next annual meeting, a summary of the significant comments received from Shareholders and the changes to the compensation plans made or to be made by the Board (or why no changes will be made).

Other Board Committees

In addition to the HR/GN Committee described above, Extendicare's other standing committees are the Audit Committee and the Quality and Compliance Committee (the "**QC Committee**"). From time to time, the Board may also establish special committees to review and make recommendations on specific matters. Copies of each of the committee's mandates may be found on the Company's website at www.extendicare.com.

Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the Company's annual information form under the heading "Audit Committee Information", which is available on SEDAR at www.sedar.com under Extendicare's issuer profile.

Quality and Compliance Committee

Extendicare's QC Committee is composed of three independent directors. The primary objective of the QC Committee is to assure that Extendicare and its operations have in place the programs, policies and procedures to support and enhance the quality of care provided and compliance with applicable health care laws and regulations. The QC Committee's responsibilities include providing oversight of Extendicare's clinical, compliance and quality programs; monitoring Extendicare's clinical performance and outcomes against internal and external benchmarks; and reviewing policies, procedures and standards of conduct designed to provide the appropriate quality of care, client safety and compliance with applicable laws and regulations. The QC Committee met four times during 2015, with full attendance at each meeting.

SCHEDULE B

EXTENDICARE INC.

MANDATE OF THE BOARD OF DIRECTORS

The board of directors (the "**Board**") of Extendicare Inc. ("**Extendicare**" or the "**Company**") is responsible for the stewardship of the business and affairs of the Company, including the strategic planning process, approval of the strategic plan, the identification of principal risks and implementation of systems to manage these risks.

The Board has the responsibility to oversee the conduct of the business of the Company and to supervise management, which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve the business of the Company and its underlying value. In performing its functions, the Board should consider the legitimate interests of its stakeholders such as employees, customers and communities may have in the Company. In supervising the conduct of the business, the Board, through the Chief Executive Officer of the Company (the "**CEO**"), shall set the standards of conduct for the enterprise.

The following points outline the key principles or guidelines governing how the Board will operate to carry out its overall stewardship responsibility.

Number of Directors

The articles of the Company provide that the Board may have a minimum of one director and a maximum of twenty directors, with the number of directors from time to time within such range being fixed by resolution of the Board. The ideal size of the Board will provide a diversity of expertise and opinion, as well as efficient operation and decision-making. At least 25% of the directors of the Company shall be resident Canadians.

The human resources, governance and nominating committee of the Board (the "**HR/GN Committee**") will review the size of the Board annually and make a recommendation to the Board if it believes a change in the size of the Board would be in the best interests of the Company. The Board should have an appropriate mix of skills, knowledge and experience in the business and an understanding of the industry in which the Company operates. Directors are required to commit the requisite time for all of the business of the Board and to demonstrate integrity, accountability and informed judgement. At least a majority of the Board will be comprised of directors who are determined to be "independent", as defined in applicable securities laws and the rules or guidelines of any stock exchange upon which the securities of the Company are listed for trading.

Director Nomination

The HR/GN Committee shall be responsible for recommending to the Board suitable candidates for nominees for election as directors.

Election and Term

Directors shall be elected by the shareholders at each annual meeting of shareholders to hold office for a term expiring at the close of the next annual meeting. The directors may, between annual meetings of shareholders, appoint one or more additional directors for a term to expire (subject to further appointment) at the close of the next annual meeting of shareholders, but the number of additional directors so appointed shall not at any time exceed one-third of the number of directors who held office immediately after the expiration of the immediately preceding annual meeting of shareholders.

Vacancy

A quorum of directors may fill a vacancy among the directors, except a vacancy resulting from an increase in the minimum and maximum number of directors or from a failure to elect the minimum number of directors provided for in the articles. If there is not a quorum of directors, or if there has been a failure to elect the minimum number of directors provided for in the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder. A director appointed or elected to fill a vacancy shall hold office for the unexpired term of his or her predecessor.

Review of Independence of Outside Directors

The HR/GN Committee will review on an annual basis any relationship between outside directors and the Company which might be construed in any way to compromise the designation of any director as being independent or unrelated to the Company. The objective of such review will be to determine the existence of any relationships, to ensure that the composition of the Board remains such that at least a majority of the directors are independent and unrelated and that where relationships exist, the director is acting appropriately. A director should bring to the attention of the Chairman and the HR/GN Committee any potential conflicts of interest as they arise.

Directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director should excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

Board Meetings

Meetings of the directors shall be called and held in accordance with By-Law No. 1 of the Company. The Board may invite any of Extendicare's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board. Attendees will be excused for any agenda items that are reserved for discussion among directors only.

