NOTICE

AND

MANAGEMENT INFORMATION AND PROXY CIRCULAR

FOR THE

ANNUAL MEETING OF SHAREHOLDERS

OF

EXTENDICARE INC.

TO BE HELD ON

MAY 7, 2014

Dated: March 11, 2014

TABLE OF CONTENTS

Page

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF EXTENDICARE INC.

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

Wednesday, May 7, 2014
2:30 p.m. (Toronto time)
Toronto Board of Trade, West Ballroom, 4th Floor
1 First Canadian Place, 77 Adelaide Street West
Toronto, Ontario, Canada

for the following purposes:

(1) to receive the consolidated financial statements of the Company for the year ended December 31, 2013 and the report of the auditors thereon;

(2) to appoint the auditors of the Company;

(3) to elect directors of the Company;

(4) to approve an advisory (non-binding) resolution to accept the approach of the Company to executive compensation disclosed in the accompanying management information and proxy circular of the Company (the "**Information Circular**"); and

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

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

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

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

To be effective, proxies must be received by Computershare Trust Company of Canada, Stock Transfer Services, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, no later than 2:30 p.m. (Toronto time) on May 5, 2014, and if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet. If you are a non-registered Shareholder and receive the Meeting materials through an intermediary, you must provide your instructions as specified in the voting instruction form in sufficient time for the intermediary to act on them prior to that deadline. Additional information relating to the exercise of voting rights by registered and non-registered Shareholders is included in the accompanying Information Circular.

If you are a new Shareholder or a non-registered Shareholder who did not elect to receive our 2013 Annual Report, you can view this report on our website at www.extendicare.com. If you wish to receive a hard copy of this report, please contact the Corporate Secretary of the Company at 905-470-5534.

DATED at Markham, Ontario on March 11, 2014.

By order of the Board of Directors of Extendicare Inc.

J Fountain

Jillian E. Fountain
Corporate Secretary

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

"**2013 Annual Information Form**" means the annual information form of Extendicare for the year ended December 31, 2013;

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

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

"**Canadian GAAP**" means accounting principles generally accepted in Canada as recommended in the Chartered Professional Accountants of Canada Handbook at the relevant time, and which for financial years beginning on or after January 1, 2011 is IFRS;

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

"**CMS**" means the Centers for Medicare & Medicaid Services, a federal agency in the United States that administers Medicare and Medicaid;

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

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

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

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

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

"**IFRS**" means the generally accepted accounting principles determined with reference to International Financial Reporting Standards, as defined by the International Accounting Standards Board, and which have been prescribed as being Canadian GAAP for publicly accountable enterprises by the Canadian Accounting Standards Board for financial years beginning on or after January 1, 2011, as amended from time to time;

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

"**Meeting**" means the annual meeting of Shareholders to be held on May 7, 2014, at the Toronto Board of Trade, West Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, commencing at 2:30 p.m. (Toronto time) and all postponements or adjournments thereof, to consider and vote on the matters set out in the Notice of Meeting;

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

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

"**ProStep**" means The Progressive Step Corporation, a corporation incorporated under the laws of Wisconsin and a subsidiary of EHSI;

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

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

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

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

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

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

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

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

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

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

EXTENDICARE INC.

MANAGEMENT INFORMATION AND PROXY CIRCULAR

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company for use at the Meeting for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. Unless otherwise indicated, all information provided in this Information Circular is given as of March 11, 2014. All dollar amounts referenced herein are expressed in Canadian dollars unless indicated otherwise.

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

Record Date and Voting Rights

The Directors have fixed March 11, 2014 (the "**Record Date**") for the purpose of determining Shareholders entitled to receive notice of and to vote at the Meeting. Each Shareholder is entitled to one vote for each Common Share held as of the Record Date. Only Shareholders of record at the close of business on the Record Date and their duly authorized representatives shall be entitled to vote at the Meeting or any adjournment thereof. The voting process is different depending on whether a Shareholder is a registered or a non-registered Shareholder.

Appointment of Proxyholder

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

Voting Instructions for Registered Shareholders

Registered Shareholders are Shareholders who hold their Common Shares in their own names. **Registered Shareholders who plan to attend and vote in person at the Meeting need not complete or return the accompanying form of proxy.** However, such a Shareholder may still complete and return the form of proxy accompanying this Information Circular to Computershare. Registered Shareholders attending the Meeting in person will be asked to register their attendance with Computershare upon arrival at the Meeting and any proxy previously given will be revoked.

Registered Shareholders who do not plan to attend and vote in person at the Meeting can vote by using the accompanying form of proxy. To be valid, registered Shareholders' proxies must be deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada, Attention: Stock Transfer Services, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 no later than 2:30 p.m. (Toronto time) on May 5, 2014 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet.

Voting Instructions for Non-registered Shareholders

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

Non-registered Shareholders who plan to attend and vote in person at the Meeting must write their name or the name of someone else whom they wish to attend the Meeting and vote on their behalf in the place provided on the voting instruction form and adhere to the signing and return instructions provided by their nominee. The person whose name is written in the space provided will have full authority to present matters to the Meeting and to vote on all matters that are presented at the Meeting. Non-registered Shareholders attending the meeting in person should register their attendance with Computershare upon arrival at the Meeting.

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

Intermediaries must receive the voting instructions from non-registered Shareholders in sufficient time to be able to act on them. Computershare must receive proxy vote instructions from the intermediaries no later than 2:30 p.m. (Toronto time) on May 5, 2014 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting.

Revocation of Proxy

Registered Shareholders

Registered Shareholders may revoke any prior proxy by providing a new proxy with a later date, provided that the new proxy is received by Computershare no later than 2:30 p.m. (Toronto time) on May 5, 2014 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting. A registered Shareholder may also revoke any prior proxy without providing new voting instructions by preparing a written statement to that effect. Such written statement must be delivered to: (i) the registered office of the Company, at 3000 Steeles Ave. East, Suite 700, Markham, Ontario, L3R 9W2, Attention: Corporate Secretary, no later than the close of business on May 6, 2014 or, in the case of any adjournment, not later than the close of business on the last business day preceding the date of commencement of the adjourned meeting, or (ii) the Chairman of the Meeting prior to commencement of the Meeting, on the day of the Meeting, or any adjournment thereof, or (iii) in any other manner permitted by law. A registered Shareholder attending the Meeting may vote in person at the Meeting upon registering their attendance with Computershare, in which case any previous proxy given by the Shareholder will be revoked.

Non-registered Shareholders

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

Exercise of Discretion by Proxyholders

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

- **FOR the appointment of KPMG LLP as the Company's auditors;**
- **FOR the election of the eight nominees listed in this Information Circular to the board of directors; and**
- **FOR the non-binding advisory resolution to accept the Company's approach to executive compensation.**

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

Principal Holders of Common Shares

As at the close of business on March 11, 2014, there were 87,424,527 Common Shares issued and outstanding. To the knowledge of the Directors and the executive officers of the Company, as of the close of business on March 11, 2014, no Person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting rights attached to the issued and outstanding Common Shares.

ANNUAL BUSINESS OF THE MEETING

The Meeting will be constituted as an annual meeting. As part of the annual business set out in the Notice of Meeting, the consolidated financial statements of the Company for the year ended December 31, 2013 and the report of the auditors thereon will be placed before the Shareholders by the Company and the Shareholders will be asked to: (i) appoint KPMG LLP, Chartered Accountants, as the auditors of the Company; (ii) elect directors of the Company; (iii) approve an advisory (non-binding) resolution to accept the Company's approach to executive compensation as set out in this Information Circular; and (iv) transact such further business as may properly come before the Meeting or any adjournment thereof.

Promptly following the Meeting, the Company will issue a news release disclosing the detailed results of the vote for the election of the Directors.

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

To the knowledge of the Board of Directors, except as otherwise set out in this Information Circular, no Director or executive officer of the Company, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of the Directors or the appointment of auditors. The Directors and senior officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 1.8 million Common Shares, representing approximately 2.0% of the outstanding Common Shares.

APPOINTMENT OF AUDITORS

With the recommendation of the Audit Committee, the Common Shares represented by proxies in favour of the persons named in the enclosed form of proxy will be voted in favour of the appointment of KPMG LLP, the present auditors, as auditors of the Company to hold office until the next annual meeting of the Company to be held in 2015, unless authority to vote in respect of the appointment of auditors is withheld in the form of proxy.

External Auditor Services Fees

Fees billed by the independent external auditor of the Company, KPMG LLP, during fiscal 2012 and 2013 totalled $1,625,000 and $1,266,000, respectively. The nature of these fees are summarized below,

Audit Fees*:* The audit fees billed by KPMG LLP for fiscal 2012 and 2013 were $1,558,000 and $1,197,000, respectively. These audit fees were in respect of audit services and interim reviews of the consolidated financial statements of the Company and its predecessor, including separate audits and reviews of its wholly owned subsidiaries, translation services and statutory and regulatory filings.

Audit-related Fees: The audit-related fees billed by KPMG LLP for fiscal 2012 and 2013 were $52,000 and $38,000, respectively. These audit-related fees were in respect of an audit opinion on controls of a wholly owned subsidiary, VCPI, in order to provide third-party assurance for services to its clients, consultations concerning accounting and financial reporting standards and the audit of statement of revenue and expenses of a division of the Company.

Tax Planning Fees: The tax planning fees billed by KPMG LLP for fiscal 2012 and 2013 were $15,000 and $31,000, respectively. These tax planning fees were in respect of services outside of the scope of the audit and represented consultations for tax planning and advisory services relating to domestic and international taxation, as well as assistance with various tax audit matters.

