NOTICE

AND

MANAGEMENT INFORMATION AND PROXY CIRCULAR

FOR THE

ANNUAL MEETING OF SHAREHOLDERS

OF

EXTENDICARE INC.

TO BE HELD ON

MAY 9, 2013

Dated: March 13, 2013

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 (collectively, the "**Shareholders**") of common shares of Extendicare Inc. ("**Extendicare**" or the "**Company**") will be held on:

Thursday, May 9, 2013
2:30 p.m. (Toronto time)
The Gallery, TMX Broadcast Centre
130 King 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, 2012 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 7, 2013, 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 2012 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 13, 2013.

By order of the Board of Directors of Extendicare Inc.

JFountain

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.

"**2012 Annual Information Form**" means the annual information form of Extendicare for the year ended December 31, 2012;

"**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, at any time, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, 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 Standard Board, and which have been prescribed as being Canadian GAAP for publicly accountable enterprises by the Accounting Standards Board of the Canadian Institute of Chartered Accountants 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 9, 2013, at The Gallery, TMX Broadcast Centre, 130 King 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 provide in this Information Circular is given as of March 13, 2013. 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 13, 2013 (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 of the Company 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 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 7, 2013 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 7, 2013 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 7, 2013 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 8, 2013 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 10 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 13, 2013, there were 86,306,919 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 13, 2013, 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, 2012 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 1.9 million Common Shares, representing approximately 2.2% 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 2014, 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 2011 and 2012 totalled $1,646,000 and $1,625,000, respectively. The nature of these fees are summarized below,

Audit Fees: The audit fees billed by KPMG LLP for fiscal 2011 and 2012 were $1,498,000 and $1,558,000, respectively. These audit fees were in respect of audit services and interim reviews of the consolidated financial statements of the Company and the REIT, 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 2011 and 2012 were $34,000 and $52,000, respectively. These audit-related fees were in respect of an audit opinion on controls at 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 2011 and 2012 were $114,000 and $15,000, 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. The Board has fixed the number of directors to be elected to the Board at 10. The Board of Directors presently consists of 10 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 10 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 and the board of trustees of the REIT (Extendicare’s predecessor), met 20 times during 2012, at which attendance averaged 99.5%. The one absence of a Board member was with respect to a meeting that was called on short notice.

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 first 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 Human Resources, Governance and Nominating Committee (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, 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 10 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 13, 2013 of $8.12; the date the nominee became a Director of Extendicare (or one of its predecessors, including the REIT); and attendance record at board meetings of Extendicare or the REIT during 2012.

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 2014:

MEL RHINELANDER (2) Ontario, Canada Chairman of the Board of Directors **Director since:** May 2, 2000 **Common Shares:** 47,850; $388,542 **Board meetings attended:** 20/20	Mr. Rhinelander, the Chairman of Extendicare, was appointed Chairman of Extendicare REIT, the predecessor of Extendicare, effective December 17, 2008, prior to which he served as Vice Chairman of Extendicare REIT from November 10, 2006. Mr. Rhinelander is also Vice Chairman of Assisted Living Concepts, Inc. (a public company), and is a director of Empire Company Limited (a public food retailing and related real estate company). Mr. Rhinelander served the Extendicare group of companies in a number of senior management positions from 1977 until his retirement in 2006.
JOHN F. ANGUS (1) Quebec, Canada **Director since:** Dec. 14, 2006 **Common Shares:** 10,000; $81,200 **Board meetings attended:** 20/20	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) (2) Washington, D.C., United States **Director since:** August 30, 2010 **Common Shares:** nil **Board meetings attended:** 20/20	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 DEAN, MD (3) (4) Vermont, United States **Director since:** May 6, 2010 **Common Shares:** 14,000; $113,680 **Board meetings attended:** 19/20	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) (4) Florida, United States **Director since:** February 23, 1995 **Common Shares:** 50,000; $406,000 **Board meetings attended:** 20/20	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.
BENJAMIN J. HUTZEL (1) Ontario, Canada **Director since:** May 6, 2010 **Common Shares**: 550,000; $4,466,000 **Board meetings attended:** 20/20	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 is Chairman of the audit committee of the Woodbine Entertainment Group (a not-for-profit organization).

Directors nominated to serve until the next Annual Meeting of Shareholders in 2014:

MICHAEL J.L. KIRBY [3][4] Ontario, Canada **Director since:** March 11, 1987 **Common Shares:** 12,000; $97,440 **Board meetings attended:** 20/20	Mr. Kirby is Chair of Partners for Mental Health (and former Chair of the Mental Health Commission of Canada), a professional director, and a retired member of the Senate of Canada (1984 – 2006). Mr. Kirby is an Officer of the Order of Canada and serves as a director of several boards, including the following public companies: Indigo Books & Music Inc.; Just Energy Income Fund; and MDC Partners Inc.
ALVIN G. LIBIN [2][3] Alberta, Canada **Director since:** January 20, 1984 **Common Shares:** 880,000; $7,145,600 **Board meetings attended:** 20/20	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; $974,400 **Board meetings attended:** 20/20	Mr. Lukenda, the President and Chief Executive Officer of Extendicare, was appointed President and Chief Executive Officer of Extendicare REIT, the predecessor of Extendicare, 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; $793,519 **Board meetings attended:** 20/20	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 Buyback Committee
(3) Member of the Human Resources, Governance and Nominating Committee
(4) 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 has adopted the advisory vote policy developed by the REIT, the predecessor to the Company, during 2010, which 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 2012. 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 2013 annual meeting of Shareholders of the Company."

