2018 Annual Information Form

For the year ended December 31, 2018

Dated: March 29, 2019

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GLOSSARY OF TERMS

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

"**2019 Debentures**" means the convertible unsecured subordinated debentures issued by the Company on September 25, 2012 and October 1, 2012, and due September 30, 2019, bearing interest at an annual rate of 6.00%, payable semi-annually in arrears on March 31st and September 30th in each year, and which were subsequently redeemed by the Company on April 30, 2018;

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

"**Adjusted EBITDA**" means earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization, adjusted to exclude the line item "other expense";

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

"**Annual Information Form**" or "**AIF**" means this annual information form for the year ended December 31, 2018 of Extendicare dated March 29, 2019;

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

"**Captive**" means Laurier Indemnity Company, Ltd., a corporation incorporated under the laws of Bermuda and a subsidiary of ECI;

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

"**Class A**", "**Class B**", "**Class C**" or "**New**" centre means the MOHLTC's categorization of a LTC centre based on design standards as described under "Government Regulations and Funding – Ontario LTC Structural Compliance Funding";

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

"**CMI**" means case mix index, which is a measure of the relative cost or resources needed to treat the mix of patients or residents;

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

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

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

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

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

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

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

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

“**EII**” means Extendicare International Inc., a corporation incorporated under the laws of Canada and a subsidiary of Extendicare;

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

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

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

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

“**LEED**” means Leadership in Energy and Environmental Design; a green building certification system, ranking buildings as either Basic, Silver, Gold or Platinum, intended to provide owners and operators with a framework for identifying and implementing measurable green building design, construction, operations and maintenance solutions;

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

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

“**LTCHA**” means the *Long-Term Care Homes Act, 2007* (Ontario), which came into force on July 1, 2010 and which regulates all long-term care centres in Ontario;

“**MOHLTC**” means the Ministry of Health and Long-Term Care (Ontario, Canada);

“**OLTCA**” means the Ontario Long-term Care Association that represents private, not-for-profit, charitable and municipal long term care providers in the province;

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

“**PCA**” means *The Personal Care Homes Act* (Saskatchewan), which came into force on October 1, 1991, and which regulates all personal care homes, including Extendicare’s retirement communities, operating in Saskatchewan;

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

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

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

“**RBC Credit Facility**” means the credit agreement dated as of June 30, 2005, as amended, among Extendicare (as borrower) and Royal Bank of Canada, the lender, relating to a $47.3 million credit facility, as the same may be further amended, supplemented or modified from time to time in accordance with the terms thereof;

"**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 the predecessor of Extendicare and was dissolved effective July 1, 2012;

"**RHA**" means the *Retirement Homes Act* (Ontario), which came into force on June 8, 2010, and which regulates all retirement centres operating in Ontario;

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

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

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

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

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

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

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

"**SLAA**" means the *Supportive Living Accommodation Licensing Act* (Alberta), which came into force on April 1, 2010, and which regulates all supportive living and long-term care accommodations operating in Alberta; and

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

EXPLANATORY NOTES

The information in this AIF is as at December 31, 2018, unless otherwise indicated.

For an explanation of the capitalized terms used in this AIF and not defined in the text, please refer to the Glossary of Terms that starts on page 1.

References to "we", "us" and "our" in this AIF mean Extendicare.

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Information provided by Extendicare from time to time, including in this Annual Information Form, contains or may contain forward-looking statements concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition; statements relating to the expected annual revenue, net operating income yield to be derived from development projects and adjusted funds from operations to be derived from acquisitions and development projects; and statements relating to indemnification provisions in respect of disposed operations. Forward-looking statements can be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of Extendicare to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, the following: changes in the overall health of the economy and government; the ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by Extendicare with such regulations; changes in government funding levels for health care services; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of Extendicare to maintain and increase resident occupancy levels and home health care volumes; changes in competition; changes in demographics and local environment economies; changes in foreign exchange and interest rates; changes in the financial markets, which may affect the ability of Extendicare to refinance debt; and the availability and terms of capital to Extendicare to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of dispositions, acquisitions and development projects, including risks relating to completion; and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR's website at www.sedar.com under Extendicare's issuer profile.

The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements of Extendicare. The forward-looking statements speak only as of the date of this Annual Information Form. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

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

Additional information, including the remuneration of the directors and executive officers of the Company, and securities authorized for issuance under equity compensation plans, is contained in the Company's management information and proxy circulars. The Company's most recent circular, dated April 6, 2018, was prepared in connection with the Company's annual meeting of Shareholders held on May 24, 2018. The Company's next proxy circular will be prepared in connection with the Company's annual and special meeting of Shareholders to be held on May 30, 2019.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2018, contained in the Company's 2018 Annual Report. Copies of such documents may be obtained from the sources set forth above.

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

Extendicare Inc. was originally incorporated in August 1968 and was continued under the CBCA by Articles of Continuance. On July 1, 2012, Extendicare amalgamated with 8067929 Canada Inc., Extendicare Holding General Partner Inc., and 8120404 Canada Inc. to continue as one corporation, with the name "Extendicare Inc.", and is the successor to Extendicare Real Estate Investment Trust. The registered and principal office of Extendicare Inc. is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2.

Extendicare's operations are carried on through a number of wholly owned subsidiaries. Extendicare's long-term care operations, third-party operations management and consulting services (Extendicare Assist), and group purchasing services (SGP Purchasing Partner Network) are conducted through ECI. Extendicare's home health care operations (ParaMed) are conducted through ParaMed Inc. Extendicare's retirement living operations (Esprit Lifestyle Communities) are conducted through 9488618 Canada Inc. and its subsidiaries.

Prior to the sale of its U.S. operations in 2015, Extendicare self-insured certain risks related to general and professional liability of its disposed U.S. operations through the Captive. The obligation to settle any such claims relating to the period prior to the closing of the sale, including claims incurred but yet to be reported, remains with Extendicare, which continue to be funded through the Captive. The majority of the risks that Extendicare self-insured relating to the U.S. operations are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a long period of time.

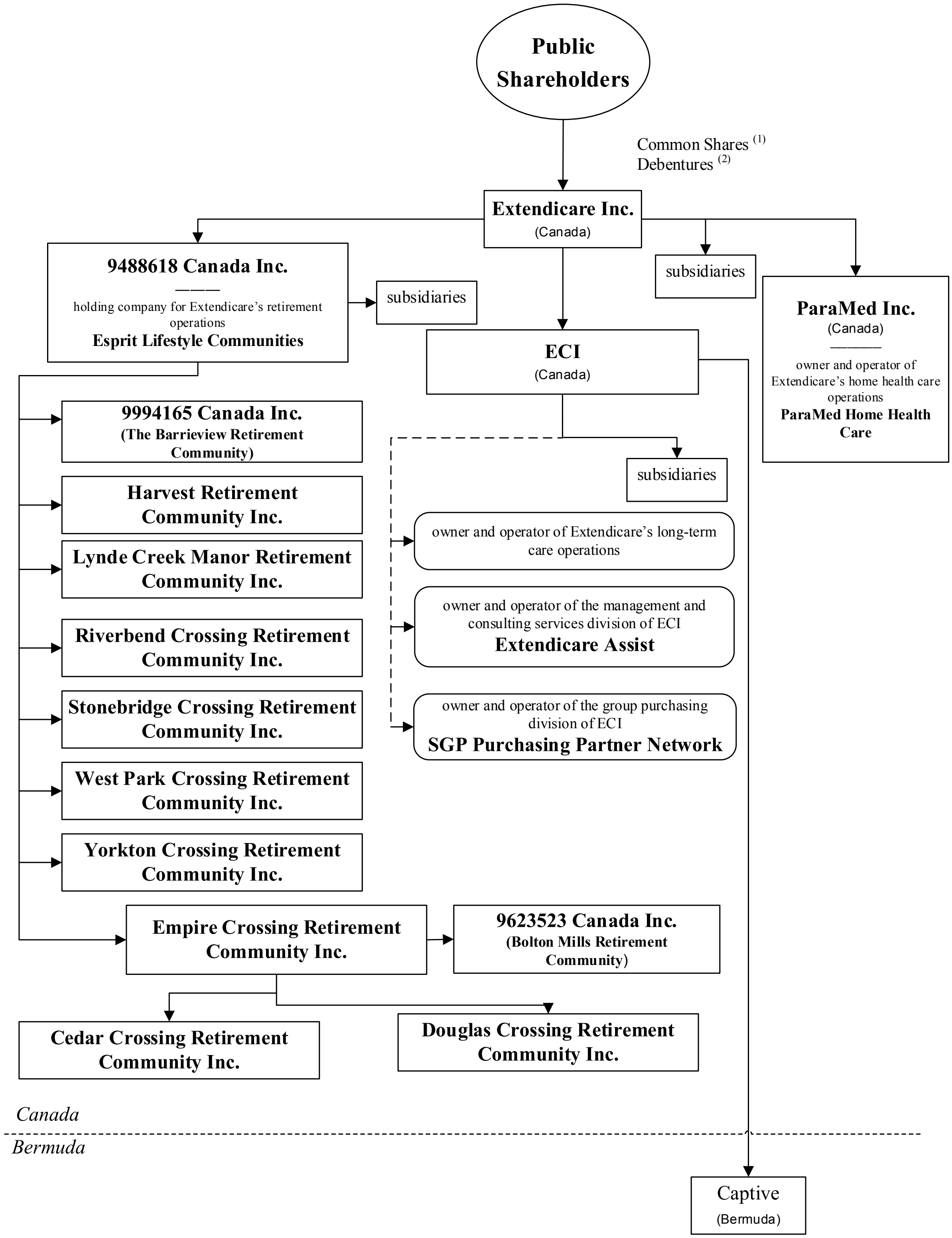
SUBSIDIARIES

The following is a list of the material subsidiaries as of March 29, 2019, all of which are 100% owned directly or indirectly by Extendicare.

Name	Jurisdiction of Incorporation
Extendicare (Canada) Inc.	Canada
9488618 Canada Inc. (holding company for Extendicare's Esprit Lifestyle Communities' retirement operations)	Canada
9623523 Canada Inc. (Bolton Mills Retirement Community)	Canada
9994165 Canada Inc. (The Barrieview Retirement Community)	Canada
Cedar Crossing Retirement Community Inc.	Canada
Douglas Crossing Retirement Community Inc.	Canada
Empire Crossing Retirement Community Inc.	Canada
Harvest Retirement Community Inc.	Canada
Lynde Creek Manor Retirement Community Inc.	Canada
Riverbend Crossing Retirement Community Inc.	Canada
Stonebridge Crossing Retirement Community Inc.	Canada
West Park Crossing Retirement Community Inc.	Canada
Yorkton Crossing Retirement Community Inc.	Canada
Laurier Indemnity Company, Ltd.	Bermuda
ParaMed Inc.	Canada

ORGANIZATIONAL STRUCTURE OF EXTENDICARE

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



Notes:
(1) As at March 29, 2019, there were 88,673,746 Common Shares issued and outstanding.
(2) As at March 29, 2019, there were $126,500,000 aggregate principal amount of the 2025 Debentures issued and outstanding.
(3) All of the subsidiaries of Extendicare are wholly owned.

GENERAL DEVELOPMENT OF THE BUSINESS

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

GROWTH OF RETIREMENT OPERATIONS

As part of the execution of our strategy to continue to grow along the senior care and services continuum, we have expanded our private-pay retirement operations through the acquisition and development of retirement communities under our Esprit Lifestyle Communities brand. Our retirement communities offer a variety of lifestyle options, including independent (supportive) living, assisted living, and memory care, and include short-stay and respite care options.

Since the fall of 2015, we have acquired seven retirement communities and completed the development of three retirement communities (further described below). We have another retirement community under development (124-suites) in Barrie, Ontario, that is scheduled to open in the fourth quarter of 2019, and plans are under way for a 59-suite expansion of our 63-suite Empire Crossing retirement community in Port Hope, Ontario, following which this growing segment of our business will then consist of 11 retirement communities (1,108 suites).

Retirement Acquisitions

In February 2016, the Company acquired two retirement communities (158 suites) in Saskatchewan, for an aggregate cash purchase price of $40.5 million, inclusive of $4.5 million for income support during the lease-up period. These acquisitions supplemented the four retirement communities acquired by the Company in 2015. The Company has secured financing on four of the six acquired retirement communities as further described under "– Financing Activity – Retirement Community Financings".

In April 2018, the Company completed the acquisition of the Lynde Creek Retirement Community, located in Whitby, Ontario, for a cash purchase price of $33.8 million, including working capital adjustments. The acquired community consists of Lynde Creek Manor, a retirement residence offering 93 independent and assisted living suites; Lynde Creek Village, a life lease seniors community of 113 townhomes; and 3.7 acres of adjacent land for expansion.

Retirement Development Projects

In November 2016, the Company opened its newly developed retirement community, Cedar Crossing Retirement Community (68 suites), in Simcoe, Ontario.

In October 2017, the Company opened the initial 103 suites of its Douglas Crossing Retirement Community, in Uxbridge, Ontario. As a result of the robust pre-lease activity of phase one, we accelerated our expansion plans for this community and completed a 45-suite expansion in November 2018. The expanded 148-suite community was 83.8% leased as of February 28, 2019.

At the end of December 2018, the Company completed development of Bolton Mills, a 112-suite retirement community in Bolton, Ontario, and welcomed its first resident in January 2019.