ELECTION OF DIRECTORS

The articles of the Company provide that the Board shall consist of a minimum of one and a maximum of twenty Directors, with the number of Directors from time to time within such range being fixed by resolution of the Directors. Each Director is elected annually and will hold office for a term expiring at the close of the next annual meeting of the Company, unless his or her office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. During 2013, the Human Resources, Governance and Nominating Committee (the "HR/GN Committee") administered the process for the appointment of Benjamin J. Hutzel as the new Chairman of the Board, effective November 5, 2013, following Mel Rhinelander's retirement after five years as Chairman. The Board has fixed the number of directors to be elected to the Board at eight. The Board of Directors presently consists of eight Directors, all of whom are nominees for election at the Meeting as set out below under the heading "Nominees for Election as Directors". Each nominee proposed for election at the Meeting has confirmed his or her willingness to serve on the Board and has acknowledged and agreed to abide by the Company's majority voting policy.

Unless otherwise directed, the persons named in the accompanying form of proxy intend to vote for the election, as Directors, of the eight nominees whose names are set forth below. The Directors do not contemplate that any of the nominees will be unable to serve as a Director. If, for any reason, any of the nominees is unable to serve as a Director, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their sole discretion.

The Board of Directors of Extendicare met on 21 occasions during 2013, at which attendance averaged 97.6%. During 2013, the Audit Committee met six times, the HR/GN Committee met six times, and the Quality and Compliance Committee met 10 times, with full attendance at all of the committee meetings.

Majority Voting Policy Adopted

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

Nominees for Election as Directors

The following table sets forth information relating to each of the eight nominees proposed for election as Directors of the Company, and includes the following: name; province or state and country of residence; principal occupation during the past five years; the number of Common Shares beneficially owned or over which control or direction, directly or indirectly, is exercised by the nominee; the market value of such Common Shares based on the TSX closing price of the Common Shares at March 11, 2014 of $6.82; the date the nominee became a Director of Extendicare (or one of its predecessors); and attendance record at Board meetings of Extendicare during 2013.

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

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

Directors nominated to serve until the next Annual Meeting of Shareholders in 2015:

BENJAMIN J. HUTZEL (1) (2) (3) Chairman of the Board Ontario, Canada **Director since:** May 6, 2010 **Common Shares**: 550,000; $3,751,000 **Board meetings attended:** 21/21	Mr. Hutzel was appointed Chairman of Extendicare effective November 5, 2013. Mr. Hutzel is a retired partner of Bennett Jones LLP where he had an extensive national and international legal practice specializing in financings, acquisitions and divestitures and joint venture structuring (1994 – 2009). Mr. Hutzel serves on the board of the Woodbine Entertainment Group (a not-for-profit organization), and is chair of their human resources and compensation committee and a member of their audit committee.
JOHN F. ANGUS (1) Quebec, Canada **Director since:** Dec. 14, 2006 **Common Shares:** 10,000; $68,200 **Board meetings attended:** 21/21	Mr. Angus is Senior Partner of PerformaCorp Inc., a private consulting firm specializing in business turnaround solutions, which services were previously conducted under Stonehenge Corporation until June 2008, with Mr. Angus serving as President. Mr. Angus is a director of the Institute for Public Affairs of Montreal and a number of other private companies, and is a member of the Turnaround Management Association.
MARGERY O. CUNNINGHAM (1) District of Columbia, United States **Director since:** August 30, 2010 **Common Shares:** nil **Board meetings attended:** 20/21	Ms. Cunningham joined Avalere Health LLC, a leading advisory firm focused on health care business strategy and public policy, as a Vice President in August 2011. Prior thereto, Ms. Cunningham was with Lehman Brothers from 1997 to 2008, during which time she held numerous senior positions, including Managing Director and Global Head of Product Training, Associate Director of Credit Research, and High Yield Bond Analyst.
GOVERNOR HOWARD B. DEAN, MD (2) (3) Vermont, United States **Director since:** May 6, 2010 **Common Shares:** 14,000; $95,480 **Board meetings attended:** 21/21	Governor Dean is the former Democratic National Committee Chairman (2005 – 2009), 2004 U.S. presidential candidate, six-term Vermont Governor (1991 – 2003) and physician, and currently serves as a Senior Strategic Advisor and Independent Consultant to the government affairs practice at McKenna Long & Aldridge LLP (2009 to present) focusing on health care and energy issues. Governor Dean also serves as a CNBC contributor and as a consultant for Democracy for America, an organization he founded in 2004.
DR. SETH B. GOLDSMITH (1) (3) Florida, United States **Director since:** February 23, 1995 **Common Shares:** 50,000; $341,000 **Board meetings attended:** 21/21	Dr. Goldsmith is an attorney and Professor Emeritus at the University of Massachusetts at Amherst. Dr. Goldsmith is a former Chief Executive Officer of the Miami Jewish Home & Hospital for the Aged, and has served as a consultant to numerous organizations, including the World Health Organization, Geneva, Switzerland, and the U.S. Army.

Directors nominated to serve until the next Annual Meeting of Shareholders in 2015:

ALVIN G. LIBIN (2) Alberta, Canada **Director since:** January 20, 1984 **Common Shares:** 880,000; $6,001,600 **Board meetings attended:** 18/21	Mr. Libin is President and Chief Executive Officer of Balmon Investments Ltd., a private management services and investment company. Mr. Libin is a director and one of the owners of the Calgary Flames of the National Hockey League, and serves as a director of several private corporate and community boards. Mr. Libin is also an Officer of the Order of Canada, a member of the Alberta Order of Excellence, the co-founder of a nursing center business, and past Chairman of the Alberta Ingenuity Fund.
TIMOTHY L. LUKENDA Wisconsin, United States **Director since:** May 8, 2008 **Common Shares:** 120,000; $818,400 **Board meetings attended:** 21/21	Mr. Lukenda, the President and Chief Executive Officer of Extendicare, was appointed President and Chief Executive Officer of its predecessor, effective April 7, 2008. Mr. Lukenda is the former President and Chief Operating Officer of Tendercare, a private operator of skilled nursing centers that was acquired by EHSI in October 2007. Prior to joining Tendercare in 1996, Mr. Lukenda was Vice President, Investment Banking with RBC Dominion Securities Inc.
J. THOMAS MACQUARRIE, Q.C. (1) Nova Scotia, Canada **Director since:** October 8, 1980 **Common Shares:** 97,724; $666,478 **Board meetings attended:** 21/21	Mr. MacQuarrie, Q.C., is a senior partner in the Atlantic Canada law firm of Stewart McKelvey. Mr. MacQuarrie serves as a director of High Liner Foods Incorporated and Aquarius Coatings Inc., both public companies, as well as of a number of private corporations.

Notes:

(1) Member of the Audit Committee

(2) Member of the Human Resources, Governance and Nominating Committee

(3) Member of the Quality and Compliance Committee

Corporate Orders and Bankruptcies

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

In March 2009, for a technical reason, a small private company, of which Mr. J. Angus was a shareholder, director and officer, was placed in voluntary receivership and made an assignment in bankruptcy. All creditors of the company were paid in full except for Mr. Angus.

Mr. J. T. MacQuarrie was a director of Aquarius Coatings Inc. (Aquarius Coatings) during the period from December 12, 2008 to January 14, 2009, when Aquarius Coatings was subject to a management cease trade order for failing to hold shareholder meetings in connection with the financial years of Aquarius Coatings ended March 31, 2007 and March 31, 2008, in accordance with the requirements of the TSX Venture Exchange.

SHAREHOLDER ADVISORY VOTE ON THE APPROACH TO EXECUTIVE COMPENSATION

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

The Company's compensation policies and procedures are designed to provide a strong and direct link between performance and compensation. To assist Shareholders in making their voting decision, please refer to the Compensation Discussion and Analysis (CD&A) below. The CD&A describes the Board of Directors' approach to executive compensation, the details of the compensation program and the Board of Directors' compensation decisions in 2013. This disclosure has been approved by the Board on the recommendation of the HR/GN Committee.

The Board of Directors unanimously recommends a vote FOR the following advisory resolution:

"Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in this Information Circular delivered in advance of the 2014 annual meeting of Shareholders of the Company."

Results of Advisory "Say on Pay" Vote

At the Company's 2013 annual meeting, approximately 95.5% of the Shareholders voted in favour of the Company's approach to executive compensation. As this vote is an advisory vote, the results will not be binding upon the Board of Directors. However, the HR/GN Committee and the Board of Directors will take the results of the vote into account, as appropriate, together with feedback received from Shareholders, when considering future compensation policies, procedures and decisions. Please refer to the discussion under the heading "Say on Pay" found in Appendix A – "Statement of Corporate Governance Practices" for more details on the Company's policy with respect to this advisory vote, and how Shareholders may contact the Board of Directors with any comments or questions. Unless otherwise directed, the persons named in the accompanying form of proxy intend to vote for the advisory resolution on executive compensation.

COMPENSATION DISCUSSION AND ANALYSIS

Composition of the Human Resources, Governance and Nominating Committee

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

During the financial year ended December 31, 2013, the HR/GN Committee was composed of three independent Directors. No member of the HR/GN Committee was an officer, employee or former officer or employee of the Company or any of its subsidiaries. The members of the HR/GN Committee were Michael J.L. Kirby (Chair), Governor Howard B. Dean, and Alvin G. Libin. Following Mr. Kirby's resignation from the Board in February 2014, Benjamin J. Hutzel was appointed interim Chair of the HR/GN Committee.

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

Overview of Executive Compensation Programs

The compensation philosophy of the Company is intended to be competitive with service sector and other health care companies of comparable size and complexity in North America in order to attract, retain and motivate a highly qualified workforce and provide career opportunities within the Company and its subsidiaries in its operations across North America. Given that approximately 63% of the Company's 2013 revenue was generated in the United States, Extendicare must ensure that it offers competitive compensation in that market place. The compensation practices for executives are built around reward systems that recognize financial results, quality of services provided by the Company and individual performance. The total compensation package is designed to provide a strong and direct link between performance and compensation, using a combination of base salary, defined contribution and deferred compensation plans, short-term incentives achieved through annual incentive or bonus payments, and long-term incentives achieved through the Company's SARP.

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

Base Salary**:** Base salaries are established by salary ranges developed from publicly available market data and from time to time with the assistance of external consultants. The ranges are intended to be competitive in the markets applicable to the business units of Extendicare and are intended to allow the organization to recruit and retain qualified employees. In addition to considering the competitive market place in establishing base salaries, the HR/GN Committee also takes into consideration the executive's individual performance, such as the executive's success in developing and executing strategic plans of the business units of Extendicare, addressing the significant challenges affecting the health care industry, developing key employees and demonstrating leadership. Base salaries are reviewed at least annually.