Committees

The directors may appoint from their number one or more committees of directors and, subject to By-Law No. 1 of the Company, may grant or delegate to the committees such authority and such powers as the directors may in their sole discretion deem necessary or desirable. Unless otherwise determined by the directors, a quorum for meetings of any committee shall be a majority of its members and each committee shall have the power to appoint its chairman. Each member of a committee shall serve during the pleasure of the directors and, in any event, only so long as he or she shall be a director.

The Board shall appoint from among the directors an audit committee of the Board (the "**Audit Committee**") to consist of not less than three members. The composition of the Audit Committee shall comply with applicable securities laws, including National Instrument 52-110 – Audit Committees.

Board and Committee Meeting Agendas and Information

The Chairman and the CEO, in consultation with the Secretary, will develop the agenda for each Board and committee meeting. Agendas will be distributed to the Board or committee members before each meeting, and all members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports that are important to the Board's or committee's understanding of meeting agenda items will be circulated to the directors and committee members in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it may not be prudent or appropriate to distribute written materials in advance.

External Advisors

Each director shall have the authority to retain outside counsel and any other external advisors as appropriate with the approval of the HR/GN Committee.

As well, the Board or any of its committees may conduct or authorize investigations into any matters within their respective scope or responsibilities. As such, the Board or any of its committees are authorized to retain and determine funding for independent professionals to assist in the conduct of any such investigation.

Contacts with Senior Management

All of the directors shall have open access to senior management of Extendicare. It is expected that directors will exercise judgement to ensure that such contact is not disruptive to the operations of Extendicare. Written communications from directors to members of management shall be copied to the Chairman and CEO of the Company.

Board/Committee Assessment

The Board, through the HR/GN Committee, shall establish and conduct orientation and education programs for new directors through which the performance expectations for members of the Board shall be communicated. The HR/GN Committee shall implement a process for assessing the effectiveness of the Board as a whole, the committees and the contributions of individual directors, which may include the use of periodic formal surveys.

Senior Management Succession Planning

The Board shall have responsibility for the appointment and evaluation of the performance of the CEO and senior officers of the Company and its subsidiaries and shall require the HR/GN Committee to make recommendations with respect to such matters. The HR/GN Committee shall monitor, review and provide guidance in respect of executive management training, development and succession planning.

Directors' and Senior Management Compensation

The HR/GN Committee shall be responsible for making recommendations to the Board concerning the compensation of directors, the CEO and senior officers of the Company and its subsidiaries, including the adequacy and form of compensation, including the use of incentive programs and awards made pursuant thereto. The HR/GN Committee shall review senior management's performance against the objective of maximizing shareholder value, measuring their contribution to that objective, and overseeing compensation policies.

Strategic Planning

The Board will adopt a strategic planning process to establish the objectives and goals for Extendicare's business, approve the strategic plans and monitor corporate performance against those plans.

Managing Risk

The Board shall have overall responsibility for assessing the principal risks facing the Company, ensuring the implementation of the appropriate strategies and systems to manage such risks, and reviewing any material legal matters relating to the Company as a whole or its investment in any major operating business.

Communications Policy

The Board shall approve Extendicare's core public disclosure documents disseminated to shareholders and the investing public, including the annual report, management information and proxy circular, annual information form, interim quarterly reports and any prospectuses. The Audit Committee shall review and recommend for approval to the Board the quarterly and annual financial statements, including the related management's discussion and analysis, press releases relating to financial matters and any other financial information contained in core public disclosure documents. The Board requires that Extendicare make accurate, timely and effective communication to shareholders and the investment community.

The Board shall have responsibility for reviewing the Company's policies and practices with respect to disclosure of financial and other information, including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Company in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law. The Board shall review the Company's policies relating to communication and disclosure on an annual basis.

Generally, communications from shareholders and the investment community will be directed to either of the Chief Executive Officer, Chief Financial Officer, Director of Investor Relations, or Corporate Secretary of Extendicare to provide an appropriate response depending on the nature of the communication. It is expected that, if communications from stakeholders are made to the Chairman or to other individual directors, management will be informed and consulted to determine any appropriate response.

Internal Control and Management Information Systems

The Board shall review the reports of management of Extendicare and the Audit Committee concerning the integrity of the Company's internal control and management information systems. Where appropriate, the Board shall require management of Extendicare and the Audit Committee to implement changes to such systems with a view to ensuring integrity of such systems.

Corporate Governance Policy

The Company shall make full and complete disclosure of its system of corporate governance on an annual basis in its annual shareholder documents and/or securities commission filings where required, and on its website. The Board, through the HR/GN Committee, shall have the responsibility for developing the Company's approach to governance issues, including the responsibility for this disclosure.

EXTENDICARE®