In addition, the Company has a 124-suite retirement community under construction, The Barrieview Retirement Community, in Barrie, Ontario, which is scheduled to open in the fourth quarter of 2019.

FINANCING ACTIVITY

Issue of 2025 Debentures and Redemption of the 2019 Debentures

In April 2018, the Company issued the 2025 Debentures for gross proceeds of $126.5 million. The net proceeds from the offering of $120.9 million, together with cash on hand, were used to finance the redemption of the 2019 Debentures (principal of $126.5 million plus accrued and unpaid interest of $0.6 million). For further details on the 2025 Debentures see "Description of the Debentures".

Retirement Community Financings

Over the past three years, the Company has secured construction financing in the aggregate amount of $87.6 million on its Cedar Crossing, Douglas Crossing, Bolton Mills and The Barrieview retirement development projects. Loan payments are interest-only, based on a variable rate of 30-day banker's acceptance plus 2.25% to 2.5%, with no standby fee. The construction loans, of which an aggregate amount of $52.9 million was drawn as at December 31, 2018, are repayable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements and specified dates between late 2019 and 2023. Permanent financing for each of the communities may be sought upon maturity of the construction financing.

In August 2016, the Company secured financing on three retirement communities that it had acquired in 2015, representing non-revolving credit facilities aggregating $56.3 million. These financings have seven-year terms, and bear interest at variable rates of prime plus 0.5% or 30-day banker's acceptance rate plus 1.9%. In conjunction with securing these financings, the Company entered into interest rate swap contracts to lock in the interest rates at 3.11% for the full term.

In September 2018, the Company secured financing of $10.5 million on one of its acquired retirement communities for a term of 10 years, with a variable rate of prime plus 0.5%. In conjunction therewith, the Company entered into an interest rate swap contract to lock in the interest rate at 5.04% for the full term of the financing.

Other Financings

In February 2017, the Company renewed CMHC mortgages totalling $16.5 million on two of its Ontario LTC centres for a term of 15 years to February 2032, at a fixed rate of 3.35%.

In March 2017, the Company renewed its existing $5.8 million CMHC mortgage on a Manitoba LTC centre for a term of almost 10 years to November 2026, at a fixed rate of 3.04%.

In May 2017, the Company secured a $30.0 million term loan with the Canadian Imperial Bank of Commerce (the "CIBC Term Loan") upon maturity of $3.6 million of the existing mortgages on nine Alberta LTC centres. The CIBC Term Loan bears a variable rate of 30-day banker's acceptance plus 1.8% for a term of five years, with principal and interest payable in monthly installments based on a 20-year amortization. The maximum borrowing base under the CIBC Term Loan will be determined annually based on the aggregate of the updated lending values established for each property. The Company entered into an interest rate swap contract to lock in the rate at 3.27% for the full term.

In November 2017, the Company arranged for a demand credit facility in the amount of $65.0 million (the "ParaMed Credit Facility") that is secured by the assets of our home health care business, and is available for general corporate purposes of the Company. The ParaMed Credit Facility has no financial covenants, but does contain normal and customary terms. The full $65.0 million was available and unutilized as at December 31, 2018.

In August 2018, the Company renewed CMHC mortgages in the amount of $8.3 million for a term of four years to August 2022, at a fixed rate of 2.96%.

DIVESTITURES

2016 Sale of U.S. IT Hosting Business

On December 22, 2016, the Company completed the sale of substantially all of the assets used in the operation of its U.S. IT Hosting business for cash proceeds of $11.5 million (US$8.5 million), prior to working capital adjustments and transaction costs. Net proceeds from the sale, after working capital adjustments and transaction costs, were $9.5 million (US$7.1 million), resulting in a pre-tax loss on sale of $8.6 million (after-tax loss of $8.4 million).

DESCRIPTION OF THE BUSINESS

COMPANY PROFILE

Extendicare and its predecessors have been in operation since 1968, providing care and services to seniors throughout Canada. Today the Company is an owner and operator in the long-term care, retirement living, and home health care sectors, and provides operations management, consulting, and group purchasing services to third-parties in the senior care industry, as more fully described below.

Extendicare's vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care through compassionate caregivers across the continuum of care, whether in one's own home, or in a retirement living or long-term care setting. This means offering the services Canadian seniors need wherever they need it as they age and their care needs change – and to be an employer of choice in the communities in which we operate. At the heart of everything that we do is an unwavering commitment to delivering quality customer-centred senior care and services and Extendicare believes that the effective execution of its strategy will provide an appropriate and consistent return to our shareholders who have demonstrated their belief in our mission by investing in Extendicare.

OPERATIONS

As at February 28, 2019, the Company owned and operated 58 LTC centres and 10 retirement communities, under the Extendicare and Esprit Lifestyle Communities brands, respectively, and provided operations management services to 53 LTC and retirement centres for third parties through Extendicare Assist. In total, Extendicare operated 121 LTC and retirement centres across four provinces in Canada, with capacity for 15,559 residents, with a significant presence in Ontario and Alberta, where approximately 77% and 11% of our residents, respectively were served. In addition, ParaMed provided home health care services from 35 locations across six provinces in Canada, providing approximately 10.9 million hours of service annually, and SGP Purchasing Partner Network provided group purchasing services to third-party clients representing approximately 56,800 senior residents across Canada. Our highly trained workforce of approximately 23,000 individuals across Canada is dedicated to helping people live better through a commitment to quality service and passion for what we do.

The following table summarizes the LTC and retirement centres operated by Extendicare, including those in respect of which we provide operations management services for third parties as at February 28, 2019.

	Long-term Care		Retirement Living		Chronic Care Unit		Total	
By Province	**No. of Centres**	**Resident Capacity**	**No. of Centres**	**Resident Capacity**	**No. of Centres**	**Resident Capacity**	**No. of Centres**	**Resident Capacity**
Owned/Leased								
Ontario	34	5,207	6	584	–	–	40	5,791
Alberta	14	1,519	–	–	–	–	14	1,519
Saskatchewan	5	649	4	341	–	–	9	990
Manitoba	5	762	–	–	–	–	5	762
	58	8,137	10	925	–	–	68	9,062
Managed								
Ontario	42	5,338	6	660	1	120	49	6,118
Alberta	1	102	1	109	–	–	2	211
Manitoba	2	168	–	–	–	–	2	168
	45	5,608	7	769	1	120	53	6,497
Total	**103**	**13,745**	**17**	**1,694**	**1**	**120**	**121**	**15,559**

(1) The centres are categorized based on the predominant level of care provided, the type of licensing and the type of funding provided. For example, two of our long-term care centres with retirement wings have been categorized as LTC centres. In addition, government-funded supportive living suites have been categorized as LTC centres due to the nature of the regulatory oversight and government-determined fee structure.

The Company operates nine of its Ontario LTC centres (1,155 LTC beds and 76 retirement suites) under 25-year finance lease arrangements, with full ownership obtained at the end of the leases, which expire between 2026 and 2028.

At its corporate office in Markham, Ontario, Extendicare's senior management provides the overall strategic direction and management of the business, and seeks development and acquisition opportunities. Extendicare's corporate office includes senior management of its operating divisions along with the corporate departments of: people and culture; legal; internal audit; purchasing; engineering services; quality, risk and innovation; accounting; and information technology. These corporate departments provide a resource for all operations and establish company-wide policies and procedures, standards, benchmarks and control procedures.

In addition, staff located in regional offices are responsible for and support the respective local operations by overseeing policies and programs pertaining to resident care, employee hiring, training and retention, marketing initiatives, risk management and facility maintenance.

The following describes the Company's operating segments.

Long-term care (including government-funded supportive living)

Long-term care (LTC) centres are designed for individuals, usually seniors, who cannot live independently and require professional nursing care on a daily basis and 24-hour supervision. Provincial legislation and regulations closely control all aspects of operation and funding of LTC centres and government-funded supportive living centres. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a portion to be paid by the resident. In Alberta, designated supportive living centres provide services similar to those provided by retirement communities, and were introduced by Alberta Health Services, or AHS, as an alternative setting for residents not yet requiring the needs of a more expensive LTC centre. Such centres are licensed, regulated and funded by AHS in a similar manner to LTC centres, including a government-determined fee structure.

Extendicare's LTC centres are designed for individuals who cannot be cared for at home or in another setting, due to factors such as physical limitations and cognitive impairment. In addition to providing accommodation and meals, residents receive assistance with activities of daily living and continuing care. Programs and services are offered to all residents and specialty programs are offered for those with behavioural needs.

Extendicare is the largest private-sector operator of LTC centres in Canada. The Company owns and operates for its own account 58 LTC centres with capacity for 8,137 residents, inclusive of a stand-alone designated supportive living centre (140 suites) and a designated supportive living wing (60 suites) in Alberta, and two retirement wings (76 suites) in Ontario. Revenue from the long-term care operations represented 56.5% of consolidated revenue from continuing operations for the year ended December 31, 2018, compared to 56.2% in 2017.

Retirement Living

Private-pay retirement communities are typically subject to regulation by provincial and local health agencies, although such regulations are not as burdensome and complex as those governing long-term care centres. Extendicare's retirement communities in Ontario are licensed by the Retirement Homes Regulatory Authority (Ontario), or RHRA, under the *Retirement Homes Act*, or RHA; and its Saskatchewan retirement communities are licensed by the Community Care Branch of the Saskatchewan Ministry of Health, under *The Personal Care Homes Act*, or PCA.

Under the Esprit Lifestyle Communities brand, the Company owns and operates ten retirement communities with capacity for 925 residents. Four of these retirement communities (341 suites) are located in Saskatchewan and six communities (584 suites) are located in Ontario. A new retirement community (124 suites) is presently under construction in Barrie, Ontario, and plans are under way for a 59-suite expansion of our 63-suite Empire Crossing retirement community in Port Hope, Ontario.

Extendicare's retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. The monthly fees vary depending on the type of accommodation, level of care and services chosen by the resident, and the location of the retirement community. Residents are able to choose the living arrangements best suited to their personal preference and needs, as well as the level of care and support they receive as their needs evolve over time. Revenue from these operations represented 3.0% of consolidated revenue from continuing operations for the year ended December 31, 2018, compared to 1.9% in 2017.

The retirement communities operated by Esprit Lifestyle Communities offer a variety of private-pay options for seniors. Most residents, with the aid of basic care and services, are able to and want to live independently. Additionally, we provide enhanced care and services in more controlled environments, including for seniors with Alzheimer's or other forms of dementia.

Our retirement communities offer independent (supportive) living, assisted living, and memory care, which include short-term stay and respite care options, as described below:

- independent (supportive) living (IL/ISL) – our residents have the option to live completely independent within our retirement communities, and they may choose from varying levels of services, including personal care, with different tiers available, with an aim to support and preserve independence;
- assisted living (AL) – within specifically designed units, we can provide varying levels of nursing and personal care services to our residents, with different tiers of care, from limited personal assistance to end of life care; and
- memory care – the suites are specific for seniors with Alzheimer's disease or other forms of dementia, and are designed in a manner to promote socialization among residents, family, and friends. The communities include interactive life-skills stations that encourage resident involvement in familiar activities of daily living.

Home Health Care

The Company's home health care services are provided through ParaMed, which operates from 35 locations in six provinces across Canada (29 in Ontario, 1 in British Columbia, 2 in Alberta, 1 in Manitoba, 1 in Quebec, and 1 in Nova Scotia). Based on the fact that ParaMed provided approximately 10.9 million of hours of service in 2018, management believes that ParaMed is the largest private-sector provider of publicly funded home health care in Canada.. During 2018, approximately 83% of ParaMed's hours of service were provided in Ontario, 11% were provided in British Columbia, 4% in Alberta, and the balance were provided in Manitoba, Nova Scotia and Quebec. Revenue from the home health care operations represented 38.5% of consolidated revenue from continuing operations for the year ended December 31, 2018, compared to 39.7% in 2017. As previously announced, ParaMed will be exiting the British Columbia market when its contracts expire in March 2020, following the government's announcement that it will be bringing the home support services in-house in 2020 (refer to the discussion under "– Government Regulations and Funding – British Columbia Home Health Care"). The contribution from these operations to the Company's net operating income in 2018 was less than $0.1 million, as a result of unfunded labour cost increases that resulted from mandatory central bargaining in the province over the past few years.

ParaMed's professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate clients of all ages living at home. Home health care alleviates the demand for in-hospital stays and senior care centres, and allows seniors the independence and dignity of remaining at home for as long as possible. Home health care services are provided to individuals of all ages; however, seniors represent the largest group accessing these services. Provincial governments fund a wide range of home health care services, and contract these services to providers such as ParaMed. In 2018, ParaMed received approximately 98% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private-pay clients.

Other Canadian Operations

Extendicare's other Canadian operations are composed of its operations management and consulting services provided by Extendicare Assist and group purchasing services provided by SGP Purchasing Partner Network. Revenue from these two divisions, collectively, represented 2.0% of consolidated revenue from continuing operations for the year ended December 31, 2018, compared to 1.7% in 2017.