Short-term Incentives**:** An annual incentive program is provided for executive officers and other key employees of the Company and its subsidiaries that is formula-based and is measured against pre-determined performance targets. Awards are granted on the basis of profit center results, consolidated results, quality of services and individual performance as measured against pre-established objectives, such as census levels, clinical outcomes, and regulatory compliance. Incentive potential or levels for each executive are established based on the individual's ability to contribute to the overall goals and performance of the Company and its subsidiaries. The maximum annual incentive payment for 2013 for the Named Executive Officers (the "NEOs"), other than the CEO, ranged from approximately 37% to 50% of their base salaries. The incentive payments are at the discretion of the HR/GN Committee and may be awarded notwithstanding that the applicable pre-determined performance targets are not met (subject to Board approval). In addition, the HR/GN Committee may recommend to the Board for approval a decrease in the amount of incentive payment otherwise earned as a result of material unforeseen events or circumstances, including any restatement of financial results.

With respect to the CEO's short-term incentive awards, the CEO's target bonus is 50% of his base salary, with no specified maximum. The amount of any such bonus is to be determined by the HR/GN Committee in its discretion (subject to Board approval) and shall take into account, among other factors deemed by the HR/GN Committee to be reasonable, Mr. Lukenda's individual performance and the operating results of the Company, including AFFO, EBITDA margin, as well as certain occupancy and quality measures. For example, the HR/GN Committee utilizes the

Five-Star Quality Rating System as a quality measure for assessing the CEO's performance. The Five-Star Quality Rating System was established in 2008 by CMS, and assigns a numerical rating between one (the lowest) and five (the highest) to all long-term care centers with a view to providing customers with an impression of how health care centers are performing on a relative basis.

***Long-term Incentives*:** On July 1, 2012, at the time of the completion of the conversion of Extendicare from an income trust structure to a corporate structure, the Company established the 2012 Total Return Share Appreciation Rights Plan, or the SARP, which replaced the total return unit appreciation rights plan of the REIT. The principal objectives of the SARP, which are in essence the same as the objectives of the UARP, are to advance the interests of Extendicare and its subsidiaries by: (a) focusing participants on, and rewarding participants for, achieving the business and financial goals of the Company and its subsidiaries; and (b) providing an effective medium to long-term incentive for participants and associating a portion of the participants' compensation with the performance of the Company and its subsidiaries. SARs are granted at the discretion of the Board of Directors, upon recommendation by the HR/GN Committee.

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

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

In connection with the 2012 Conversion, Extendicare assumed liability for all of the obligations of the REIT under the UARP. Necessary adjustments were made to the unit appreciation rights (UARs) granted under the UARP to reflect the 2012 Conversion, including, without limitation, including in "Accrued Distributions" dividends paid by Extendicare after July 1, 2012 and prior to the vesting date of the UARs, and determining "Appreciation Value" of the UAR based on the volume-weighted average trading price of the Common Shares on the TSX. References to SARs in this Information Circular include UARs granted under the UARP prior to 12:01 a.m. (Toronto time) on July 1, 2012, being the effective time of the 2012 Conversion.

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

Non-Qualified Defined Contribution and Deferred Compensation Plans**:** In the U.S., EHSI maintains three separate non-qualified defined contribution and deferred compensation plans; the Executive Retirement Plan (ERP), the Deferred Salary Plan (DSP) and the Deferred Compensation Plan (DCP).

Executive Retirement Plan: The ERP is offered to the CEO and EHSI's vice presidents, under which EHSI contributes an amount equal to 10% of the employee's annual base salary on a monthly basis into an account to be invested in certain mutual funds at the participant's discretion. Employees are not permitted to make contributions to the ERP. As well, participants in the ERP are not eligible to participate in the DCP, with the exception of Mr. Harris who was "grandfathered" into the DCP. Amounts contributed by EHSI to the ERP, including amounts earned thereon, vest based on years of employment as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years.

Deferred Salary Plan: The DSP is offered to the CEO and EHSI's vice presidents who participate in the ERP, with the exception of those who were "grandfathered" into the DCP. Under the DSP, an employee may defer up to 10% of his or her annual base salary. Amounts contributed by an employee to the DSP are 100% vested and earn interest at the prime rate.

Deferred Compensation Plan: The DCP is offered to highly compensated U.S. employees as prescribed by the Internal Revenue Service (IRS). Under the DCP, an employee may defer up to 10% of his or her annual base salary, excluding any bonus. EHSI matches 50% of the amount deferred, with the combined amounts earning interest at the prime rate. Employees who participate in the ERP are not eligible to participate in the DCP, with the exception of Mr. Harris who was "grandfathered" into the DCP. Amounts contributed by an employee are 100% vested and earn interest at the prime rate. Amounts contributed by EHSI to the DCP, including interest thereon, vest to the employee based on the number of years of employment as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years.

Any funds that EHSI invests or assets that are acquired pursuant to the above deferred compensation plans continue to be funds or assets of EHSI. No party, other than EHSI, has any interest in such funds or assets. To the extent that any participant acquires a right to receive payment of amounts from EHSI under the deferred compensation plans, such right shall be no greater than the right of any unsecured general creditor of EHSI. EHSI expenses the amounts funded into the deferred compensation plans on a monthly basis. Amounts deferred and vested matching amounts of the plans are payable upon the death, disability or termination of the employee. Amounts held or deferred within these plans are not guaranteed, are "at risk" and are subject to EHSI's ability to make the scheduled payments. EHSI's deferred compensation liabilities owing to participants in these deferred compensation plans are unfunded and unsecured.

Registered Defined Contribution Plans**:** In the United States, EHSI provides a 401(k) plan to which it contributes on a discretionary matching basis up to a maximum of 25% of the first 6% of an employee's annual salary that the employee has contributed. For highly compensated employees (as defined by the IRS), the employee's contribution is limited to 4% of annual earnings, subject to the legal limits of the plan. EHSI's matching contributions vest according to the number of years of employment as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years.

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

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

Restrictions on Trading and Hedging Extendicare Securities**:** Senior officers of the Company and its subsidiaries, including the Named Executive Officers, are prohibited from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of the Company's securities.

Compensation for 2013

Base Salary

Base salaries are reviewed annually and may be adjusted to better match the market value of the individual's role and/or to recognize the individual's growth and development in his or her position. Changes in the base salaries of the Named Executive Officers for 2013 are illustrated in the table below. With the exception of increases awarded to Messrs. Lukenda and Keating, the base salary increases of the Named Executive Officers averaged 2% to 2.5% for 2013. The 12.7% increase in Mr. Keating's base salary earned in 2013 was due to a promotion in 2013. The 16.6% increase in Mr. Lukenda's base salary earned in 2013 reflects, in part, the reinstatement of a voluntary reduction to his base salary in 2012 of 10%. In 2013, Mr. Lukenda received a 2% increase in his reinstated base salary effective January 1, 2013, followed by a further increase of 6.4% in July 2013.

The base salaries for the Named Executive Officers, other than for Mr. Tuttle, have been reported in the table below in United States dollars and converted to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's consolidated financial statements for the 2012 and 2013 fiscal years.

	Base Salary Earned		**2013**
Named Executive	**2012**	**2013**	**% Change**
T.L. Lukenda (1) President and Chief Executive Officer of Extendicare	**US$688,500** C$688,225	**US$803,056** C$827,068	16.6%
D.T. Mann (2) Senior Vice President and Chief Financial Officer of Extendicare		**US$175,000** C$180,232	N/A
P. Tuttle (3) President of Canadian Operations of Extendicare	C$221,813	C$227,364	2.5%
R. Gurka Senior Vice President of Operations of EHSI	**US$344,000** C$343,862	**US$350,900** C$361,392	2.0%
D.C. Keating (4) Vice President and General Counsel of EHSI	**US$210,000** C$209,916	**US$236,575** C$243,648	12.7%
D.J. Harris (5) former Senior Vice President and Chief Financial Officer of Extendicare	**US$330,000** C$329,868	**US$174,773** C$179,999	N/A
U.S./Canadian dollar exchange rate	0.9996	1.0299	

Notes:

(1) During 2012, Mr. Lukenda voluntarily took a 10% reduction in his 2011 base salary of US$765,000 in response to U.S. funding reductions and management's implementation of cost savings measures in 2011. In 2013, Mr. Lukenda received a 2% increase in his base salary of US$765,000 to US$780,300, effective January 1, 2013, and a further 6.4% increase in his base salary to US$830,300 in July 2013.

(2) Mr. Mann joined the Company on June 3, 2013, to transition in as the new Senior Vice President and Chief Financial Officer, effective July 5, 2013. His annual base salary for 2013 was US$300,000 and the US$175,000 represents his pro rata base salary earned in 2013.

(3) Mr. Tuttle's increase in base salary earned in 2013 over 2012 of 2.5%, reflects a change in timing of receipt of his salary increase from April 1st in 2012 to January 1st in 2013. Mr. Tuttle's 2013 increase in annual base salary was actually 2%.

(4) Mr. Keating's increase in base salary in 2013 over 2012 reflects his appointment to Vice President and General Counsel of EHSI effective May 13, 2013, at an annual base salary of US$250,000. Prior to this appointment, Mr. Keating had been serving as Vice President and Deputy General Counsel of EHSI.

(5) Mr. Harris retired from the Company effective July 5, 2013. His annual base salary for 2013 was US$336,600 and represented a 2% increase over his 2012 annual base salary. The US$174,773 represents his pro rata salary earned in 2013.

Short-term Incentives for 2013

During 2013, all of the Named Executive Officers participated in our annual incentive program.

References to "Net Earnings", in the following discussion, are to consolidated net earnings (loss) of the Company before the following items on an after-tax basis: (i) discontinued operations; (ii) fair value adjustments; (iii) loss (gain) on foreign exchange and financial instruments; and (iv) loss (gain) from asset impairment, disposals and other items. All of these line items are disclosed in the Company's consolidated statements of earnings, and the Company's net earnings on an after-tax basis prior to these items is disclosed in the Company's management discussion and analysis for its financial year ended December 31, 2013, contained in the Company's 2013 Annual Report.

References to "EBIT", in the following discussion, are to earnings (loss) from operations before interest and taxes, and before the separately reported items (i) through (iv) listed above.

References to "EBITDA", in the following discussion, are to earnings (loss) from operations before net finance costs, income taxes, depreciation and amortization, and before the separately reported items (i) through (iv) listed above.

References to "NOI", in the following discussion, are to net operating income, which is revenue less operating expenses.

References to "Adjusted Budgeted Net Earnings", in the following discussion, are to the budgeted Net Earnings and EBITDA recalculated using the same average U.S./Canadian dollar exchange rate that was used for financial reporting purposes in preparing the Company's consolidated financial statements for the applicable period.

References to "AFFO", in the following discussion, are to EBITDA plus non-cash portion of financing and accretion costs and the principal portion of government capital funding payments, less net interest expense, current income taxes, and facility maintenance (non-growth) capital expenditures.

Extendicare assesses and measures operating results based on these performance measures which are not recognized under Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. Such non-GAAP measures may differ from similar computations as reported by other issuers. Detailed descriptions of "EBITDA", "NOI" and "AFFO" can be found in the Company's management's discussion and analysis for its financial year ended December 31, 2013, contained in the Company's 2013 Annual Report.

The HR/GN Committee has the discretion to consider other adjustments for one-time or unusual items in assessing the financial performance measures of the Company and its subsidiaries as described above.

***Mr. Lukenda, President and CEO of the Company*:** In accordance with Mr. Lukenda's employment contract, his target bonus is not less than 50% of his base salary with no specified maximum. The amount of any such bonus is to be determined by the HR/GN Committee in its discretion (subject to Board approval) and shall take into account, among other factors deemed by the HR/GN Committee to be reasonable, Mr. Lukenda's individual performance and the operating results of the Company, including AFFO, EBITDA margin, as well as certain occupancy and quality measures, including CMS' Five-Star Quality Rating System. For 2013, the HR/GN Committee set Mr. Lukenda's target bonus at US$500,000.

***Mr. Mann, Senior Vice President and Chief Financial Officer of the Company*:** In accordance with Mr. Mann's employment contract, he is entitled to receive an annual bonus of up to 40% of his base salary, of which 70% is determined based on the performance of the Company and 30% is based on his individual performance. The individual performance objectives are to be agreed upon at the beginning of each fiscal year, and are to be weighted equally, unless otherwise stated. Mr. Mann's annual bonus can be further enhanced by 2.80%, or up to 42.80% of his base salary, if the Company's performance attains 105% of budget. The corporate component has been set at 70% of his annual bonus because the HR/GN Committee believes that as Senior Vice President and Chief Financial Officer, a significant portion of Mr. Mann's annual incentive should be based on the overall performance of the Company.

Mr. Mann's eligibility for an award under the incentive program is conditional upon the Company achieving a minimum of 90% of its Adjusted Budgeted Net Earnings. Notwithstanding the foregoing, if the operations of the Company and its subsidiaries have serious deficiencies in care or services provided, all or part of Mr. Mann's annual bonus may be forfeited.

The following is a description of Mr. Mann's 2013 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Mann's award for the performance of the Company is determined based on the Company achieving a minimum of 90% to a maximum of 105% of Adjusted Budgeted Net Earnings. At 90% of budget, Mr. Mann is eligible for 80% of the award under this incentive, and the award accumulates at the rate of 2% for each additional 1% of budget to a maximum of 110%.

Individual Performance (30% of total incentive potential): Mr. Mann's individual objectives for 2013 included: (i) working effectively to ensure a smooth transition into the CFO role; (ii) assisting as required in the strategic review process; and (iii) achievement of accounts receivable reduction targets in the U.S. operations.

***Mr. Tuttle, President of Canadian Operations of the Company*:** In accordance with Mr. Tuttle's employment contract, he is eligible to receive an annual bonus of up to 50% of his base salary, of which 50% is determined based on the performance of ECI, 30% is determined based on the performance of the Company, and 20% is determined based on his individual performance. The individual performance objectives are to be agreed upon at the beginning of each fiscal year, and are to be weighted equally, unless otherwise stated. The corporate component has been set at 80% of his annual bonus because the HR/GN Committee believes that as President of Canadian Operations of the Company, a significant component of Mr. Tuttle's annual bonus should be based on the overall performance of ECI and the Company.

Mr. Tuttle's eligibility for an award under the incentive program is conditional upon ECI achieving a minimum of 96% of budgeted EBIT from health care operations. Notwithstanding the foregoing, if ECI has serious deficiencies in care or services provided, all or part of Mr. Tuttle's annual bonus may be forfeited.

The following is a description of Mr. Tuttle's 2013 annual incentive objectives:

Corporate Performance (80% of total incentive potential): 50% of Mr. Tuttle's annual bonus potential is determined based on ECI achieving a minimum of 96% of budgeted EBIT from its health care operations, and 30% of his annual bonus potential is determined based on the Company achieving a minimum of 96% of Adjusted Budgeted Net Earnings. With respect to the ECI and Company portion of his corporate performance awards, at 96% of budget, Mr. Tuttle is eligible for 5% and 3% of the award potential, respectively, and the awards accumulate at such rates for each additional 1% of budget to a maximum of 105% of budget.

Individual Performance (20% of total incentive potential): Mr. Tuttle's individual objectives for 2013 included: (i) the growth of ECI's management and consulting business; (ii) the exploration of future growth opportunities; and (iii) a measureable improvement in the accuracy of nursing center quality indicator standards.

***Mr. Gurka, Senior Vice President of Operations of EHSI*:** In accordance with Mr. Gurka's terms of employment, he is entitled to receive an annual bonus of up to 40% of his base salary, of which 70% is determined based on the performance of EHSI and 30% is based on his individual performance. The individual performance objectives are to be agreed upon at the beginning of each fiscal year, and are to be weighted equally, unless otherwise stated. Mr. Gurka's annual bonus can be further enhanced by 2.80%, or up to 42.80% of his base salary, if the performance of EHSI attains 105% of budget. The corporate component was set at 70% of his annual bonus because the HR/GN Committee believes that as Senior Vice President of Operations of EHSI, a significant portion of Mr. Gurka's annual incentive should be based on the performance of EHSI.

Mr. Gurka's eligibility for an award under the incentive program is conditional upon EHSI achieving a minimum of 90% of its budgeted EBITDA. Notwithstanding the foregoing, if the operations of EHSI have serious deficiencies in care or services provided, all or part of Mr. Gurka's annual bonus may be forfeited.

The following is a description of Mr. Gurka's 2013 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Gurka's award for corporate performance is determined based on EHSI achieving a minimum of 90% to a maximum of 105% of budgeted EBITDA. At 90% of budget, Mr. Gurka is eligible for 80% of the award under this incentive, and the award accumulates at the rate of 2% for each additional 1% of budget to a maximum of 110%.

Individual Performance (30% of total incentive potential): Mr. Gurka's individual objectives for 2013 were based on performance relative to a number of key operational metrics, including: (i) implementation of a comprehensive operational strategy to minimize litigation risk; (ii) continued reduction in administrator and director of nursing turnover; and (iii) reduction of survey findings and certain compliance ratings to below state average.

***Mr. Keating, Vice President, General Counsel of EHSI*:** In accordance with Mr. Keating's terms of employment, he is entitled to receive an annual bonus of up to 35% of his base salary, of which 70% is determined based on the performance of EHSI and 30% is based on his individual performance. The individual performance objectives are to be agreed upon at the beginning of each fiscal year, and are to be weighted equally, unless otherwise stated. Mr. Keating's annual bonus can be further enhanced by 2.45%, or up to 37.45% of his base salary, if the performance of EHSI attains 105% of budget. The corporate component was set at 70% of his annual bonus because the HR/GN Committee believes that as Vice President, General Counsel of EHSI, a significant portion of Mr. Keating's annual incentive should be based on the performance of EHSI.

Mr. Keating's eligibility for an award under the incentive program is conditional upon EHSI achieving a minimum of 90% of its budgeted EBITDA. Notwithstanding the foregoing, if the operations of EHSI have serious deficiencies in care or services provided, all or part of Mr. Keating's annual bonus may be forfeited.

The following is a description of Mr. Keating's 2013 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Keating's award for corporate performance is determined based on EHSI achieving a minimum of 90% to a maximum of 105% of budgeted EBITDA. At 90% of budget, Mr. Keating is eligible for 80% of the award under this incentive, and the award accumulates at the rate of 2% for each additional 1% of budget to a maximum of 110%.

Individual Performance (30% of total incentive potential): Mr. Keating's individual objectives for 2013 were based on performance relative to a number of key operational metrics, including: (i) the successful renegotiation of collective bargaining agreements; (ii) providing counsel as necessary to other departments with respect to company policy and procedure; (iii) managing the employment litigation process to improve outcomes; and (iv) managing the alternative dispute resolution program to optimize resident participation.

***2013 Short-term Incentives Awarded*:** The HR/GN Committee did not exercise its discretion to award the Named Executive Officers short-term incentives in amounts greater than what they were otherwise entitled to receive under their respective incentive programs. As part of Mr. Mann's agreement to rejoin the Company, his short-term incentive award was guaranteed at a minimum of US$50,000 for 2013.

With respect to Mr. Lukenda, the HR/GN Committee set the following 2013 performance measures, of which one out of four were achieved. Based on this outcome, the HR/GN Committee recommended, and the Board approved, a bonus for Mr. Lukenda of US$125,000, representing 25% of his target bonus of US$500,000.