Operations Management and Consulting Services

Through its Extendicare Assist division, Extendicare leverages its expertise in operating senior care centres in providing a wide range of operations management and consulting services to third-party owners of LTC and retirement centres. Extendicare Assist partners with not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care practices and operating efficiencies. Extendicare Assist provides a broad range of services aimed at meeting the needs of its partners, from operational consulting to overall facility management. The management service offering can include a broad spectrum of services, including: financial administration, record keeping, regulatory compliance and purchasing. In addition, Extendicare Assist provides consulting services to third parties for the development and redevelopment of LTC centres.

As a skilled manager and operator of senior care centres for third parties, Extendicare Assist's managed portfolio consisted of 53 LTC and retirement centres with capacity for 6,497 residents as at February 28, 2019, unchanged from December 31, 2018 (December 31, 2017 – 50 centres with capacity for 6,216 residents). This managed portfolio comprised 45 LTC centres (5,608 beds); 7 retirement communities (769 suites) and a chronic care unit (120 beds).

Group Purchasing Services

Through its SGP Purchasing Partner Network division (SGP), Extendicare offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products. SGP negotiates long-term and high-volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective way to secure quality national brand-name products, along with a range of innovative services. As at December 31, 2018, SGP provided services to approximately 51,100 third-party senior residents across Canada, compared to 45,200 at the end of 2017. As at February 28, 2019, SGP had increased its third-party client base, bringing the total senior residents served to over 56,800.

U.S. Remaining Operations – Captive Insurance Company

Prior to the sale of its U.S. operations in 2015, Extendicare self-insured certain risks related to general and professional liability of its disposed U.S. operations through the Captive. The obligation to settle any such claims relating to the period prior to the closing of the sale, including claims incurred but yet to be reported, remains with Extendicare, which continues to be funded through the Captive. The majority of the risks that Extendicare self-insured relating to the U.S. operations are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a long period of time.

As at December 31, 2018, the accrual for such U.S. self-insured general and professional liabilities was US$27.2 million, compared to US$48.6 million at the beginning of the year, and the investments held for U.S. self-insured liabilities totalled US$49.8 million, compared to US$68.6 million at the beginning of the year, with the decline in each primarily reflecting the "run off" of these operations and release of reserves. The loss provisions for Extendicare's U.S. general and professional liability risks are based upon management's best available information, including independent actuarial estimates. The Captive is currently appropriately capitalized, but there can be no assurance that it will remain as such in the future should its general and professional liability claims increase significantly.

SENIOR CARE INDUSTRY

Aging Population

The demographic wave of the aging population is upon us, driving accelerating demand for senior care services. The most significant impact of this shift will occur between the years 2020 and 2040, with the first baby boomer having reached the age of 80 in 2026 and all baby boomers having reached the age of 65 by 2031.

As the number of seniors and life expectancy in Canada rises, a greater proportion of those entering senior care centres are older and frailer than ever before, resulting in not only a need for increased capacity, but the need for more specialty and complex care in these settings. It is estimated that 90% of the long-term care residents in Ontario have some form of cognitive impairment and that roughly 85% of the residents require extensive assistance with daily activities (source: OLTCA, Facts and Figures).

According to reports published by Statistics Canada, the number of individuals aged 65 and over outnumbers those under the age of 15 (source: Statistics Canada, *2016 Census of Population*, Catalogue no. 98-400-X2016008). About 7% of population, or roughly 2.5 million people, living in Canada in 2016 was aged 75 and over, and approximately 2% was aged 85 and older. Those aged 85 and older grew by approximately 19% during the period from 2011 to 2016, nearly four times the rate for the overall Canadian population (source: Statistics Canada, Census Brief, *A portrait of the population aged 85 and older in 2016 in Canada* (May 3, 2017)). From 2016 to 2040 the number of individuals aged 75 and over, and those aged 85 and over, are projected to more than double and represent between 14% and 4% of the total population by 2040 (source: Statistics Canada, Table 17-10-0057-01 Projected population).

In 2016, approximately 32% of seniors aged 85 and older lived in collective dwellings such as LTC centres and senior residences, up from 29.6% in 2011 (source: Statistics Canada, Census Brief, *A portrait of the population aged 85 and older in 2016 in Canada* (May 3, 2017); *Census in Brief – Living Arrangements of Seniors, 2011 Census*, catalogue no. 98-312-X2011003). According to data published by the Canadian Institute for Health Information (CIHI), the average age of residents in LTC centres in Canada in fiscal 2017/2018 was 84, and over 82% were aged 75 and older (source: CIHI, *Profile of Residents in Residential and Hospital-based Continuing Care, 2017-2018* (July 2018)).

Supply/Demand Imbalance

Provincial governments license LTC beds based on, among other things, government-perceived local demand and budget constraints. In addition, approvals are required to transfer a license to a new owner and to appoint a third-party manager to operate a LTC centre. Such restrictions on supply, coupled with the rapidly aging population, have resulted in excess demand for LTC beds.

In Ontario, Extendicare's largest market, there are 626 LTC centres (78,694 beds) at 98% capacity, and just over 35,000 individuals on a wait list with an average wait of 146 days (source: MOHLTC Health Data Branch, *December 2018 Long-Term Care Home System Report from New CPRO*, March 2019, and Ontario Premier's Council report, *Hallway Health Care: A System Under Strain*, January 2019). To address this demand for long-term care services, in 2018, the MOHLTC announced that it is moving forward with building 6,000 new LTC beds by 2022 and 30,000 new beds over the next decade. According to a report published by the OLTCA, *Building Better Long-term Care*, the province estimates that over the next 10 years there will be 50% more seniors over the age of 75, resulting in growth in the number of people who require long-term care services.

Cost Containment Pressures

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

Changing Family Dynamics

Families have traditionally been the primary source of care-giving for seniors. In Canada, about 8.1 million people, or 28% of the population, aged 15 and older, provided care to a family member or friend with a long-term health condition, disability or aging needs (source: Statistics Canada Study: *Caregivers in Canada, 2012*, released September 2013). However, with the growing number of two-income families, family members as the primary source of care for seniors are becoming a diminishing resource. At the same time, two-income families are better able to provide financial support for elderly parents, enabling them to receive the care they need, either with in-home support or in alternative care settings.

Competition

The seniors care industry is, by its nature, a local and community focused industry. Extendicare's competitors include private and public-sector operations. While there has been some consolidation over the years, the LTC and retirement sectors each remain highly fragmented. It is estimated that the largest LTC and retirement community operators account for roughly 26% and 38%, respectively, of the market in Canada, with Extendicare being the largest LTC provider (source: National Bank of Canada Financial Markets, *Healthcare Facilities*, December 12, 2018). Historically, there have been few transactions involving the transfer of ownership of LTC centres. However, the Ontario government's redevelopment plans and limitations on current license terms for Class B and C centres, have prompted some changes in ownership within the province.

The home health care sector is also highly fragmented with only a few large operators, and predominately smaller regional service providers, both investor-owned and not-for-profit. ParaMed is the largest provider of publicly funded home health care in Ontario, and we believe the largest in Canada, based on service hours provided. In Ontario, with the implementation in 2012 of evergreen contracts, opportunities for growth in the government-funded space will primarily result from the award of additional hours to existing providers meeting specified service standards, or through acquisition.

Extendicare's group purchasing, along with its operations management and consulting services, compete with other similar operators in the health care and hospitality industries.

BUSINESS STRATEGY

Our vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care through compassionate caregivers across the continuum of care – offering the services Canadian seniors need wherever they need it as they age and their care needs change – and to be an employer of choice in the communities in which we operate.

Our core long-term care services are complemented by a market leading home health care platform operating under the ParaMed banner and a private-pay retirement business operating under the Esprit Lifestyle Communities banner. We also provide operations management and consulting services to a growing list of LTC and retirement centres owned by third parties. Both our owned centres and third-party customers are supported by our SGP Purchasing Partner Network division. We continue to grow Esprit Lifestyle Communities through new developments and expansions and to pursue private-pay home health care opportunities with the intent to diversify our revenue streams to achieve a better balance between government and privately funded activities.

We believe that the effective execution of this strategy will provide an appropriate and consistent return to our shareholders who have demonstrated their belief in our mission by investing in Extendicare.

There are a number of initiatives that support our pursuit of this strategy, some of which are expanded upon below.

Provide Quality Services to Help People Live Better

Internal consulting and quality performance improvement resources are directed towards assisting our centres to continuously improve the quality of care, quality of life and safety of our residents and clients. Our quality department monitors, assesses and reports to senior management and the Board on the overall quality of care and services in relation to established national standards and internal goals. Extendicare's internal quality assurance processes and policies are aligned with current legislative requirements. To mitigate regulatory compliance risk, tracking systems monitor results of inspections and internal audits. Where performance varies from standards, plans of correction are implemented along with education including direct hands-on training.

Adapt to Industry Changes and Position for Success in Evolving Health Care Environment

The health care environment evolves as the amount of health care spending by governments continues to escalate as a percentage of total government spending. Senior care continues to be a critical focus as governments attempt to manage and reduce the overall cost of health care. Therefore, members of the Extendicare senior management team serve on the boards of provincial associations and advisory organizations to assist with the challenge of meeting the needs of the aging population.

Ontario LTC Redevelopment and Expansion

Extendicare seeks to advance the redevelopment of its 21 Class C LTC centres (3,287 beds) in Ontario under the MOHLTC's redevelopment program. This includes our intention to participate in requests for new beds to augment the size of redevelopment projects and to enable new developments where market opportunity exists. We believe Extendicare's management team has the necessary skills and ability to take full advantage of the Ontario government's proposals, having previously designed and developed 13 of its own LTC centres in Ontario and three LTC centres in Alberta since 1998. For more information, refer to the discussion set out under "– Government Regulations and Funding – Ontario LTC Redevelopment and Expansion".

Growth in Retirement Operations

As part of the execution of our strategy to continue to grow along the senior care continuum and diversify our revenue through additional non-government revenue streams, we are growing our private-pay retirement operations through the development and expansion of retirement communities under our Esprit Lifestyle Communities brand. Since the fall of 2015, we have acquired seven retirement communities, completed the development of and opened three retirement communities, and currently have one new community under construction and expansion plans under way at another. This growing segment of our business will then consist of 11 retirement communities (1,108 suites). We will continue to seek acquisition and development opportunities of retirement communities with a view to augmenting our core operations and reducing our proportion of government-source revenue.

Growth in Home Health Care Operations

Our strategy is to grow our home health care business in Canada in the provinces in which we currently operate. ParaMed's home health care platform is in six provinces, providing a high-quality revenue stream with relatively low capital requirements. Approximately 98% of ParaMed's revenue in 2018 was from government programs. The desire of many older Canadians to live at home longer is driving increased demand for home health care services. Governments across the country are responding by increasing funding into this sector. In addition, seniors are increasingly looking for private home health care services to support independent living in their own homes.

Growth through Operations Management, Consulting and Group Purchasing Services

Through our Extendicare Assist division, we continue to leverage our expertise in owning and operating LTC and retirement centres to assist a diverse range of partners, which include not-for-profit and for-profit organizations, hospitals, and municipalities. Since the end of 2014, Extendicare Assist has increased the resident capacity of its LTC and retirement centres under management from 5,470 to 6,497 as at December 31, 2018. We expect similar growth in demand for our operations management and consulting services in the coming years. In addition, leveraging on our own expertise of developing LTC and retirement centres, Extendicare Assist provides consulting services to third-parties for the development and redevelopment of LTC centres. Such services are anticipated to grow, driven by the massive growth in long-term care capacity planned by provincial governments.

Through our SGP Purchasing Partner Network division, we continue to leverage our purchasing power to provide cost-effective services to senior care providers. Through a focus on business development and nurturing relationships with our members and suppliers, we have expanded the number of third-party clients served from 27,100 senior residents across Canada at the end of 2014 to over 56,800 in February 2019.

Increasing Funds from Operations and Adjusted Funds from Operations

Extendicare believes that the execution of each of the strategies outlined above will contribute to growth in its earnings and cash flow, which in turn will increase its funds from operations and adjusted funds from operations, all with a view to enhancing value for its Shareholders.

COMPETITIVE STRENGTHS

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

Based on information available to us, Extendicare is the largest private-sector operator of LTC centres in Canada, and we believe, the largest provider of publicly funded home health care in Canada. Ontario is Extendicare's largest market where it currently operates approximately 13% of the province's LTC beds, including those centres it manages for third parties. Alberta is Extendicare's second largest market, where it currently operates approximately 6% of the LTC and government-funded designated supportive living beds in the province, including those centres it manages for third parties.

Commitment to Core Business

Extendicare is committed to its focus on the senior care core business. Approximately 56% of the Company's revenue from continuing operations for 2018 was from its LTC operations and 39% was from its home health care operations. Management believes the core business benefits from the provision of operations management, purchasing and information technology support services to third parties because the whole business benefits from the increasing scale economies that come from sharing those services across a larger base of operations.

Experienced Operator with Strong Management Team

Extendicare has been in the senior care business in Canada since 1968. The 10 members of the Company's senior management team have on average over 20 years of experience in the health care industry and over 11 years of service with Extendicare.

Due to the level of industry experience of our senior management team, we believe our leadership team will continue to add considerable value and play an important role in shaping the future direction of senior care within federal and provincial associations and in developing strategic partnerships within the health care business. As well, due to its history and reputation, Extendicare has been successful in recruiting additional management talent, further strengthening its already experienced executive and operating management team.