CEO 2013 Performance Measures	**Target**	**Achieved**
Extendicare – AFFO per unit	≥ $0.941	$0.820
Extendicare – EBITDA margin	≥ 9.9%	7.7%
EHSI – Medicare census as a % of total census from continuing operations	≥ 16.6%	15.6%
EHSI – Five-Star ranking of centers – % of ones and twos	< 45%	38%

The table below summarizes the 2013 financial performance targets that the other Named Executive Officers bonuses were based on (as indicated in italics). The financial targets for Extendicare and EHSI were not met, and as a result, Messrs. Gurka and Keating did not receive a short-term incentive award for 2013, and Mr. Mann was awarded a guaranteed amount of US$50,000 for 2013. Mr. Tuttle achieved a portion of his corporate financial performance award based on ECI having achieved 99% of its budgeted target.

NEO 2013 Performance Measures	% of Target
Extendicare – Adjusted Budgeted Net Earnings *(Mann and Tuttle)*	25%
ECI – EBIT of its health care operations *(Tuttle)*	99%
EHSI – EBITDA *(Gurka and Keating)*	81%

With respect to the personal objectives of the other Named Executive Officers, they achieved the following: Mr. Mann – 100%; Mr. Tuttle – 33%; Mr. Gurka – 78%; and Mr. Keating – 100%. However, as indicated above, Messrs. Gurka and Keating were not eligible for an award due to poor financial performance. One of Mr. Tuttle's personal objectives is not measurable until the end of March 2014. Should Mr. Tuttle achieve this objective, he will have achieved 67% of his personal objectives, and be eligible for an additional bonus of approximately $7,600.

2013 Annual Incentive Table

The corporate performance measures and weightings set by the HR/GN Committee for 2013 under the annual incentive program, as well as the individual's achievement of each goal, along with the amount of the annual incentive that was awarded, are set out in the table below. The amounts for each of the Named Executive Officers have been reported in the table below in United States dollars and converted to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's consolidated financial statements for the 2013 year of 1.0299.

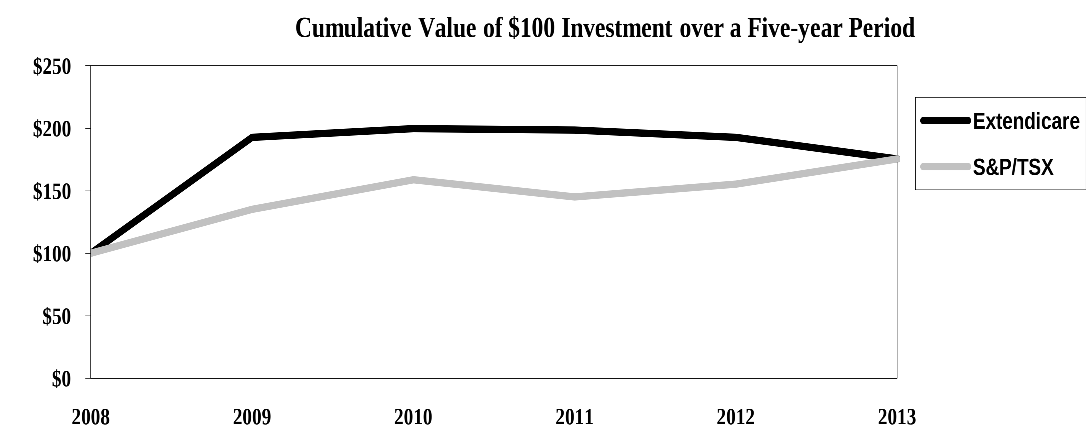
	2013 Annual Incentive Opportunity (as a % of base salary)			2013 Annual Incentive Bonus Awarded		
Named Executive	**Minimum**	**Target**	**High**	**% of base salary**	**Amount (US$)**	**Amount (C$)**
T.L. Lukenda	62.26%	62.26%	62.26%	15.56%	125,000	128,738
D.T. Mann	32.00%	40.00%	42.80%	28.57%	50,000	51,495
P. Tuttle	14.00%	30.00%	50.00%	14.16%	−	32,195
R. Gurka	32.00%	40.00%	42.80%	−	−	−
D.C. Keating	28.00%	35.00%	37.45%	−	−	−

Long-term Incentives for 2013 – Share Appreciation Rights

Pursuant to the HR/GN Committee's policy, annual awards of SARs for senior executives are generally made in the first quarter and awards may be granted during the year in connection with, among other things, the hiring or promotion of an employee. However, as a result of the announcement in May 2013 of the strategic review process being undertaken, the award of SARs to the Named Executive Officers was delayed until August 2013. The HR/GN Committee did not use a set formula to determine the appropriate number of SARs awarded in 2013. The base value and minimum Common Share price condition of each SAR is equal to the 10 day volume-weighted average trading price of the Common Shares at the date of the grant, which was $6.52 for the August 23, 2013 grants. Accordingly, holders of these SARs will only receive a pay out if the Fair Market Value of the Common Share exceeds the base value at the end of the three-year term. Further details of the SARs granted to the Named Executive Officers are provided under the heading "Incentive Plan Awards".

Performance Graph

The Common Shares were listed on the TSX on July 5, 2012, in substitution for the REIT Units following the 2012 Conversion. The following graph illustrates the total cumulative return over the last five years on the REIT Units and Common Shares, respectively (assuming a $100 investment in REIT Units was made on December 31, 2008), with the total cumulative return of the S&P/TSX Composite Index. The values assume the reinvestment of all Common Share dividends and REIT Unit distributions.



For the Year	2008	2009	2010	2011	2012	2013
Extendicare (EXE/EXE.UN)	$100.00	$192.81	$199.81	$198.45	$192.58	$175.52
S&P/TSX Composite Index	$100.00	$135.05	$158.83	$145.00	$155.42	$175.61

The Company's approach to compensation is designed to promote long-term growth and profitability. The management team of the Company and its subsidiaries, including the Named Executive Officers, is compensated on the basis of metrics that the Company considers fundamental, such as quality of service, regulatory compliance, clinical outcomes, and overall financial performance, instead of factors tied to the performance of the Common Shares in the market.

The trend in the Company's total cumulative shareholder return, as shown in the graph above, is broadly consistent with the trend in the compensation levels of the CEO, CFO, and other Named Executive Officers over the past three years, as disclosed in the "Summary Compensation Table of Named Executive Officers". With the exception of increases due to changes in responsibility, the base salaries of the Named Executive Officers were frozen during 2010 and 2011. Other than increases awarded to Messrs. Harris and Tuttle, the base salaries of the Named Executive Officers were again frozen in 2012. Furthermore, Mr. Lukenda voluntarily took a 10% reduction in his base salary in 2012. With the exception of increases awarded to Messrs. Lukenda and Keating, the base salaries of the Named Executive Officers averaged 2% to 2.5% for 2013. As well, other than to reflect a change in position of responsibility, there has been no increase in the number of SARs awarded annually to the Named Executive Officers since 2009.

SUMMARY COMPENSATION TABLE OF NAMED EXECUTIVE OFFICERS

The following Summary Compensation Table sets forth all annual and long-term compensation for services in all capacities to the Company and its subsidiaries for the individuals who were, at December 31, 2013, the Chief Executive Officer, the Chief Financial Officer, the next three most highly compensated executive officers and Mr. Harris, the former Senior Vice President and Chief Financial Officer, (collectively, the "Named Executive Officers") of the Company and its subsidiaries.

Name and Principal Position	Year	Salary (5) (C$)	Option-based Awards (6) (C$)	Annual Non-equity Incentive Plans (5) (C$)	Pension Value (5) (C$)	All Other Compensation (5) (7) (C$)	Total Compensation (C$)
T.L. Lukenda	2013	827,068	78,500	128,738	82,707	28,755	1,145,768
President and Chief Executive	2012	688,225	90,000	249,900	68,822	32,314	1,129,261
Officer of Extendicare	2011	756,662	123,500	370,912	75,666	32,122	1,358,862
D.T. Mann (1)	2013	180,232	47,100	51,495	18,023	88,466	385,316
Senior Vice President and Chief Financial Officer of Extendicare							
P. Tuttle	2013	227,364	39,250	32,195	−	60,484	359,293
President of Canadian	2012	221,813	45,000	81,805	−	54,610	403.228
Operations of Extendicare	2011	218,535	61,750	54,787	−	54,224	389,296
R. Gurka (2)	2013	361,392	47,100	−	36,139	25,062	469,693
Senior Vice President of	2012	343,862	54,000	138,852	34,386	19,281	590,381
Operations of EHSI	2011	274,311	120,360	132,218	27,431	19,215	573,535
D.C. Keating (3)	2013	243,648	28,260	−	24,365	19,378	315,651
Vice President and General	2012	209,916	27,000	81,489	20,992	18,243	357,640
Counsel of EHSI	2011	207,711	37,050	75,732	19,782	8,037	348,312
D.J. Harris (4)	2013	179,999	−	−	35,132	9,157	224,288
former Senior Vice President	2012	329,868	54,000	147,452	49,480	13,102	593,902
and Chief Financial Officer of Extendicare	2011	282,685	74,100	110,413	42,403	17,433	527,034

Notes:

(1) Mr. Mann was hired in June 2013 to serve as the Senior Vice President and Chief Financial Officer following Mr. Harris' retirement in July 2013. Mr. Mann's annualized base salary for 2013 was $308,970 (US$300,000).

(2) Mr. Gurka was appointed Senior Vice President of Operations of EHSI in September 2011, prior to which he was serving as Vice President of ProStep and Clinical Reimbursement of EHSI.

(3) Mr. Keating was appointed Vice President and General Counsel of EHSI in May 2013, prior to which he was serving as Vice President and Deputy General Counsel of EHSI.

(4) Mr. Harris was Senior Vice President and Chief Financial Officer of the Company until his retirement on July 5, 2013. Mr. Harris' annualized base salary for 2013 was $346,664 (US$336,600).

(5) Other than Mr. Tuttle's compensation and amounts for option-based awards, compensation of the Named Executive Officers is earned in United States dollars and has been converted to Canadian dollars using the average U.S./Canadian dollar exchange rates of 0.9891, 0.9996 and 1.0299 that were used in preparing the Company's consolidated financial statements for the years ended 2011, 2012, and 2013, respectively.

(6) The value of the option-based awards in 2013, 2012, and 2011 were determined using the Black-Scholes option pricing model, which is the same method used for determining the accounting value. The compensation values for each of the awards presented in the table are as follows:

i) 2013 – represents the value of SARs granted on August 23, 2013 carrying a base value of $6.52, calculated using the Black-Scholes option pricing model, which determined a fair value of $1.57 per SAR at the date of grant based on the following assumptions: risk-free interest rate of 1.33%; a term of three years with no cancellations and terminations; and expected volatility of 33.50%.

ii) 2012 – represents the value of SARs granted on March 15, 2012 carrying a base value of $8.11, calculated using the Black-Scholes option pricing model, which determined a fair value of $1.80 per SAR at the date of grant based on the following assumptions: risk-free interest rate of 1.40%; a term of three years with no cancellations and terminations; and expected volatility of 29.84%.

iii) 2011 – for all presented, with the exception of Mr. Gurka, represents the value of SARs granted on March 16, 2011 carrying a base value of $11.16, calculated using the Black-Scholes option pricing model, which determined a fair value of $2.47 per SAR at the date of grant based on the following assumptions: risk-free interest rate of 1.87%; a term of three years with no cancellations and terminations; and expected volatility of 28.52%.

iv) 2011 – for Mr. Gurka, the $120,360 represents $44,460 granted on March 16, 2011 as described above, and $75,900 that represents the value of SARs granted on August 24, 2011 carrying a base value of $7.58, calculated using the Black-Scholes option pricing model, which determined a fair value of $2.53 per SAR at the date of grant based on the following assumptions: risk-free interest rate of 1.17%; a term of three years with no cancellations and terminations; and expected volatility of 48.39%.

(7) All other compensation includes employer contributions to qualified 401(k) or RRSP programs, life insurance premiums, long-term disability (LTD) premiums, group accidental death and dismemberment (ADD) premiums, health benefits, travel allowance, and "other" which consists of auto allowances and club dues. In addition, in the case of Mr. Mann "other" includes a signing bonus of US$75,000 as an incentive to rejoin the Company.

The components of the Named Executives Officers' "all other" compensation are as follows:

Named Executive	Year	Employer Contribution to Qualified 401(k) (US$)	Employer Contribution to Group RRSP (C$)	Life/LTD/ ADD/ Health	Other	Total (US$)	Total (C$)
T.L. Lukenda	2013	–	–	US$6,341	US$21,580	27,921	28,755
	2012	–	–	US$10,920	US$21,407	32,327	32,314
	2011	–	–	US$4,031	US$28,445	32,476	32,122
D.T. Mann	2013	–	–	US$5,297	US$80,600	85,897	88,466
P. Tuttle	2013	–	22,740	C$23,344	C$14,400	–	60,484
	2012	–	22,235	C$17,975	C$14,400	–	54,610
	2011	–	23,400	C$16,424	C$14,400	–	54,224
R. Gurka	2013	2,550	–	US$10,384	US$11,400	24,334	25,062
	2012	–	–	US$7,888	US$11,400	19,288	19,281
	2011	2,450	–	US$5,577	US$11,400	19,427	19,215
D.C. Keating	2013	–	–	US$11,015	US$7,800	18,815	19,378
	2012	–	–	US$10,450	US$7,800	18,250	18,243
	2011	–	–	US$326	US$7,800	8,126	8,037
D.J. Harris	2013	2,550	–	US$1,541	US$4,800	8,891	9,157
	2012	–	–	US$3,508	US$9,600	13,108	13,102
	2011	2,450	–	US$5,575	US$9,600	17,625	17,433

INCENTIVE PLAN AWARDS

Incentive Plan Awards – outstanding as at December 31, 2013

The following table sets forth the SAR holdings of the Named Executive Officers at December 31, 2013. The Named Executive Officers' SARs vest on the third anniversary date of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective base values only, with no associated performance criteria. For a description of the SARP, refer to the discussion above in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives".

Named Executive	SAR Grant Date	Number of SARs (#)	SAR Base Value/ Minimum Common Share Price Condition ($)	SAR Expiration Date	Payout Value of SARs that have not Vested ($)
T.L. Lukenda	August 23, 2013	50,000	6.52	August 23, 2016	13,000
	March 15, 2012	50,000	8.11	March 15, 2015	–
	March 16, 2011	50,000	11.16	March 16, 2014	–
D.T. Mann	August 23, 2013	30,000	6.52	August 23, 2016	7,800
P. Tuttle	August 23, 2013	25,000	6.52	August 23, 2016	6,500
	March 15, 2012	25,000	8.11	March 15, 2015	–
	March 16, 2011	25,000	11.16	March 16, 2014	–
R. Gurka	August 23, 2013	30,000	6.52	August 23, 2016	7,800
	March 15, 2012	30,000	8.11	March 15, 2015	–
	August 24, 2011	30,000	7.58	August 24, 2014	–
	March 16, 2011	18,000	11.16	March 16, 2014	–
D.C. Keating	August 23, 2013	18,000	6.52	August 23, 2016	4,680
	March 15, 2012	15,000	8.11	March 15, 2015	–
	March 16, 2011	15,000	11.16	March 16, 2014	–
D.J. Harris	March 15, 2012	22,500	8.11	March 15, 2015	–
	March 16, 2011	12,500	11.16	March 16, 2014	–

The payout value of the SARs as at December 31, 2013, is based on the appreciation in value of a Common Share from its base value to the 10 day volume-weighted average trading price of $6.58 as at December 31, 2013, plus Accrued Distributions. The payout value as at December 31, 2013, amounted to $0.26 per SAR for the SARs granted in August 2013, and was nil for the SARs granted in each of March 2011, August 2011 and March 2012, as a result of the respective minimum Common Share price conditions being higher than the 10 day volume-weighted average trading price of $6.58 as at December 31, 2013.

PENSION PLAN BENEFITS

Defined Benefit Plans Table

None of the Named Executive Officers are participants in Extendicare's and ECI's defined benefit pension plan and Mr. Harris is the only Named Executive Officer participating in the SERP, which is discussed within the CD&A under the heading "Defined Benefit Plans". The SERP allows for normal retirement at the age of 60, or at age 55 with the Company's consent. Prior to his relocation to the Company's U.S. operations, Mr. Harris' benefit upon retirement under the SERP was fixed at $76,566 per annum, based on having achieved 18.4 years of credited service at that time.

The following table provides information with respect to ECI's obligations to Mr. Harris under the SERP, using the same assumptions and methods used for financial reporting purposes in preparing the Company's consolidated financial statements for the year ended December 31, 2013, as provided in note 26 thereto.

Named Executive	Number of Years Credited Service (#)	Annual Benefits Payable ($)		Accrued Obligation at Start of Year ($)	Compensatory Change ($)	Non-compensatory Change ($)	Accrued Obligation at Year End ($)
		At Year End	At Age 65				
D.J. Harris	18.4	76,566	76,566	1,181,225	–	(10,490)	1,170,735

Non-Qualified Defined Contribution and Deferred Compensation Plans Table

The following table provides information regarding the three non-qualified plans provided by EHSI to the Named Executive Officers. These plans are described within the CD&A under the heading "Overview of Executive Compensation Programs – Non-Qualified Defined Contribution and Deferred Compensation Plans".

Named Executive	Plan	Accumulated Value at Start of Year	Compensatory	Accumulated Value at Year End
T.L. Lukenda	ERP	US$384,218	US$80,306	US$521,443
	DSP	US$265,760	–	US$355,886
	Total – US$	US$649,978	US$80,306	US$877,329
	Total – C$	**C$646,663**	**C$82,707**	**C$933,127**
D.T. Mann	ERP	–	US$17,500	US$18,089
	Total – C$	**–**	**C$18,023**	**C$19,240**
R. Gurka	ERP	US$284,452	US$35,090	US$412,082
	DSP	US$266,066	–	US$239,297
	Total – US$	US$550,518	US$35,090	US$651,379
	Total – C$	**C$547,711**	**C$36,139**	**C$692,807**
D.C. Keating	ERP	US$69,345	US$23,657	US$93,014
	DSP	US$62,762	–	US$64,834
	Total – US$	US$132,107	US$23,657	US$157,848
	Total – C$	**C$131,433**	**C$24,365**	**C$167,887**
D.J. Harris	ERP	US$337,846	US$17,282	US$266,714
	DCP	US$572,246	US$16,830	US$422,301
	Total – US$	US$910,092	US$34,112	US$689,015
	Total – C$	**C$905,450**	**C$35,132**	**C$732,836**
U.S./Canadian dollar exchange rate (1)		0.9949	1.0299	1.0636

Note:

(1) The U.S./Canadian dollar exchange rates are those that were used by the Company in preparing its consolidated financial statements. The opening and closing pension value amounts have been converted to Canadian dollars using the U.S./Canadian dollar exchange rates of 0.9949 and 1.0636 as at December 31, 2012 and 2013, respectively. The compensatory amounts received during 2013 have been converted to Canadian dollars using the average U.S./Canadian dollar exchange rate of 1.0299.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Employment Agreements

Mr. Lukenda's employment agreement provides for (i) the payment of a base salary, (ii) incentive compensation and other plans at a level consistent with his position, and (iii) certain other benefits, including but not limited to, an automobile allowance and club dues.

In the event of Mr. Lukenda's termination of employment due to death or disability, he is entitled to (i) his base salary and other accrued benefits earned up to the last day of the month of death or the date of termination for disability, (ii) all deferred compensation, and (iii) the pro rata portion of any bonuses payable in the year of death or termination for disability. In addition, all equity based compensation awards shall automatically become fully vested as of the date of death or termination, subject to the terms of the respective plan documents, and all amounts payable and benefits provided under employee benefit plans in which the employee participates shall be paid in accordance with the terms of the respective plan.

In the event of Mr. Lukenda's termination for cause, he is entitled to his base salary earned up to the date of termination, and all deferred compensation subject to the terms of the respective plan document. In addition, all amounts payable and benefits provided under employee benefit plans in which he participates shall be paid in accordance with the terms of the respective plan.