Management Focus on Key Performance Metrics

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

PROPERTIES

The following tables list the LTC and retirement centres operated by Extendicare that it either owns or leases, as at February 28, 2019. Nine of our LTC centres in Ontario are operated under 25-year finance lease arrangements maturing beginning in 2026 through to 2028, with full ownership obtained at the end of the respective lease terms.

				Composition of Beds/Suites				
				Preferred				
	Name of Owned/Leased Centre	Location	Year Built	Private	Semi-Private	Basic	Short Stay or Convalescent	Total
	Ontario LTC "New" Centres							
1	Extendicare Brampton	Brampton	2001	90	-	48	12	150
2	Extendicare Cobourg	Cobourg	2002	41	-	28	-	69
3	Extendicare Halton Hills	Georgetown	2003	78	-	52	-	130
4	Extendicare Hamilton	Hamilton	2002	96	-	64	-	160
5	Extendicare Kawartha Lakes	Lindsay	2001	38	-	26	-	64
6	Extendicare Lakefield	Lakefield	2001	60	-	38	2	100
7	Extendicare Maple View	Sault Ste. Marie	2013	154	-	102	-	256
8	Extendicare Mississauga	Mississauga	2002	84	-	56	-	140
9	Extendicare Port Hope	Port Hope	2003	76	-	52	-	128
10	Extendicare Rouge Valley	Toronto	2003	114	-	77	1	192
11	Extendicare Southwood Lakes	Windsor	2001	90	-	60	-	150
12	Extendicare Tecumseh	Tecumseh	2003	77	-	51	-	128
13	Extendicare Timmins	Timmins	2013	108	-	72	-	180
13	**Ontario LTC "New" Centres**			**1,106**	**-**	**726**	**15**	**1,847**
				59.9%	*-*	*39.3%*	*0.8%*	*100.0%*
	Ontario LTC "C" Centres							
1	Extendicare Bayview	North York	1970	46	74	82	1	203
2	Extendicare Falconbridge	Sudbury	1973	20	118	94	2	234
3	Extendicare Guildwood	Westhill	1967	15	86	66	2	169
4	Extendicare Haliburton	Haliburton	1976	10	18	32	-	60
5	Extendicare Kapuskasing	Kapuskasing	1974	4	30	25	2	61
6	Extendicare Kingston	Kingston	1974	13	70	67	-	150
7	Extendicare Kirkland Lake	Kirkland Lake	1977	16	40	38	3	97
8	Extendicare Laurier Manor	Gloucester	1970	50	94	96	2	242
9	Extendicare London	London	1970	36	66	67	1	170
10	Extendicare Medex	Ottawa	1973	5	111	77	-	193
11	Extendicare New Orchard Lodge	Ottawa	1965	15	52	44	-	111
12	Extendicare Oshawa	Oshawa	1973	7	87	63	18	175
13	Extendicare Peterborough	Peterborough	1972	34	60	65	15	174
14	Extendicare Port Stanley	Port Stanley	1977	8	20	31	1	60
15	Extendicare Scarborough	Scarborough	1970	3	64	60	23	150
16	Extendicare St. Catharines	St. Catharines	1971	12	78	62	1	153
17	Extendicare Starwood	Nepean	1971	20	96	76	-	192
18	Extendicare Tri-Town	Haileybury	1974	6	30	23	1	60
19	Extendicare Van Daele	Sault Ste. Marie	1979	20	32	34	14	100
20	Extendicare West End Villa	Ottawa	1982	86	48	104	4	242
21	Extendicare York	Sudbury	1973	50	122	86	30	288
21	**Ontario LTC "C" Centres** (excludes 3 beds held in abeyance)			**476**	**1,396**	**1,292**	**120**	**3,284**
				14.5%	*42.5%*	*39.3%*	*3.7%*	*100.0%*
34	**Ontario LTC Centres**			**1,582**	**1,396**	**2,018**	**135**	**5,131**
				30.8%	*27.2%*	*39.3%*	*2.6%*	*100.0%*
-	**Ontario Assisted Living** (wings at Cobourg & Lindsay)			76	-	-	-	76
	Ontario Retirement Communities							
1	Bolton Mills	Bolton	2018	112				112
2	Cedar Crossing	Simcoe	2016	68				68
3	Douglas Crossing	Uxbridge	2017	148				148
4	Empire Crossing	Port Hope	2015	63				63
5	Harvest	Tillsonburg	2011	100				100
6	Lynde Creek Manor	Whitby	2004/2014	93				93
6	**Ontario Retirement Communities**			**584**	**-**	**-**	**-**	**584**
40	**Total Ontario Centres**			**2,242**	**1,396**	**2,018**	**135**	**5,791**

Name of Owned Centre		Location	Year Built	Composition of Beds/Suites: Private	Semi-Private	Basic	Total
Alberta Long-term Care Centres							
1	Extendicare Athabasca	Athabasca	1967	22	28	-	50
2	Extendicare Bonnyville	Bonnyville	1966	28	22	-	50
3	Extendicare Cedars Villa	Calgary	1964	41	207	-	248
4	Extendicare Eaux Claires	Edmonton	2011	204	-	-	204
5	Extendicare Fort MacLeod	Fort MacLeod	1966	20	30	-	50
6	Extendicare Hillcrest	Calgary	1965	20	92	-	112
7	Extendicare Holyrood	Edmonton	1965	20	54	-	74
8	Extendicare Leduc	Leduc	1965	21	58	-	79
9	Extendicare Michener Hills	Red Deer	2010	208	12	-	220
10	Extendicare Mayerthorpe	Mayerthorpe	1966	22	28	-	50
11	Extendicare St. Paul	St. Paul	1966	30	46	-	76
12	Extendicare Viking	Viking	1965	36	24	-	60
13	Extendicare Vulcan	Vulcan	1965	28	18	-	46
13	**Alberta LTC Centres**			700	619	-	1,319
Alberta Designated Supportive Living							
-	Extendicare Michener Hills (wing)	Red Deer	2010	60	-	-	60
1	Extendicare Fairmont Park	Lethbridge	2010	140	-	-	140
1	**Alberta DSL Centres**			200	-	-	200
14	**Alberta Centres**			**900**	**619**	**-**	**1,519**
Manitoba Long-term Care Centres							
1	Hillcrest Place	Brandon	1972	20	80	-	100
2	Oakview Place	Winnipeg	1970	37	208	-	245
3	Red River Place	Selkirk	1982	94	10	-	104
4	Tuxedo Villa	Winnipeg	1971	41	172	-	213
5	Vista Park Lodge	Winnipeg	1982	90	10	-	100
5	**Manitoba LTC Centres**			**282**	**480**	**-**	**762**
Saskatchewan Long-term Care Centres							
1	Extendicare Elmview	Regina	1963	18	28	16	62
2	Extendicare Moose Jaw	Moose Jaw	1963	21	100	4	125
3	Extendicare Parkside	Regina	1965	12	80	136	228
4	Extendicare Preston	Saskatoon	1964	20	46	16	82
5	Extendicare Sunset	Regina	1971	10	120	22	152
5	**Saskatchewan LTC Centres**			**81**	**374**	**194**	**649**
Saskatchewan Retirement Communities							
1	Riverbend Crossing Memory Care	Regina	2013	67	-	-	67
2	Stonebridge Crossing	Saskatoon	2012	116	-	-	116
3	West Park Crossing	Moose Jaw	2016	79	-	-	79
4	Yorkton Crossing	Yorkton	2016	79	-	-	79
4	**Saskatchewan Retirement Communities**			341	-	-	341
9	**Saskatchewan Centres**			**422**	**374**	**194**	**990**
Total Extendicare Owned/Leased Centres							
57	Long-term care						7,861
-	Private-pay assisted living wings						76
1	Government-funded supportive living						200
58	**Total of long-term care operating segment**						**8,137**
10	**Total of private-pay retirement communities**						**925**
68	**Total Extendicare Owned/Leased Centres**						**9,062**

Quality of Care

Commitment to Care

Extendicare's commitment to excellence emphasizes the corporate philosophy of treating residents and clients with dignity and respect. Extendicare conducts consumer satisfaction surveys for residents, clients and their families and maintains an employee hotline. We work with resident and family councils to improve the quality of care and to help ensure programs and services, including meal service, meet resident needs and preferences. We have committed to continuously measure, improve and publicly share the results of our performance. Our most recent Quality and Social Responsibility Report highlights many of our key accomplishments, a copy of which is available on our website at www.extendicare.com.

There has been a move by provincial governments towards increasing accountability and transparency. In most provinces, care and accommodation audits and other inspection reports are posted online. Extendicare takes steps to resolve any compliance issues promptly and it shares this information with residents, families and other stakeholders. Extendicare also works with regional health authorities, quality councils and researchers on initiatives to improve safety, quality of care and quality of life. Extendicare has been actively involved with Health Quality Ontario (HQO) since they began driving formal quality improvement initiatives in the long-term care sector, with all of Extendicare's Ontario LTC centres having submitted quality improvement plans to HQO. Extendicare also participates in research projects to improve palliative care, dementia care and appropriate prescribing of medications.

Extendicare aims to remain a destination of choice for those requiring senior care services. All of Extendicare's owned long-term care centres and its ParaMed operations are accredited by Accreditation Canada. ParaMed's operations and all of Extendicare's owned LTC centres in Ontario achieved *Exemplary Standing* status. This is the highest ranking awarded, in recognition of those organizations that go beyond the requirements and demonstrate excellence in quality improvement. As well, a number of Extendicare's employees are approved surveyors with Accreditation Canada and with the Commission on Accreditation of Rehabilitation Facilities Canada.

In addition, Extendicare strives to be a leader in resident safety. For example, well before it was mandatory to do so, Extendicare installed fire suppression sprinkler systems in all of its owned centres, and has fitted all of its owned centres with carbon monoxide detectors. Extendicare continues to monitor fire safety in all of its centres through annual inspections and fire drills and training on safe evacuation procedures.

Extendicare's commitment to quality care begins with its Board of Directors, through its Quality and Risk Committee (the "QR Committee"). The primary objective of the QR Committee is assuring that Extendicare has in place the programs, policies and procedures, including an enterprise-wide risk management framework and action plan, to support and enhance the quality of care provided and compliance with applicable health care laws and regulations. The QR 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; reviewing policies, procedures and standards of conduct designed to provide the appropriate quality of care, resident/client safety and compliance with applicable laws and regulations; and overseeing and monitoring the Company's enterprise risk management framework, overall risk profile and the effectiveness of risk management policies, procedures and programs. In addition, the Board periodically participates in tours of Extendicare's LTC and retirement centres enabling firsthand observation of the Company's quality and risk management practices, and providing the Board with an opportunity to converse with employees across all levels of the operation.

Employee Training

Training of employees at all levels is an integral part of Extendicare's ongoing efforts to improve and maintain quality services. Each newly employed administrator participates in an extensive orientation program covering senior care centre management. Employees are also afforded additional training on a regional or local basis, and training and educational needs are regularly assessed to support solid foundational understanding of all aspects of operations including clinical, management and business operations.

GOVERNMENT REGULATIONS AND FUNDING

In Canada, provincial legislation and regulations closely control all aspects of operation and funding of LTC centres, government funded supportive living centres and publicly funded home health care services, including the fee structure, subsidies, the adequacy of physical centres, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a portion to be paid by the residents or clients. Nobody is refused access to long-term care due to an inability to pay. A government subsidy, generally based on an income test, is available for long-term care residents who are unable to afford the resident co-payment. In Alberta, designated supportive living centres are licensed, regulated and funded by AHS, in a similar manner to LTC centres, including a government-determined fee structure.

Government authorities often set the rates following consultation with the providers and their industry associations. This type of system reduces the potential for a single change or event to significantly affect the reimbursement or regulatory environment for Extendicare. Each province has a different system for managing the services provided. In some provinces, the government has delegated responsibility for the funding and administration of health care programs, such as LTC and home health care, to regional health authorities. As a result, there can be significant variability in the regulations governing the provision of and reimbursement for care from location to location. In Ontario, funding for LTC is established by the MOHLTC, and is currently administered through Local Health Integration Networks, or LHINs, which are responsible for the regional administration of public health care services. However, in February 2019, the Ontario government announced plans to centralize the administration of the Ontario public health care system that would involve the elimination of the LHINs, refer to the discussion below under "– The People's Health Care Act, 2019 (Ontario) (Bill 74)". In Alberta and Saskatchewan, authority for provincial funding is under a single provincial governance board, and in Manitoba it is delegated to regional health authorities.

In most provinces, a license must be obtained from the applicable provincial ministry of health in order to operate LTC and retirement centres, and issuances of new LTC licenses are controlled based on government-perceived local demand and budget constraints. In general, the issuance of new licenses for LTC beds is infrequent because of the funding implications for provincial governments, while the issuance of licenses for retirement centres is less restrictive as the funding for these services is generally private-pay. In addition to , or in some provinces in place of, the license procedure, LTC operators in Alberta, Manitoba, Ontario and Saskatchewan are required to sign service contracts that incorporate service expectations with the applicable provincial health authority.

The People's Health Care Act, 2019 (Ontario) (Bill 74)

On February 26, 2019, the Ontario government tabled Bill 74, *The People's Health Care Act, 2019* (Ontario), which proposes to create an agency called Ontario Health to act as a central point of accountability and oversight for the province's public health care system. Organizations to be integrated into Ontario Health include Cancer Care Ontario, Health Quality Ontario, eHealth Ontario, Health Shared Services Ontario, and the LHINs. The government has indicated that the transition will roll out in phases to ensure continuity of care.

The government also announced its intent to create local Ontario Health Teams to guide patients and families between providers and through transitions. These teams of local health care providers would implement a community-based health care delivery model that connects care and includes providers such as primary care and hospitals, home care and long-term care, and mental health and addictions supports. Working as a coordinated group, they would share responsibility for care plans, service provision and outcomes.

The details as to how these Ontario Health Teams will be constituted have yet to be released. As all of ParaMed's government funded business in Ontario is currently obtained through contracts with the LHINs, these contracts may be impacted by the integration of the LHINs into the new agency with the same having to be assigned or reissued by Ontario Health or its assigns.

Although the mechanisms by which contracts would be integrated is not yet known, and while any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand is such that it is likely that there would be minimal disruption to ParaMed's business service provision; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition.

Fair Workplaces, Better Jobs Act, 2017 (Ontario) (Bill 148)

In November 2017, Bill 148, *Fair Workplaces, Better Jobs Act, 2017* (Ontario), received Royal Assent, and came into effect in 2018. The Act contains a number of amendments to both the *Employment Standards Act* (ESA) and the *Labour Relations Act* (LRA), as part of the Ontario government's efforts to overhaul workplace laws. These changes included, among other things: an increase in minimum wage to $14 per hour that took effect on January 1, 2018, with a further increase to $15 per hour that was to take effect on January 1, 2019; revisions to vacation, public holiday pay and personal leave entitlements that took effect on January 1, 2018; equal pay for equal work standards that took effect on April 1, 2018; amendments to schedule change notifications and minimum "on call" payments that were to take effect on January 1, 2019; and lower voting thresholds for unionization. In May 2018, the government filed Ontario Regulation 375/18, which prescribed a return to the method of determining public holiday pay using the formula that applied prior to Bill 148, effective July 1, 2018. In November 2018, legislation was enacted that amended or reversed many of the changes enforced by Bill 148, refer to the discussion below under "– Making Ontario Open for Business Act, 2018 (Bill 47)".

Operationally, the Act necessitated changes in the manner in which the Company managed its workforce in a number of business areas. Financially, the impact of Bill 148 on the Company's private-pay and long-term care businesses has not been significant.

With respect to the Company's government-funded home health care operations, the government provided enhanced funding to contracted services providers, such as ParaMed, to offset costs related to Bill 148 for the period January 1, 2018 to March 31, 2018. While the government has yet to announce continued funding post March 31, 2018, it has indicated its intentions to continue to engage with the LHINs, contracted service provider organizations, and home care employer associations to evaluate the legislation and to assess the costs associated with Bill 148 for fiscal 2018/2019. The Company believes that the funding it has accrued for post March 31, 2018 is a reasonable estimation. There can, however, be no assurance that any such government funding will be received, or to the extent any funding is received that it will be commensurate with the Company's additional costs resulting from such legislative changes.

While the Company does not anticipate the increases to the minimum wage will have a significant impact on the financial results given the current pay rates of its workforce, there can be no assurance that these changes will not necessitate increased pay rates for those already above the minimum wage, in order for the Company to retain and attract employees. As the Company's labour costs account for approximately 86% of its operating costs, increased labour costs could have a significant adverse effect on the Company's results from operations and cash flows, should such cost increases not be offset by commensurate increases in government funding. Management is unable to predict the nature and extent of any changes the government may make to its funding programs or the effect of any such changes on the Company, but it anticipates that the government will comply with its contractual obligations relating thereto.

Making Ontario Open for Business Act, 2018 (Bill 47)

In November 2018, Bill 47, *Making Ontario Open for Business Act, 2018* (Ontario), received Royal Assent and came into force the same day. The Act makes many changes to various pieces of legislation governing employment and labour relations in Ontario, principally the ESA and LRA, and reverses many of the changes to the ESA and LRA that were enacted by Bill 148. Bill 47, among other things: freezes the minimum wage at $14 an hour until October 1, 2020, following which it will be adjusted annually by the rate of inflation; removes the entitlement to two paid personal leave days; cancels a range of scheduling change protections that were to come into force in 2019; eliminates changes to the equal pay for equal work standards impacting part-time, contract, and temporary workers; and repeals the new public holiday pay calculations. As a result, Bill 47 reduces some of the operational and financial impacts resulting from Bill 148 on the Company's financial results, as discussed above.

Strengthening Quality and Accountability for Patients Act, 2017 (Ontario)

Bill 160, *Strengthening Quality and Accountability for Patients Act, 2017* (Ontario), received Royal Assent in December 2017. The Act, which supports the Ontario government's Patients First: Action Plan for Health Care, includes new legislation as well as changes to a number of existing pieces of legislation. The Act, among other things, provides updates to the *Long-Term Care Homes Act, 2007*, or LTCHA, to add new enforcement tools, including financial penalties, and new provincial offences to ensure operators are addressing concerns promptly. In December 2018, the government notified the sector that the in-force date of January 1, 2019 for the financial penalties associated with this Act had been delayed and that no new in-force date had been set. The legislation also includes a consent-based framework to protect residents who need to be secured in a LTC centre for safety reasons. In addition, the Act provides updates to the RHA that would strengthen the oversight powers of the RHRA and increase transparency, accountability and governance of the RHRA. In addition, as part of a stated commitment to "improve the transparency of public information related to the Long-Term Care Home Quality Inspection Program in Ontario", the MOHLTC released information on the performance of every LTC centre in the province in April 2018.

Rental Fairness Act, 2017 (Ontario)

Bill 124, *Rental Fairness Act, 2017*, received Royal Assent in May 2017, and came into effect in April 2017. Bill 124 expands rent control to all private rental suites in Ontario, including retirement communities occupied on or after November 1, 1991 that previously were not covered by rent control legislation. Under this new legislation, Ontario retirement communities are permitted to increase the portion of the contracted lease amount designated as "rent" by a prescribed amount every 12 months. There are no limits or controls on increases to charges for meals and care services.

Ontario Long-term Care

Funding for Ontario long-term care centres is based on reimbursement for the level of care assessed to be required by the residents, in accordance with scheduled rates. The MOHLTC allocates funds through "funding envelopes", specifically: nursing and personal care (NPC); programs and support services (PSS); and accommodation (which includes a sub-envelope for raw food). The funding for the NPC and PSS envelopes is generally adjusted annually based on the acuity of residents as determined by a classification assessment of resident care needs. The NPC, PSS and food envelopes are "flow-through" envelopes, whereby any deviation in actual costs from scheduled rates is either absorbed by the provider (if actual costs exceed funding allocations) or is returned to the MOHLTC (if actual costs are below funding allocations).

With respect to the accommodation envelope, providers retain any excess funding received over costs incurred. The province sets the rates for standard accommodation, as well as the maximum amounts that a provider can charge for semi-private and private accommodation (preferred accommodation). The provider is permitted to bill and retain the premiums charged for preferred accommodation. The accommodation rates are substantially paid for by the resident; however, the province guarantees funding for standard accommodation through resident subsidies.

LTC operators are permitted to designate up to 60% of the resident capacity of a centre as preferred accommodation and charge higher accommodation rates that vary according to the structural classification of the LTC centre. The following summarizes the composition of the owned/leased LTC centres operated by Extendicare in Ontario, as at February 28, 2019, as well as the maximum preferred differential rates for each classification of bed.

		Composition of Beds				
Ontario Owned/Leased	**No. of Centres**	**Private $26.04 premium**	**Private $18.74 premium**	**Semi-private $8.33 premium**	**Basic/Other**	**Total**
New	13	1,106	–	–	741	1,847
Class C [(1)]	21	–	476	1,396	1,412	3,284
	34	1,106	476	1,396	2,153	5,131

(1) Beds in operation of 3,284 exclude 3 beds held in abeyance.

Overall government funding is occupancy-based, but once the average occupancy level of 97% or higher for the calendar year is achieved, operators receive government funding based on 100% occupancy. In addition, under the MOHLTC's occupancy protection program, providers with occupancy levels equal to 90% and less than 94% receive funding based on their actual occupancy plus 1%, and those with occupancy levels equal to 94% and less than 97% receive funding based on their actual occupancy plus 2%. In 2018, all but two of Extendicare's LTC centres in Ontario achieved the 97% occupancy threshold.

In addition, the MOHLTC provides supplemental funding to LTC centres that are accredited by either Accreditation Canada or by the Commission on Accreditation of Rehabilitation Facilities. All of Extendicare's owned LTC centres in Ontario are accredited by Accreditation Canada.

Ontario LTC Structural Compliance Funding

The MOHLTC categorizes and provides structural compliance and capital funding for centres according to categories "A" through to "C" or "New", based upon the centre's design standards, irrespective of the type of care provided.

(1) "New" centres are those that were built after 1998 to the current design standards published by the MOHLTC dated May 1999;

(2) "A" centres are those that were built prior to 1998 and almost meet the current 1999 design standards;

(3) "B" centres are those that have been upgraded from the 1972 design standards but do not meet the current design standards; and

(4) "C" centres are those that meet the 1972 design standards.

Ontario LTC Redevelopment Construction Funding Subsidy

The MOHLTC provides three types of per diem construction funding subsidy to operators on a per bed basis according to the bed categories:

(1) Structural compliance funding is provided to operators who have fully or partially financed their own construction costs at $5.00 for "A" beds, $2.50 for "B" beds and $1.00 for "C" beds.

(2) Construction funding subsidy of $10.35 over 20 years is provided for centres constructed after April 1, 1998, under design standards established in 1999.

(3) Construction funding subsidy of $16.65 (base rate revised in 2015 from $13.30) over 25 years is provided for conversion of "B" and "C" beds either through new construction or renovation under design standards established in 2009, as amended, under the government's redevelopment program.

Extendicare owns 13 New LTC centres (1,847 beds) in Ontario that were built between 2001 and 2013, and which receive capital funding from the government. Eleven of Extendicare's New LTC centres (1,411 beds) were built between 2001 and 2004, and receive per diem capital funding of $10.35 per bed over 20 years for 1,337 beds, structural compliance funding of $2.50 per bed for 34 beds, and structural compliance funding of $5.00 per bed for 40 beds. The other two New LTC centres (436 beds) were built in 2013 and receive per diem capital funding over 25 years of $17.65 per bed for 287 beds, and $14.30 per bed for 149 beds, which includes $1.00 per bed over the base rates for having achieved LEED Silver status. Extendicare's remaining 21 owned LTC centres (3,287 beds) in Ontario are Class C centres (refer to the discussion below under "– Ontario LTC Redevelopment and Expansion".

Ontario LTC License Terms

In Ontario, the LTCHA provides for, among other things: new licensing procedures that include more rigorous standards for license review (including public hearings); fixed license terms of up to 30 years, after which a new license may or may not be renewed; the revocation of a license for continued non-compliance; more onerous duties imposed on long-term care operators; unannounced annual inspections; and a more comprehensive enforcement regime. Long-term care operators are to be notified of license renewals at least three years prior to the maturity date. Under the LTCHA, license terms for Class B and C LTC centres are set to expire in 2025 unless the centres are redeveloped to the government's new design standards.

Eleven of Extendicare's New LTC centres have license terms that expire in June 2035, and two have license terms that expire in 2043. The license terms for Extendicare's 21 Class C LTC Centres are set to expire in June 2025, unless they are redeveloped to the government's new design standards, as discussed further below. The significant backlog in demand for long-term care and the lack of alternative care environments makes it likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that will be the case.

Ontario LTC Redevelopment and Expansion

Extendicare seeks to advance the redevelopment of its 21 Class C LTC centres (3,287 beds) in Ontario under the MOHLTC's redevelopment program.

In February 2015, the MOHLTC released updates to its plan to redevelop approximately 31,000 older LTC beds by the end of 2025 when the existing license terms are set to expire. The updates included an increase in the construction subsidy funding base rate from $13.30 to $16.65 for conversion of "B" and "C" beds either through new construction or renovation.

In October 2018, the MOHLTC announced that it is moving forward with building 6,000 new LTC beds across the province following a call for applications (CFA) in February 2018, stating that these represented the first wave of more than 15,000 new LTC beds that the government has committed to build over the next five years and a total of 30,000 new beds over the next decade. The MOHLTC indicated that applications for new beds that had not advanced in this first round will be considered in future CFAs.

Extendicare plans to participate in requests for new beds to enhance its redevelopment projects and to enable new developments where market opportunity exists. In 2018, the Company was awarded 158 new beds in connection with three of its redevelopment projects. To date, the MOHLTC has approved the licensing applications for two of our LTC centres, one in Stittsville and one in Sudbury, and we have a further five applications that have advanced past the initial stage of the MOHLTC's review process. Each project is unique and the overall plan involves a combination of new construction and retrofits. While factors could arise that affect the timing or sequence of our redevelopment plans, we are working closely with the MOHLTC with a goal to accelerating redevelopment of these seven centres. As these redevelopment projects are completed, we expect to realize the benefit of improved performance and extended license terms. Other redevelopment projects will move forward provided they meet our investment objectives.