The agreement provides that Mr. Lukenda may voluntarily terminate his employment at any time during the term of the agreement for good reason in the event of (i) a material failure by the Company to comply with the provisions of the agreement, or (ii) a material diminution of his title, duties, responsibilities, or authority, or (iii) a reduction in his compensation or benefits, other than a uniform reduction in benefits applicable to all senior officers of the Company or (iv) a relocation of his office by more than 30 miles; or (v) a change of control, as defined in his employment agreement.

In the event that Mr. Lukenda is terminated by the Company without cause or Mr. Lukenda terminates his employment for good reason (as a result of an event described in the preceding paragraph), he is entitled to a lump sum payment in the aggregate equal to (i) two times his then-current annual base salary, (ii) two times his estimated expected annual bonus if fully achieved, (iii) the prorated portion of the annual bonus expected to have been earned in the year of termination, (iv) two times the annual value of his car allowance and club dues, and (v) payment for participation in any long-term incentive, retirement or deferred compensation program on the basis that he will have been deemed to be fully vested in all such programs on the date of termination.

Mr. Tuttle's employment agreement provides for (i) the payment of a base salary, (ii) incentive compensation and other plans at a level consistent with his position, and (iii) certain other benefits, including but not limited to, an automobile allowance. The following summarizes the terms of his employment agreement in the event of termination.

In the event of Mr. Tuttle's termination of employment due to death, he is entitled to his base salary and other accrued benefits earned up to the date of termination, and all vested deferred compensation.

In the event of Mr. Tuttle's termination for cause, he is entitled to his base salary earned up to the date of termination, and all deferred compensation, subject to the terms of the respective plan document. In addition, all amounts payable and benefits provided under employee benefit plans in which he participates shall be paid in accordance with their respective terms.

The agreement provides, subject to Mr. Tuttle providing written notification within a specified period, that Mr. Tuttle may terminate his employment for good reason in the event of (i) a relocation of his office by more than 50 kilometers, or (ii) a material diminution of his assigned duties and responsibilities, or (iii) a material reduction in his compensation or benefits.

In the event that Mr. Tuttle is terminated by the Company without cause or he terminates his employment for good reason (as a result of an event described in the preceding paragraph), he is entitled to (i) severance pay in the amount of two years of his then-current base salary, (ii) a payment equal to the value of the prorated portion of the annual bonus for the year in which the date of termination occurs, as determined using the financial results for the most recently completed four quarters for the corporate performance and 100% of the specific individual objectives, (iii) a payment in lieu of bonus of a specified percentage of the base salary in (i), using the bonus percentage determined in calculating the prorated bonus payment pursuant to (ii) (which for 2013 was 14.16% of base salary), and (iv) a payment of the value of perquisites for 24 months. The severance payments would be made semi-monthly over the severance period. In addition, he is entitled to all vested deferred compensation, and subject to Board approval, the immediate vesting of any unvested equity-based compensation awards, which may be exercised in accordance with the terms of the applicable plans.

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

In the event of the employee's termination of employment due to death or disability, the employee is entitled to (i) his base salary and other accrued benefits earned up to the last day of the month of death or the date of termination for disability, (ii) all deferred compensation, and (iii) the pro rata portion of any bonuses payable in the year of death or termination for disability. In addition, all equity based compensation awards shall automatically become fully vested as of the date of death or termination, subject to the terms of the respective plan documents, and all amounts payable and benefits provided under employee benefit plans in which the employee participates shall be paid in accordance with the terms of the respective plan.

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

The agreements provide that the employee may terminate his employment for good reason in the event of (i) a material failure by the Company to comply with the provisions of his employment agreement, or (ii) a material diminution of his title, duties, responsibilities, or authority, or (iii) a reduction in his compensation or benefits, other than pursuant to a uniform reduction in benefits applicable to all managers of the Company, or (iv) a relocation of his office by more than 30 miles. In addition, the employee may voluntarily terminate his employment upon the occurrence of a change in control, as defined in his employment agreement, in the event that (i) above occurs within 180 days of the change in control, or in the event that item (ii), (iii) or (iv) occurs at any time following the change in control.

In the event that the employee is terminated by the Company without cause or the employee terminates his employment for good reason (as the result of an event described in the preceding paragraph), the employee is entitled to a lump sum payment in the aggregate equal to (i) severance pay in the amount as described below, (ii) a payment in lieu of bonus in an amount equal to a specified percentage of base salary as described below, (iii) a payment equal to the value of the prorated portion of the annual bonus and equity-based compensation awards for the year in which the date of termination occurs assuming 100% of the incentive compensation potentially attainable for such year would have been owed to the employee, (iv) a payment for the value of perquisites for a period of time as described below, and (v) a payment for participation in any long-term incentive, retirement or deferred compensation program on the basis that the employee will have been deemed to be fully vested in all such programs on the date of termination.

In the event that the employment of Messrs. Mann, Gurka or Keating is terminated without cause or for good reason, the amount of the payments to be made under their respective employment agreements attributed to items (iii) and (v) described in the previous paragraph are determined in the same manner without differentiation. The following outlines the manner of determining the amount of the payments to be made to them attributable to items (i), (ii) and (iv).

Mr. Mann's employment agreement provides for: a payment under item (i) of $20,000 plus 18 months of his then-current base salary plus an additional month of base salary for each year of service for the first six years, to a maximum of 24 months of his then-current base salary; a payment in lieu of bonus under item (ii) of 40% of the base salary pursuant to (i); and a payment under item (iv) equal to the value of perquisites for the number of months paid pursuant to (i).

Mr. Gurka's employment agreement provides for: a payment under item (i) of $20,000 plus 12 months of his then-current base salary; a payment in lieu of bonus under item (ii) of 35% of base salary; and a payment under item (iv) equal to the value of 12 months of perquisites.

Mr. Keating's employment agreement provides for: a payment under item (i) of $20,000 plus 12 months of his then-current base salary; a payment in lieu of bonus under item (ii) of 40% of base salary; and a payment under item (iv) equal to the value of 12 months of perquisites.

Quantification of Potential Payments upon Termination or Change of Control

The table below reflects estimates of the incremental amounts of compensation that would be paid to the Named Executive Officers in the event of their termination without cause or resulting from their termination for good reason, assuming such termination was effective as of December 31, 2013. As discussed above, Mr. Lukenda is eligible to terminate his agreement in the event of a change in control as one of the conditions for good reason. In the event of termination due to death or disability, the only incremental amounts of compensation that would be paid are the prorated portion of any incentive payable in the year of death or termination for disability. No incremental amounts of compensation would be paid in the event of termination for cause. The actual amounts to be paid to a Named Executive Officer in the event of his termination of employment can only be determined at the time of such termination.

Named Executive / Type of Termination (1)	Salary	Payment in Lieu of Bonus	Employer Contribution to Benefit Plans		Other (2)	Total (US$)	SAR (C$) (3)	Total (C$) (4)
T.L. Lukenda								
Termination without cause or for good reason	US$1,660,600	US$830,300		–	US$43,160	2,534,060	13,000	2,708,226
D.T. Mann								
Termination without cause or for good reason	US$470,000	US$180,000	ERP	US$45,000	US$19,190	714,190	7,800	767,412
P. Tuttle								
Termination without cause or for good reason	C$454,728	C$64,390	RRSP	C$45,480	C$58,894	–	–	623,492
R. Gurka								
Termination without cause or for good reason	US$370,900	US$140,360	ERP 401(k)	US$35,090 US$2,550	US$15,508	564,408	7,800	608,104
D.C. Keating								
Termination without cause or for good reason	US$270,000	US$100,000	ERP	US$25,000	US$13,021	408,021	4,680	438,651

Notes:

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

(2) For Mr. Lukenda, these amounts represent auto allowance and club dues. For Messrs. Mann, Tuttle, Gurka and Keating, these amounts represent auto allowance and health benefits.

(3) These amounts represent the payout value of SARs as at December 31, 2013, based on the appreciation in value of a Common Share from its base value to the 10 day volume-weighted average trading price of $6.58 as at December 31, 2013, plus Accrued Distributions.

(4) Compensation paid in United States dollars is reported in U.S. dollars and then converted to Canadian dollars using the U.S./Canadian dollar exchange rate of 1.0636 as at December 31, 2013, that was used in preparing the Company's consolidated financial statements for 2013.

COMPENSATION OF DIRECTORS OF EXTENDICARE

Directors of Extendicare, who are also employees of Extendicare or any of its subsidiaries, are not compensated for their services as Directors or as members of any committee of the Board. Directors of the Company are expected to hold a minimum of 10,000 Common Shares within three years of their appointment to the Board of Directors of Extendicare (or any of its predecessors). Directors of Extendicare are prohibited from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of the Company's securities.

Director Compensation Table

The following table outlines the compensation paid to each of the Company's non-employee Directors in 2013.

Name	Retainer/Meeting Fees Earned ($)	Travel Allowance ($)	Common Share Based Awards ($)	All Other Compensation (1) ($)	Total ($)	Minimum Unit Ownership Attained
J.F. Angus	104,000	13,000	–	127	117,127	Yes
M. Cunningham	136,500	11,000	–	127	147,627	No
H.B. Dean	119,000	10,000	–	127	129,127	Yes
S.B. Goldsmith	151,000	20,000	–	127	171,127	Yes
B.J. Hutzel	155,167	–	–	127	155,294	Yes
M.J.L. Kirby	159,000	13,000	–	127	172,127	Yes
A.G. Libin	91,000	4,000	–	127	95,127	Yes
J.T. MacQuarrie, Q.C.	161,000	18,000	–	127	179,127	Yes
M.A. Rhinelander	165,958	5,000	–	127	171,085	Yes
Total	1,242,625	94,000	–	1,143	1,337,768	

Note:
(1) All other compensation represents payments for accidental death and dismemberment coverage.

Components of Directors' Fees for 2013

The cash compensation paid to non-employee Directors of the Company for the year ended December 31, 2013, was based on the following elements of compensation.