Alberta Long-term Care and Designated Supportive Living

Alberta is Extendicare's second largest market for its senior care services. Based on information made available by AHS as at March 31, 2018, the Alberta market had approximately 25,650 LTC and government-funded designated supportive living beds, an increase of approximately 570 over the prior year, and 6,100 since 2010, primarily related to supportive living. Extendicare operates approximately 6% of the LTC and supportive living beds in Alberta (including those under management contracts).

In Alberta, AHS is responsible for the delivery of health services for the entire province, reporting directly to the Minister of Health. Since April 2010, AHS has been using an activity-based funding system for continuing care centres that includes the measurement of a resident's acuity through the use of RAI-MDS to determine the resident's level of care and resources required. The Alberta Continuing Care Association is actively engaged in discussions with the Alberta Government and AHS to further enhance care funding to accommodate higher expenses within continuing care, and to revise the existing funding model used within continuing care. It was anticipated that a revised care funding model would be implemented during 2016; however, following receipt of public input to inform new or revised legislation, the provincial government has yet to release its strategy related to continuing care and its approach to long-term care for the future.

In Alberta, the *Supportive Living Accommodation Licensing Act*, or SLAA, governs Extendicare's designated supportive living operations. Licenses are issued for a term of up to three years, following which a renewal application is required. Operating standards under the SLAA are similar to those in Ontario, covering such things as building code and maintenance requirements, environmental standards, accommodation standards, medication policies, nutrition requirements, prevention of abuse, safety and security. Centres are subject to periodic inspection to ensure compliance with the SLAA and licenses may be revoked for non-compliance.

Manitoba and Saskatchewan Long-term Care

Extendicare owns and operates five LTC centres (649 beds) in Saskatchewan and five LTC centres (762 beds) in Manitoba, and manages for third parties, two LTC centres (168 beds) in Manitoba. Funding for LTC centres in Manitoba varies by health region, with subsidies provided to residents who are unable to afford the resident co-payment based on an income test. As well, in Manitoba, the province determines funding for each LTC centre based on the level of resident care required, with accountability requirements regarding a minimum proportion of professional staff hours and occupancy levels. In Saskatchewan, authority for funding had previously been delegated to regional health authorities with funding varying by region. With the recent transitioning of the regional health authorities to the single Saskatchewan Health Authority, it is anticipated that a single funding model will be implemented. In Saskatchewan, residents are assessed to determine eligibility and rates. There is no minimum required number of nursing hours and thus no accountability requirements.

Retirement Living Regulations

Under its Esprit Lifestyle Communities brand, Extendicare owns and operates ten retirement communities in Ontario and Saskatchewan that are subject to regulation by provincial and local health and social service agencies, and other regulatory bodies, although such regulations are less burdensome and punitive than those governing LTC centres.

In Ontario, the RHA is designed to protect seniors living in retirement communities, and requires that all forms of retirement centres be licensed under the RHRA. The RHA and its regulations, define a retirement centre as a residential complex containing rental units that is occupied primarily by individuals aged 65 and older, and whose operator provides at least two of the 13 care services specified in the act, directly or indirectly, to its residents. Care services specified under the RHA range from assistance with feeding and bathing, to the provision of skin care, wound care and dementia programs. A retirement centre does not include premises that are governed by or funded under other Ontario laws, such as LTC centres. Licenses granted under the RHA are not transferable and may be revoked for non-compliance with the RHA. Other measures outlined in the RHA include: (a) granting the RHRA the power to conduct inspections, investigations and enforcement, including issuing financial penalties if necessary; (b) standards for maintenance of physical plant and equipment and resident accommodations; (c) the establishment of mandatory care and safety standards, as well as requirements for emergency plans, infection control and prevention programs, assessment of care needs and care planning, police background checks, and training for staff; (d) the establishment of a residents' bill of rights, including the right to know the true cost of care and accommodation and the residents' right to participate fully in making decisions regarding care; (e) the requirement to establish a policy that promotes zero tolerance of abuse or neglect; and (f) the inclusion of whistle-blowing protection provisions shielding individuals disclosing information to the RHRA regarding the operation of a retirement centre from any retaliation.

In Saskatchewan, Extendicare's retirement communities fall under the province's definition of privately owned personal care homes that provide accommodation, meals, and personal care to senior residents. As such these retirement communities are licensed and monitored by the Community Care Branch of the Saskatchewan Ministry of Health, under the PCA. The PCA governs the care, management and administration of the home, including approving the services to be provided.

Ontario Home Health Care

Ontario is ParaMed's largest market, representing approximately 83% of its service volumes, of which approximately 98% are received from government-funded contracts at specified rates, and the remainder from private-pay clients. ParaMed is the largest provider of publicly funded home health care in the province.

Prior to 2012, government contracts for the provision of home health care services were awarded to service providers, such as ParaMed, under a competitive bidding model, with specified termination dates. In 2012, the government implemented new open-ended contracts for all service providers that are evergreen contracts provided that the service provider remains in good standing. The government is required to provide six months' notice of termination, and service providers are required to provide twelve months' notice of their intention to terminate a contract. Any new contracts continue to be awarded under a bidding process to prequalified service providers. A service provider's ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. All of ParaMed's contracts with the LHINs have remained in effect under this regime. In 2019, the Ontario government announced plans to integrate the LHINs into a newly created Ontario Health agency (refer to the discussion above under "– The People's Health Care Act, 2019 (Ontario) (Bill 74)". Although the mechanisms by which contracts would be integrated is not yet known, and while any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand is such that it is likely that there would be minimal disruption to ParaMed's business service provision; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition.

The Ontario government's rates for home health care services were historically pre-determined between the local community health agencies and service providers, with rates varying by contract. Service rates had remained static since they were last contracted for under the competitive bidding model. Based upon a recommendation from the Auditor General's special report issued in September 2015, the MOHLTC implemented harmonized billing rates for specific personal support services during 2017. This harmonization has not resulted in a significant change to the Company's home health care revenues.

British Columbia Home Health Care

As previously announced in March 2019, the Company received notice from Fraser Health and Vancouver Coastal Health, both regional health authorities in British Columbia (the "Health Authorities"), that the Health Authorities will be bringing their home support services in-house, and as a result will not be renewing contracts with private sector home support agencies, including ParaMed. As such, ParaMed will be exiting the British Columbia market when its contracts with the Health Authorities expire in March 2020.

ParaMed will work closely with the Health Authorities in an effort to make the transition as smooth as possible for everyone involved. The Health Authorities have indicated that they are committed to continuity of care for clients and continuity of employment for home support staff throughout the transition. Labour adjustment provisions in our collective agreements will be utilized and the transition is expected to occur at the expiry of our current contract such that restructuring costs are currently anticipated to be minimal.

Compliance with Regulations

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care centres and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, resident care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. Retirement communities are also subject to extensive government regulation and oversight, licensure requirements and the potential for regulatory change. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies, and may range from the assessment of fines to the withdrawal of payments under the government funding programs. Should a deficiency not be addressed through a plan of correction, a centre can be decertified from the funding program. Every effort is made by the Company to prevent deficiencies in the quality of patient care through quality assurance strategies and to remedy any such deficiencies cited by government inspections within the applicable prescribed period of time.

The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Extendicare has never had such a license or service contract revoked in Canada.

Personal information protection legislation in Canada imposes obligations on organizations to establish policies and implement practices concerning the handling of personal information, as well as various logistical and administrative obligations. Extendicare has a designated privacy officer as part of the process to ensure its compliance with such legislation.

MARKETING

Extendicare's average occupancy at its Canadian LTC centres was 97.3% in 2018. The large wait lists and government control of supply means that marketing for our LTC centres is less of a concern. However, through effective marketing in the local regions in which we serve, we can improve our ability to attract residents willing to pay more for preferred accommodation.

Extendicare has created a multi-faceted program focused on developing strategies to market its LTC centres in each community. Extendicare upgrades selected centres on an ongoing basis and conducts a regular maintenance program at all of its owned centres in order to remain competitive in the market place. In addition, Extendicare has implemented a customer service training program to train all front-line workers on how they can improve their contribution to managing and delivering upon customer service expectations in a competitive market.

With respect to the Company's retirement living operations, under the Esprit Lifestyle Communities brand, the Company focuses its sales and marketing efforts at the local level in each community it serves, recognizing that understanding local needs and establishing good relations with local health professionals is important to achieve and maintain occupancy.

EMPLOYEES

At December 31, 2018, Extendicare employed approximately 23,000 people, of whom approximately 68% are represented by labour unions governed by numerous collective bargaining agreements with different unions. The centres that Extendicare operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply, which ensure the continuation of resident care and most services.

RISK FACTORS

RISKS RELATED TO THE BUSINESS

General Business Risks

Extendicare is subject to general business risks inherent in the senior care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; changes in government funding and reimbursement programs, including the inability to achieve adequate government funding increases; increases in labour costs and other operating costs; changes in labour relations; competition from other senior care providers, including from, or the oversupply of, other similar centres; changes in neighbourhood or location conditions and general economic conditions; health related risks; disease outbreaks and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; changes in interest rates; and changes in the availability and cost of long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with our residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company's brand or reputation or to the industry as a whole.

Risks Related to Growth and Redevelopment Activities

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing centres, and grow its home health care, private-pay retirement, management/consulting and group purchasing businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC centres are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop and, accordingly, to maintain or increase its revenue and earnings.

Approximately 40% of Extendicare's owned LTC beds are in older Ontario centres that are subject to redevelopment. Licenses for LTC centres in Ontario are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. LTC operators are to be notified of license renewals at least three years prior to the maturity date. Under the LTCHA, license terms for Class B and C LTC centres are set to expire in 2025 unless the centres are redeveloped to the government's new design standards. The significant backlog in demand for long-term care and the lack of alternative care environments makes it likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that will be the case. The Company has 21 Class C LTC centres with 3,287 beds that it seeks to redevelop under the government's redevelopment program (see "Ontario LTC Redevelopment and Expansion" under "Description of the Business – Business Strategy" and "Description of the Business – Government Regulations and Funding"). The extent to which such redevelopment plans are not implemented or proceed on significantly different timing or terms, including levels of expected government subsidy funding, could have an adverse effect on the business, results of operations and financial condition of the Company.

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

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

Risks Related to Occupancy and Business Volumes

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

Risks Related to Government Funding and Regulatory Changes

Extendicare's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company's operating costs (approximately 86% in 2018), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company's results from operations and cash flows. The Company is unable to predict whether governments will adopt changes in their funding and regulatory programs, and if adopted and implemented, the impact, if any, such changes will have on the Company's business, results of operations and financial condition and the Company's ability to grow.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. Retirement communities are also subject to extensive government regulation and oversight, licensure requirements and the potential for regulatory change. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies.

The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. The Company has never had such a license or service contract revoked in Canada.

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

Every effort is made by the Company to prevent deficiencies in the quality of patient care through quality assurance strategies and to remedy any such deficiencies cited by government inspections within the applicable prescribed period of time. Extendicare accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

With respect to home health care services, 98% of ParaMed's revenue is from contracts tendered by locally administered provincial agencies, at specified billing rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have an adverse effect on the business, results of operations and financial condition of the Company.

In Ontario, where 83% of ParaMed's business volumes were generated in 2018, the government implemented new open-ended contracts in 2012 that are evergreen contracts provided that the service provider remains in good standing. New contracts in Ontario are awarded under a bidding process to prequalified service providers. Under this regime, all of ParaMed's government contracts in Ontario have remained in effect. In 2019, the Ontario government announced plans to create the Ontario Health agency to act as central point of accountability and oversight for the provinces' public health care system. As all of ParaMed's government funded business in Ontario is currently obtained through contracts with the LHINs, these contracts may be impacted by the integration of the LHINs into the new agency with the same having to be assigned or reissued by Ontario Health or its assigns. Although the mechanisms by which contracts would be integrated is not yet known, and while any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand is such that it is likely that there would be minimal disruption to ParaMed's business service provision; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition. For further information, refer to the discussion under "Description of the Business– Government Regulations and Funding – The People's Health Care Act, 2019 (Ontario) (Bill 74)".

In British Columbia and Alberta, where 11% and 4% of ParaMed's business volumes were generated in 2018, respectively, government contracts have specified termination dates and or/renewal periods, following which they are put out to tender. As previously announced, ParaMed will be exiting the British Columbia market when its contracts expire in March 2020, following the government's announcement that it will be bringing the home support services in-house in 2020 (refer to the discussion under "Description of the Business– Government Regulations and Funding – British Columbia Home Health Care"). The contribution from these operations to the Company's net operating income in 2018 was less than $0.1 million.

Risks Related to Dependence on Key Personnel

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

Conflicts of Interest

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

Risks Related to Labour Intensive Business

Personnel Costs

The senior care industry is labour intensive, with approximately 86% of the Company's operating costs represented by labour costs. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate the day-to-day operations of each of its centres and home health care services. The health care industry continues to face shortages of qualified personnel, such as nurses, certified nurse's assistants, nurse's aides, and therapists. This shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company's staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

The Company has contracted out selected dietary and housekeeping services provided in some of its centres. Should the Company become dissatisfied with the quality or cost of such contracted services, it may have to terminate the related contracts and recruit replacement staff at an incremental cost.

Workplace Health and Safety

The Company recognizes that ensuring a healthy and safe workplace minimizes injuries and other risks its employees may face in carrying out their duties, improves productivity and helps to minimize any liability or penalties which could be incurred in connection with workplace injuries. The Company has health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties, which in turn could adversely affect the reputation of the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Labour Relations

The Company employs approximately 23,000 persons, of whom approximately 68% are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The centres that Extendicare operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

Non-unionized employees of the Company may become unionized if they are targeted for certification by a trade union. There can be no assurance that employees who are not currently unionized will not, in the future, be subject to unionization efforts, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

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

Extendicare maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the business, historical experience and industry standards.

There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, or environmental contamination, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, expand the business of the Company or maintain favourable standings with regulatory authorities.

Prior to the sale of its U.S. operations in 2015, Extendicare self-insured certain risks related to general and professional liability of its disposed U.S. business through the Captive, its Bermuda-based captive insurance company. The obligation to settle any such claims relating to the period prior to the closing of the sale, including claims incurred but yet to be reported, remains with Extendicare, which continue to be funded through the Captive.

Risks Related to Privacy of Client Information and Cyber Security

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, Extendicare is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of the federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organization are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Extendicare mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information.

Extendicare has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must be managed proactively and effectively to prevent breaches that can have an adverse impact on Extendicare's reputation and results of operations. To counter internet-based and internal security threats, Extendicare also deploys leading edge solutions to identify risks to its network, software and hardware systems. Extendicare partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to Extendicare's financial, client and employee data increase and evolve, the Company adjusts and adopts new counter-measures in an effort to ensure it maintains high privacy and security standards.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Related to Tax Rules and Regulations

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

Risks Related to Financing

Debt Financing

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

Extendicare's RBC Credit Facility is a demand facility in the amount of $47.3 million that is secured by 13 Class C graded LTC centres in Ontario and is guaranteed by certain Canadian subsidiaries of the Company. As at December 31, 2018, Extendicare had letters of credit totalling $45.0 million issued under the RBC Credit Facility, of which $38.0 million secured our defined benefit pension plan obligations. The RBC Credit Facility has no financial covenants but contains normal and customary terms including annual re-appraisals of the centres that could limit the maximum level of the line of credit and other restrictions on Extendicare's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the line of credit could inhibit the flow of cash dividends by Extendicare on a temporary basis until alternative financing is obtained.

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

Debt Covenants

The Company is in compliance with all of its financial covenants as at December 31, 2018. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial covenants, its ability to amend the covenants or refinance its debt may be affected.

Interest Rates

The Company has limited the amount of debt that may be subject to changes in interest rates. All of the Company's long-term debt is at fixed rates, other than its construction loans that had an aggregate balance of $52.9 million drawn as at December 31, 2018. The Company primarily finances its LTC and retirement centres through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt. The Company's variable-rate mortgages on its retirement communities and the CIBC Term Loan, aggregating $84.8 million as at December 31, 2018, have effectively been converted to fixed rate financings with interest rate swaps over the full term. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Risks Related to Real Property Ownership

Real Property Ownership

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors. In addition, fluctuations in interest rates could have a material adverse effect on the business, results of operations and financial condition of the Company.

Extendicare owns, or operates under finance lease arrangements whereby ownership transfers at the end of the lease term, 100% of its LTC and retirement centres, excluding those centres operated under management contracts. LTC and retirement centres are limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. All but ten of the Company's sixty-eight centres owned by it at February 28, 2019, are government-funded senior care centres. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs. In addition, overbuilding in any of the market areas in which the Company owns or operates LTC and retirement centres could cause these centres to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing any income.

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

Capital Intensive Industry

The Company must commit a substantial portion of its funds to maintain and enhance its LTC and retirement centres and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. During 2018, the company incurred $12.7 million in maintenance capex, and expects to spend in the range of $10 million to $12 million in 2019 to sustain and upgrade its existing centres. In addition to recurring maintenance capex, the Company invests in enhancements of existing centres aimed at earnings growth and improved profitability, including redevelopment of centres under provincial programs. See "– Risks Related to Growth and Redevelopment Activities". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

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

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. Appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately $11 million undiscounted, or $9.4 million discounted, as at December 31, 2018.

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

Risks Related to the Common Shares and Debentures

Unpredictability and Volatility of the Common Share Price

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

Cash Dividends Are Not Guaranteed and Will Fluctuate with the Performance of the Company

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

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

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

Company Structure

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

Future Issues of Common Shares and Preferred Shares and Dilution

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

Leverage and Restrictive Covenants in Current and Future Indebtedness

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

Changes in the Company's Creditworthiness May Affect the Value of the Common Shares

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

Matters Affecting Trading Prices for the Debentures

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

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

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

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

Conversion of the Debentures Following Certain Transactions

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

Redemption of the Debentures Prior to Maturity

The 2025 Debentures may be redeemed, at the option of the Company, at any time and from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest. See "General Development of the Business – Financing Activity – Issue of 2025 Debentures and Redemption of the 2019 Debentures".

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

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

DIVIDENDS

DIVIDEND POLICY

The declaration and payment of dividends by Extendicare is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of Extendicare, debt covenants and obligations, and any other factors deemed relevant by the Board. If the Board determines that it would be in Extendicare's best interests, it may reduce the amount and frequency of dividends to be distributed to Shareholders. The current dividend policy of the Board is to pay a monthly dividend of $0.04 per Common Share. There is no guarantee that the Board will maintain this dividend policy.

DIVIDENDS DECLARED AND PAID

The following summarizes the cash dividends declared and paid by the Company for the three most recently completed financial years and for the 2019 period up to and including the March 2019 dividend, payable on April 15, 2019.

Cash Dividends	**Common Shares**	
($ per share)	**Monthly**	**Year/Period to Date**
2019 (January to March)	0.04	0.12
2018	0.04	0.48
2017	0.04	0.48
2016	0.04	0.48

Dividends in respect of a given month are paid on or about the 15th day of the following month to Shareholders of record at the close of business on the last day of the given month. Historical cash dividends may not be reflective of future cash dividends. See "– Dividend Policy" and "Risk Factors – Risks Related to the Common Shares and Debentures – Cash Dividends Are Not Guaranteed and Will Fluctuate with the Performance of the Company".

DIVIDEND REINVESTMENT PLAN

The Company has implemented a Dividend Reinvestment Plan pursuant to which Shareholders who are residents in Canada may elect to reinvest their cash dividends in additional Common Shares on the dividend payment date, at a price equal to 97% of the volume-weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the corresponding dividend payment date.

DESCRIPTION OF CAPITAL STRUCTURE

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

COMMON SHARES

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

As at March 29, 2019, there were 88,673,746 Common Shares issued and outstanding.

PREFERRED SHARES

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

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

As at March 29, 2019, there were no Preferred Shares of any series issued and outstanding.

SHAREHOLDER RIGHTS PLAN

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

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

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

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

The Shareholder Rights Plan will expire unless it is reconfirmed at the annual meeting of the Company to be held in 2021 and at every third annual meeting of the Company thereafter. A copy of the Shareholder Rights Plan has been filed with the Canadian securities regulators and is available on SEDAR's website at www.sedar.com under Extendicare's issuer profile.

DESCRIPTION OF THE DEBENTURES

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

GENERAL

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

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

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

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

SUBORDINATION

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

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

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

CONVERSION RIGHTS

Each 2025 Debenture is convertible into fully paid, non-assessable and freely tradeable Common Shares, at the option of the holder, at any time prior to 4:00 p.m. (Toronto time) on the earlier of April 30, 2025, and the last business day immediately preceding the date specified by the Company for redemption of the 2025 Debentures, at a conversion price of $12.25 per Common Share, being a conversion rate of approximately 81.6327 Common Shares per $1,000 principal amount of 2025 Debentures, subject to adjustment in certain events in accordance with the Fourth Supplemental Indenture. If all conversion rights attaching to the $126,500,000 aggregate principal amount of the 2025 Debentures outstanding as at March 29, 2019, are exercised, the Company will be required to issue approximately 10,326,531 additional Common Shares, subject to anti-dilution adjustments.

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

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

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

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

REDEMPTION AND PURCHASE

The 2025 Debentures are not redeemable by the Company on or prior to April 30, 2021, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described under "– Put Right upon a Change of Control". From May 1, 2021 to April 30, 2023, the 2025 Debentures may be redeemed by the Company, in whole at any time or in part from time to time at the option of the Company, on not more than 60 days' and on not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption, provided that the Current Market Price immediately preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On and after May 1, 2023, and prior to maturity, the 2025 Debentures may be redeemed by the Company, in whole at any time or in part from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the last Interest Payment Date on not more than 60 days' and not less than 30 days' prior notice. See "General Development of the Business – Financing Activity – Issue of 2025 Debentures and Redemption of the 2019 Debentures".

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

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

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

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

PUT RIGHT UPON A CHANGE OF CONTROL

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

Persons acting jointly or in concert of voting control or direction over 66⅔% or more of votes attaching, collectively, to the outstanding equity interests in the new parent entity shall constitute a Change of Control.

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

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

The Indenture contains notification provisions to the following effect:

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

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

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

Amalgamation, Merger and Sale of Assets

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

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

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

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

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

Method of Payment

Payment of Principal on Redemption or at Maturity

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

Interest Payment Election

Unless an Event of Default has occurred and is continuing, the Company may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and solicit bids from investment banks, brokers or dealers to sell Common Shares in order to raise funds to satisfy all or part of its obligation to pay interest on the Debentures in accordance with the Indenture (the "Common Share Interest Payment Election"), in which event Debentureholders will be entitled to receive a cash payment, equal to the interest payable, from the proceeds of the sale of such Common Shares by the Debenture Trustee. The Indenture provides that, upon such election, the Debenture Trustee shall (a) accept the proceeds with respect to the sales of Common Shares by the Company; (b) invest the proceeds of such sales in specified short-term Canadian federal or provincial government or Canadian chartered bank obligations which mature prior to the applicable Interest Payment Date; (c) deliver proceeds to Debentureholders sufficient to satisfy the Company's interest payment obligations; and (d) perform any other action necessarily incidental thereto as directed by the Company in its absolute discretion. The amount received by a holder in respect of interest and the timing of payment thereof will not be affected by whether the Company elects to utilize the Common Share Interest Payment Election.

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

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

Restriction on Common Share Redemption Right and Common Share Repayment Right

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

(a) the number of securities to be issued;

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

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

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

EVENTS OF DEFAULT

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

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

MODIFICATION

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

SATISFACTION AND DISCHARGE OF DEBENTURES

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

OFFERS FOR DEBENTURES

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

NORMAL COURSE ISSUER BID

During 2018, under a normal course issuer bid that commenced on January 15, 2018 and ended on January 14, 2019, the Company acquired and cancelled 703,585 Common Shares at a weighted average price of $8.89 per share, for a total cost of $6.3 million. During 2017, under a previous normal course issuer bid, the Company acquired and cancelled 696,220 Common Shares at a weighted average price of $9.27 per share, for a total cost of $6.5 million.

In January 2019, Extendicare received the approval of the TSX to renew its normal course issuer bid (the "Bid") to purchase for cancellation up to 8,830,000 Common Shares (approximately 10% of the public float) through the facilities of the TSX, and on alternative Canadian trading systems. The Bid commenced on January 15, 2019, and provides Extendicare with flexibility to purchase Common Shares for cancellation until January 14, 2020, or on such earlier date as the Bid is complete. Subject to the TSX's block purchase exception, on any trading day, purchases under the Bid will not exceed 54,852 Common Shares. The price that Extendicare will pay for any Common Shares purchased under the Bid will be the prevailing market price at the time of purchase and any Common Shares purchased will be cancelled.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

The Common Shares and 2025 Debentures trade on the TSX under the symbols "EXE", and "EXE.DB.C", respectively. The 2025 Debentures commenced trading on the TSX on April 17, 2018, following their issuance.

The following table sets forth the range of high and low prices and the total trading volumes of the Common Shares and the 2025 Debentures on the TSX on a monthly basis from January 2018 to February 2019.

	Common Shares (TSX: EXE)			2025 Debentures (TSX: EXE.DB.C)		
Month	**High ($)**	**Low ($)**	**Volume Traded**	**High ($)**	**Low ($)**	**Volume Traded**
January 2018	9.15	8.58	4,289,396	–	–	–
February 2018	8.71	8.12	3,441,615	–	–	–
March 2018	8.97	8.18	4,003,275	–	–	–
April 2018	8.79	8.26	2,520,757	101.33	98.50	153,560
May 2018	8.37	7.32	5,889,734	101.90	100.50	48,360
June 2018	7.65	7.10	3,685,081	101.92	100.00	20,210
July 2018	7.47	7.10	2,984,563	102.25	101.01	11,840
August 2018	8.71	7.31	5,037,130	104.00	101.25	9,270
September 2018	8.41	7.67	6,022,401	104.00	100.75	8,590
October 2018	7.78	7.05	4,099,644	102.61	99.10	11,000
November 2018	7.66	6.70	4,412,648	101.50	99.10	16,000
December 2018	7.00	5.95	4,869,658	101.50	97.99	8,720
January 2019	7.47	6.30	6,695,960	103.50	98.00	11,500
February 2019	7.67	7.23	5,076,823	103.00	101.25	9,650

DIRECTORS AND OFFICERS

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

Name / Residence / Director Since	Current Positions / Principal Occupation for Past Five Years
ALAN D. TORRIE (3) (4) Ontario, Canada **Director since:** January 22, 2016	Mr. Torrie was appointed Chairman of the Board of Extendicare on May 25, 2017. Prior to that, he was President and Chief Executive Officer of Morneau Shepell Ltd. (from 2008 to May 2017), and was a member of its board from 2005 to 2017. A TSX listed company, Morneau Shepell Ltd. 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. Mr. Torrie also served as the President and Chief Executive Officer of Discovery Air Inc. from August 2017 to September 2018. Previously, Mr. Torrie held numerous senior executive positions in health care and life sciences, including as President and Chief Executive Officer of MDS Diagnostics (a predecessor of Nordion Inc.) and as Chief Operating Officer of Retirement Residences REIT (a predecessor of Revera Inc.). Mr. Torrie has served on numerous corporate and community boards, and is currently a director and Chair of the Audit Committee of Flow Capital (a TSXV listed company) and a director and member of the audit and governance committees of Green Shield Canada.