Components of Directors' Fees (1)	2013 ($)
Basic board annual retainer	35,000
Additional annual retainers:	
Chairman retainer	100,000
Audit Committee Chair	25,000
Human Resources, Governance and Nominating Committee Chair	10,000
Other committee chairs	5,000
Audit Committee members (excluding chair)	5,000
Per meeting fees	2,000

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

Incentive Plan Awards

The following table sets forth the SARs issued and outstanding as at December 31, 2013, for each non-employee Director of the Company. The SARs vest on the third anniversary of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective base values only, with no associated performance criteria. For a description of the SARP, refer to the discussion in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives".

Name	SAR Grant Date	Number of SARs (#)	SAR Base Value/ Minimum Common Share Price Condition ($)	SAR Expiration Date	Payout Value of SARs that have not Vested ($)
J.F. Angus	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
M. Cunningham	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
H.B. Dean	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
S.B. Goldsmith	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
B.J. Hutzel	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
A.G. Libin	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
J.T. MacQuarrie, Q.C.	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–

The payout value of the SARs as at December 31, 2013, is based on the appreciation in value of a Common Share from its base value to the 10 day volume-weighted average trading price of $6.58 as at December 31, 2013, plus Accrued Distributions. The payout value as at December 31, 2013, was nil for all of the SARs as a result of their respective minimum Common Share price conditions being higher than the 10 day volume-weighted average trading price of $6.58 as at December 31, 2013.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company and its subsidiaries carry claims-made insurance coverage with an aggregate policy limit of US$55.0 million (US$40.0 million as corporate reimbursement subject to a deductible of US$750,000 and US$15.0 million of Side A coverage for non-indemnifiable losses). Under this insurance coverage, each entity has reimbursement coverage to the extent that it has indemnified any such directors and officers. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Company, or any of its subsidiaries and their respective directors and officers. The total liability is shared among the Company and its respective subsidiaries, and their respective directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective directors and officers.

The annual premium for the directors' and officers' liability policy that expired on January 31, 2014, was US$660,715, and the fee for the policy that expires on January 31, 2015, is US$673,065.

AUDIT COMMITTEE INFORMATION

The Company's audit committee (the "Audit Committee") operates within a written mandate, approved by the Board of Directors. Information on the Company's Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the 2013 Annual Information Form under the heading "Audit Committee Information", and in Appendix A. As well, the Audit Committee reports annually on the fulfillment of its responsibilities. The Audit Committee's 2013 report follows below.

Report of the Audit Committee

The Audit Committee continues to monitor, and adopt as appropriate, new regulatory requirements and emerging best practices. The Chief Executive Officer and the Chief Financial Officer of the Company certify the information set forth in the consolidated financial statements and related disclosure materials of the Company, as required by Canadian securities laws.

In 2013, the Audit Committee met on six occasions to review key financial disclosure reports, receive assurance of the adequacy of financial disclosure controls, and review the work of the internal auditor of the Company and that of the external independent auditors, KPMG LLP, including the overall scope and plan for the 2013 audit. The external independent auditors were in attendance at all of the Audit Committee meetings.

Throughout the year, the Audit Committee reviewed with management, the internal auditor and the external independent auditors the appropriateness of the accounting and financial reporting, the impact of the adoption of new accounting pronouncements, the accounting treatment of significant risks and uncertainties, the key estimates and judgements of management that were material to the financial reporting, and the disclosure of critical accounting policies.

The Audit Committee reviewed and recommended to the Board of Directors of the Company for its approval, where appropriate, all public disclosure documents (including news releases) containing audited or unaudited financial information before release to the public. These public disclosure documents included the audited consolidated financial statements, annual management's discussion and analysis (MD&A), annual report, annual information form, and the quarterly financial results (including the quarterly MD&A and unaudited quarterly consolidated financial statements). Prior to the release of such documents to the public, the Audit Committee met with management and, where appropriate, the internal auditor and external independent auditors, to review the documents and receive assurance that they were complete, fairly presented, and in accordance with established principles consistently applied.

Prior to the issuance of the annual financial statements, the Audit Committee met with management, the internal auditor, and the external independent auditors. The Audit Committee was assured that management had fulfilled its responsibilities for financial reporting and internal controls and that the external independent auditors had carried out their audit in accordance with their audit plan as approved by the Audit Committee.

The Audit Committee met with management and the external independent auditors to discuss the qualitative aspects of the financial statement reporting, which included the appropriateness of the significant accounting policies, management judgements and accounting estimates and other matters arising from the audit. The Audit Committee met with the external independent auditors, without management, and was advised that there were no unresolved issues with respect to the audit.

In addition, the Audit Committee discussed with KPMG LLP its independence. The Audit Committee reviewed in detail the audit and non-audit related fees paid to KPMG LLP during 2013 and considered the compatibility of the non-audit services with the auditors' independence and concluded that such services did not compromise the independence of the auditors. The Audit Committee has adopted a policy requiring Audit Committee pre-approval of the engagement of KPMG LLP regarding permissible non-audit related matters.

The Audit Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2013.

Report submitted by the Audit Committee:

J. Thomas MacQuarrie, Q.C. (Chair)	John F. Angus	Margery O. Cunningham
Benjamin J. Hutzel	Seth B. Goldsmith	

GOVERNANCE DISCLOSURE

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

OTHER BUSINESS

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

SHAREHOLDER PROPOSALS

Shareholders who meet the eligibility requirements under the *Canada Business Corporations Act* are entitled to submit a Shareholder proposal as an item of business at the next annual Shareholder's meeting. Shareholder proposals must be submitted to the Corporate Secretary of Extendicare by December 10, 2014 (at least 90 days prior to the anniversary date of the notice of the prior annual meeting). Only Shareholder proposals that comply with the *Canada Business Corporations Act* requirements received by that date, and the responses of the Company, will be included in the Management Information and Proxy Circular of the Company for the 2015 annual meeting of Shareholders.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the SEDAR website at www.sedar.com and on the Company's website at www.extendicare.com. 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, 2013, as contained in the 2013 Annual Report. A copy of this document and other public documents of the Company are available upon request to:

Extendicare Inc.
Attention: Corporate Secretary
3000 Steeles Avenue East, Suite 700
Markham, Ontario L3R 9W2
Phone: 905-470-5534
Fax: 905-470-4003

APPROVAL OF DIRECTORS

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

DATED at Markham, Ontario on March 11, 2014.

Timothy L. Lukenda
President and
Chief Executive Officer

Dylan T. Mann
Senior Vice President and
Chief Financial Officer

APPENDIX A

EXTENDICARE INC.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

Overall Responsibilities of the Board

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

Independence of Directors

Independence of the Board of Directors is essential to fulfilling its role in overseeing the Company's business and affairs. Pursuant to a resolution of the Board of Directors, the number of directors of Extendicare to be elected at the May 7, 2014 annual meeting of shareholders of the Company has been fixed at eight. Information relating to each of the eight nominees proposed for election as directors of Extendicare is set out in the "Election of Directors" section of the management information and proxy circular (the "Information Circular") relating to such meeting. The Board of Directors have determined that seven of these eight individuals are "independent", as determined in accordance with National Instrument 58-101 of the Canadian Securities Administrators (NI 58-101). By virtue of Mr. Lukenda's current role as President and Chief Executive Officer, he is a non-independent director of the Company. All committees of the Board are composed entirely of independent directors.

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

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

Director Attendance: Board members are expected to attend all Board meetings and meetings of committees on which they serve. Each director's attendance record at Board meetings held during the 2013 financial year is described under the "Election of Directors" section of this Information Circular.

Board Mandate

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

Position Descriptions

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

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

Orientation and Continuing Education

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

Ethical Business Conduct

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

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

Nomination of Directors

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

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

Majority Voting Policy

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

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

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

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

Compensation

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

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

Say on Pay

At Extendicare's annual meeting in 2014, holders of common shares of the Company (the "Shareholders") will be participating in the fourth annual non-binding advisory vote on Extendicare's approach to executive compensation, commonly known as "Say on Pay", which gives Shareholders the opportunity to endorse or not endorse Extendicare's approach to its executive compensation program.

At the annual meeting of Extendicare held in 2013, approximately 95.5% of the Shareholders voted in favour of Extendicare's approach to executive compensation.

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

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

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

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

In writing:
Chairman of the Board
c/o The Corporate Secretary of Extendicare
3000 Steeles Ave. East, Suite 700
Markham, Ontario L3R 9W2
By email: governance_matters@extendicare.com

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

Other Board Committees

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

Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the Company's annual information form under the heading "Audit Committee Information" and in Appendix A.

Quality and Compliance Committee

Extendicare has a Quality and Compliance Committee (the "QC Committee"), which is composed of three independent directors. The primary objective of the QC Committee is to assure that Extendicare and its operations have in place the programs, policies and procedures to support and enhance the quality of care provided and compliance with applicable health care laws and regulations. The QC Committee's responsibilities include providing oversight of Extendicare's clinical, compliance and quality programs; monitoring Extendicare's clinical performance and outcomes against internal and external benchmarks; and reviewing policies, procedures and standards of conduct designed to provide the appropriate quality of care, patient safety and compliance with applicable laws and regulations. The QC Committee met 10 times during 2013, with full attendance at each meeting.

APPENDIX B

EXTENDICARE INC.

MANDATE OF THE BOARD OF DIRECTORS

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

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

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

Number of Directors

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

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

Director Nomination

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

Election and Term

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

Vacancy

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

Review of Independence of Outside Directors

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

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

Board Meetings

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

Committees

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

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

Board and Committee Meeting Agendas and Information

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

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

External Advisors

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

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

Contacts with Senior Management

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

Board/Committee Assessment

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

Senior Management Succession Planning

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

Directors' and Senior Management Compensation

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

Strategic Planning

Management is responsible for the development of long-term corporate strategy, while the role of the Board is to review, question and validate, and ultimately to approve the strategies proposed by management.

Managing Risk

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

Communications Policy

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

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

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

Internal Control and Management Information Systems

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

Corporate Governance Policy

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

EXTENDICARE