Name / Residence / Director Since	Current Positions / Principal Occupation for Past Five Years
MARGERY O. CUNNINGHAM [(1)] New York, United States **Director since:** August 30, 2010	Ms. Cunningham is a corporate director and consultant, who most recently served as Vice President at Avalere Health, a leading advisory firm focused on health care business strategy and public policy, from August 2011 to October 2016. Prior to that, 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.
MICHAEL GUERRIERE Ontario, Canada **Director since:** March 12, 2018	Mr. Guerriere was appointed the President and Chief Executive Officer of Extendicare on October 22, 2018. He has a diverse background with over 25 years of experience in hospital operations, health management consulting and technology. Mr. Guerriere was with TELUS Health, a provider of technology services to clinical professionals, hospitals, government agencies, health authorities, pharmacies and consumers across Canada, from May 2011 to October 2018, most recently as Chief Medical Officer, Vice President and Chief Strategy Officer. Prior to that, he was a founding partner of Courtyard Group, an international health care consultancy, from 2002 until TELUS Health acquired it. Mr. Guerriere has adjunct appointments in the Institute of Health Policy Management and Evaluation at the University of Toronto and the School of Health Information Science at the University of Victoria. He has served on numerous boards including Ryerson University (where he served as Chair), MediSolution Ltd. (member of audit committee), Canada Health Infoway (chair of finance committee), the Canadian Institute for Health Information, and the Institute of Clinical Evaluative Sciences.
SANDRA L. HANINGTON, M.S.C. [(1) (3) (5)] Ontario, Canada **Director since:** August 5, 2014	Ms. Hanington is a corporate director and advisor, and most recently was the President and Chief Executive Officer of the Royal Canadian Mint (from February 2015 to July 2018). Prior to that she had deep experience in the financial services sector and from 1999 to 2011 she held a number of progressively senior executive roles with BMO Financial Group in North America, including as Executive Vice President and a member of the Management Committee. Ms. Hanington is the co-founder and a director of Jack.org, promoting mental health and wellness for youth in Canada, since 2010. From February 2014 to February 2015, Ms. Hanington served as a director on the board of the CMHC.

Name / Residence / Director Since	Current Positions / Principal Occupation for Past Five Years
ALAN R. HIBBEN (1) (2) (3) Ontario, Canada **Director since:** January 22, 2016	Mr. Hibben is a corporate director and advisor. Since December 2014, he has been the principal of Shakerhill Partners Ltd., a consulting firm providing strategic and financial advice, specializing in mergers and acquisitions, private equity, financing, corporate strategy, valuation, governance, as well as expert witness services. Previously, Mr. Hibben was the Managing Director in the Mergers and Acquisitions Group at RBC Capital Markets from March 2011 to December 2014. He has been a director of a number of Canadian public and private companies, both in financial services and as part of his responsibility for overseeing private equity and venture capital investments. Mr. Hibben currently serves as a director of DHC Media Inc. (a TSX and NASDAQ listed company), and Home Capital Group Inc. (a TSX listed company), is Chair of Hudbay Minerals Inc (a TSX and NYSE listed company), and is on the board of the Mount Sinai Hospital Foundation, where he serves on the Sinai Health System Foundation's Audit and Risk Committee as well as the Strategy Committee.
DONNA E. KINGELIN (2) (4) (5) Ontario, Canada **Director since:** January 6, 2016	Ms. Kingelin is a corporate director and consultant, and is the retired owner and managing partner of Kingswood Consulting, a partnership that specialized in providing comprehensive services for seniors' housing companies (2012 to 2017). 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, Ms. Kingelin 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, a TSX listed company). She is a member of the Oshawa Public Utility Board of Trustees and past Chair of its Human Resource Committee, as well as the Kinark Child and Family Services board, the Kinark Foundation and the Pallium Canada board.
AL MAWANI (1) (2) Ontario, Canada **Director since:** December 1, 2017	Mr. Mawani is Principal of Exponent Capital Partners Inc., a private equity investor and real estate advisory firm. He has over 35 years of experience in the commercial real estate industry, including 15 years of c-suite experience as SVP/EVP & CFO of Oxford Properties Group Inc. from 1989 to 2001, President and CEO of Calloway/Smart Centres Real Estate Investment Trust from 2011 to 2013, and President & CEO of privately-owned Rodenbury Investments Limited during 2015 and 2016. Mr. Mawani has been an independent board member of national and North American firms across multiple asset classes, including private-pay retirement living operations. He currently serves on the TSX-listed boards of First Capital Realty Inc., as Chair of its Audit Committee and Granite Real Estate Investment Trust as Chair of its Corporate Governance & Nominating Committee and as a member of its Audit Committee, and is a member of the advisory board of Elevate Multi-family LP, a private real estate investment fund.

Name / Residence / Director Since	Current Positions / Principal Occupation for Past Five Years
GAIL PAECH (4) (5) Ontario, Canada **Director since:** January 22, 2016	Ms. Paech has been 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. She currently serves on the board of WeedMD Inc., a TSX Venture listed company.
ELAINE E. EVERSON Ontario, Canada	Ms. Everson was appointed Vice President and Chief Financial Officer of Extendicare in May 2015. Prior to that, she held the position of Vice President and Controller of Extendicare (since November 2006) and ECI (since May 1994). She joined Extendicare in 1985 as a member of the financial reporting department. Ms. Everson is a CPA, CA, who received her Bachelor of Mathematics degree from the University of Waterloo.
JILLIAN E. FOUNTAIN Ontario, Canada	Ms. Fountain was appointed Vice President, Investor Relations in May 2018. Prior to that, she was the Company's Corporate Secretary from 1999 to May 2018. Ms. Fountain joined Extendicare in 1988 as a member of the financial reporting department, and is a CPA, CA, who received her Bachelor of Mathematics degree from the University of Waterloo.
BRANDON L. PARENT Ontario, Canada	Mr. Parent joined the Company in May 2017 as Vice President, General Counsel and was appointed to the added position of Corporate Secretary in May 2018. Prior to joining Extendicare, he served as Vice President & General Counsel of Centric Health Corporation (from March 2015 to April 2017), Vice President, Legal of GFL Environmental Inc. (from May 2014 to February 2015), and as Senior Legal Counsel of Direct Energy (from 2004 to April 2014). Mr. Parent began his legal career at Torys LLP after obtaining his law degree from the University of Ottawa. He also has a Bachelor of Arts degree from the University of Windsor.

(1) Member of the Audit Committee
(2) Member of the Acquisitions Committee
(3) Member of the Governance and Nominating Committee
(4) Member of the Human Resources Committee
(5) Member of the Quality and Risk Committee

As at March 29, 2019, there were 88,673,746 Common Shares issued and outstanding, of which the Directors and officers of Extendicare as a group, beneficially owned, or controlled or directed, directly or indirectly, 109,067, or 0.1%, of the Common Shares.

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. In addition, Mr. Torrie served as President and Chief Executive Officer of Discovery Air Inc. from August 2017 to September 2018, which commenced restructuring proceedings under the Companies' Creditors Arrangement Act on March 21, 2018 and bankruptcy proceedings under the Bankruptcy and Insolvency Act on September 4, 2018.

LEGAL PROCEEDINGS, CLAIMS AND REGULATORY ACTIONS

Extendicare and its consolidated subsidiaries are defendants in various actions and proceedings that are brought against them from time to time in connection with their operations.

As previously disclosed, in April 2018, the Company was served with a statement of claim alleging negligence by the Company in the operation of its long-term care centres and its provision of care to residents and seeking $150 million in damages. The claim sought an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario). By order of the Ontario Superior Court of Justice the class proceeding was discontinued on October 25, 2018. Following the discontinuance, the plaintiff who commenced the class proceeding still has the option to pursue a claim on her own behalf while others may also do so separately on their own behalf. The Company intends to defend itself against any and all such individual claims and does not believe the outcome on any or all such claims would have a material adverse impact on its business, results of operations or financial condition and in any event believes that any potential liability would be resolved within the limits of its insurance coverage.

On September 19, 2018, the Company was served with a statement of claim that seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario). The claim alleges that the Company failed to properly apply certain required medical equipment sterilization protocols at one or more of its home health care clinics and seeks $20 million in damages. The Company does not believe that the lawsuit or the damages sought have merit. The Company intends to vigorously defend itself against the claim and does not believe the outcome will have a material adverse impact on its business, results of operations or financial condition and in any event believes that any potential liability would be resolved within the limits of its insurance coverage.

The provision of health care services is subject to complex government regulations. Every effort is made by the Company to prevent deficiencies in the quality of patient care through quality assurance strategies and to remedy any such deficiencies cited by government inspections within the applicable prescribed period of time. Extendicare accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of the associated costs can be made.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

During Mr. Lukenda's employment with Extendicare as the Company's President and Chief Executive Officer from May 2008 to October 2018, the Company provided management services to a long-term care centre and group purchasing services to a retirement centre, both of which were owned by Mr. Lukenda and members of his family through a company in which Mr. Lukenda had an approximately 7.1% direct and indirect ownership interest.

MATERIAL CONTRACTS

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

- the Indenture; and
- the Shareholder Rights Plan.

These material contracts are disclosed elsewhere in this AIF and copies have been filed on SEDAR and are available on SEDAR's website at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

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

INTERESTS OF EXPERTS

KPMG LLP (KPMG), the Company's external auditors, have reported on the consolidated financial statements of the Company, which comprise the consolidated statements of financial position as at December 31, 2018, and December 31, 2017, and the consolidated statements of earnings, comprehensive income (loss), changes in equity, and cash flows for the years then ended. KPMG have advised that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE CHARTER

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

COMPOSITION OF THE AUDIT COMMITTEE

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

RELEVANT EDUCATION AND EXPERIENCE

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

Name of Independent Director (member of Audit Committee since)	**Education and Experience**
Margery O. Cunningham (Chair) August 2010 **Financially literate:** Yes	Former senior executive of Lehman Brothers; more than 20 years experience as an equity and fixed income research analyst; a CFA; A.B. in Applied Mathematics from Harvard University; and an M.S. in Management with a concentration in Finance and Economics from the MIT Sloan School of Management.
Sandra L. Hanington, M.S.C. August 2014 **Financially literate:** Yes	Former President and Chief Executive Officer of the Royal Canadian Mint and former senior executive of BMO Financial Group; BASc from the University of Waterloo; MBA from the Rotman School of Management; and an ICD.D.
Alan R. Hibben January 2016 **Financially literate:** Yes	Former Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets; former Head, Strategy & Development of RBC Financial Group; former Chief Executive Officer of RBC Capital Partners; a CPA, CA; a CFA; and an ICD.D.
Al Mawani December 2017 **Financially literate:** Yes	Principal of Exponent Capital Partners Inc., a private equity investor real estate advisory firm; 11 years as SVP/EVP & CFO of then TSX-listed Oxford Properties Group Inc.; has served on many TSX-listed boards including as chair of audit committees; a CPA, CA and an MBA from University of Toronto.

EXTERNAL AUDITOR SERVICE FEES

Fees billed by the Company's independent external auditors, KPMG LLP, during fiscal 2018 and 2017, respectively, and the nature of such fees are detailed in the following table. In addition, a description of the nature of the fees is provided below the table.

Fee Category	Year ended 2018	Year ended 2017
Audit	$1,205,000	$940,000
Tax planning	–	6,000
Total	**$1,205,000**	**$946,000**

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

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.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted policies and procedures for the pre-approval of services performed by its external auditors, with the objective of maintaining the independence of the external auditors. The policy requires that the Audit Committee pre-approve all audit, audit-related, tax and other permissible non-audit services to be performed by the external auditors, including all engagements of the external auditors with respect to the Company's subsidiaries. The Audit Committee pre-approved all such fees and services in 2018 in accordance with the policy. The policy sets out the details of the permissible non-audit services consistent with the independence requirements of the Canadian independence standards for auditors. The procedures require the Chief Financial Officer to present the details of any proposed assignments of the external auditor for consideration by the Audit Committee. The procedures do not allow delegation of the Audit Committee's responsibilities to management.

APPENDIX A

EXTENDICARE INC.
(“Extendicare” or the “Company”)

AUDIT COMMITTEE CHARTER

(1) Purpose

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

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

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

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

(2) Composition

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

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

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

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

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

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

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

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

(3) Meetings and Procedures

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

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

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

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

(4) Responsibilities and Duties

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

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

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

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

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

(iii) all material related-party transactions;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) **Other Duties**

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

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

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

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

(5) General Provisions

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

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

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

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

(6) Definitions

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

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

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