Results of Advisory "Say on Pay" Vote

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 of the Company 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, the HR/GN Committee, as part of its mandate, evaluates annually the performance of the Chief Executive Officer (the "CEO") and other senior executives of the Company and its subsidiaries and recommends the compensation to be given to the CEO and such other senior executives. 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.

The HR/GN Committee is currently comprised of three members who are independent Directors of the Company. No member of the HR/GN Committee is an officer, employee or former officer or employee of the Company or any of its subsidiaries. The members of the HR/GN Committee are Michael J.L. Kirby (Chair), Governor Howard B. Dean, and Alvin G. Libin.

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. Kirby, 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 64% of the Company's 2012 revenue was generated in the United States, Extendicare must ensure that it offers competitive compensation in the challenging markets in which it operates. The compensation practices for executives are built around reward systems that recognize financial results, quality of services and individual performance. The total compensation package is designed to provide a strong and direct link between performance and compensation, using a combination of base salary, short-term incentives achieved through annual incentive or bonus payments, and long-term incentives achieved through the Company's SARP.

Extendicare's incentive programs use key drivers such as quality, 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 and 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, in 2011, the HR/GN Committee established a formal clawback policy with regards to 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 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 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 2012 for the Named Executive Officers, other than the CEO, ranged from approximately 43% to 48% 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 is entitled to an annual cash bonus of up to a maximum of US$500,000, with such amount 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, the operating results of the Company, including AFFO, EBITDA margin, as well as certain occupancy and quality measures. For example, the HR/GN Committee is using 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 in an attempt to provide 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 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 will be 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).

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 allowed 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.

The DSP is offered to the CEO and EHSI's vice presidents who are participating in the ERP, with the exception of those that 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.

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 2012

Base Salary

The base salaries for the majority of the U.S. senior executives have been frozen since 2009 as a result of the economic conditions and funding reductions in the long-term care industry. With the exception of increases awarded to Messrs. Harris and Pearce, the base salaries of the Named Executive Officers were again frozen in 2012. The 24% increase in Mr. Gurka's base salary earned in 2012 was due to a promotion in 2011. While Mr. Lukenda's base salary for 2012 reflects a voluntary reduction of 10%, in response to the U.S. funding reductions and management's implementation of cost savings measures in 2011.

The following table summarizes the 2012 base salaries for the Named Executive Officers, which have been reported in United States dollars and translated to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's audited consolidated financial statements for the 2011 and 2012 fiscal years.

	Salary		2012
Named Executive	**2011**	**2012**	**% Change**
T.L. Lukenda (1) President and Chief Executive Officer of Extendicare	**US$765,000** C$756,662	**US$688,500** C$688,225	(10.0)%
D.J. Harris Senior Vice President and Chief Financial Officer of Extendicare	**US$285,800** C$282,685	**US$330,000** C$329,868	15.5%
R. Gurka (2) Senior Vice President of Operations of EHSI	**US$277,333** C$274,311	**US$344,000** C$343,862	24.0%
D.C. Pearce Vice President and General Counsel of EHSI	**US$295,000** C$291,785	**US$320,000** C$319,872	8.5%
L.W. Claypool Chief Information Officer of EHSI	**US$285,700** C$282,586	**US$285,700** C$285,586	Nil
U.S./Canadian dollar exchange rate	0.9891	0.9996	

Notes:

(1) Mr. Lukenda voluntarily took a 10% reduction in his base salary for 2012, in response to U.S. funding reductions and management's implementation of cost savings measures in 2011.

(2) Mr. Gurka's increase in base salary in 2012 over 2011 reflects his appointment to Senior Vice President of Operations of EHSI effective September 1, 2011, at an annualized base salary of US$344,000. Prior to this appointment, Mr. Gurka had been serving as Vice President of ProStep and Clinical Reimbursement of EHSI.

Short-term Incentives for 2012

During 2012, 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 other items. All of these line items are disclosed in the Company's consolidated statements of earnings (loss), and the Company's net earnings (loss) 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, 2012 contained in the Company's 2012 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, 2012, contained in the Company’s 2012 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. In considering the financial performance of the Company for 2012, the HR/GN Committee determined that the 2012 net earnings and AFFO of the Company should exclude the effect of the $16.6 million, or $0.196 per share, actuarial reserve adjustment that was made to strengthen prior years’ reserves for self-insured general and professional liabilities.

Mr. Lukenda, President and CEO of the Company*:* In accordance with Mr. Lukenda’s employment contract, he is entitled to receive an annual cash bonus of a maximum of US$500,000, with such amount 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, the operating results of the Company, including AFFO, EBITDA margin, as well as certain occupancy and quality measures, including the Five-Star Quality Rating System.

Mr. Harris, Senior Vice President and Chief Financial Officer*:* In accordance with Mr. Harris’ 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. Harris’ 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. Harris’ annual incentive should be based on the overall performance of the Company.

Mr. Harris’ 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. Harris’ annual bonus may be forfeited.

The following is a description of Mr. Harris’ 2012 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Harris’ 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. Harris 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. Harris’ individual objectives for 2012 included: (i) the refinancing of loan portfolios; (ii) execution of the exit strategy for EHSI’s Kentucky operations; and (iii) achievement of accounts receivable reduction targets in the U.S. operations.

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 corporate performance attains 110% 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 2012 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 110% 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 2012 were based on performance relative to a number of key operational metrics including: (i) achievement of certain quality, clinical and compliance standards; (ii) attainment of certain growth plans and market development initiatives; and (iii) completion of a professional development program to assist in evaluating key leaders.

Mr. Pearce, Vice President, General Counsel of EHSI: In accordance with Mr. Pearce'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. Pearce's annual bonus can be further enhanced by 2.45%, or up to 37.45% of his base salary, if the corporate performance attains 110% 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. Pearce's annual incentive should be based on the performance of EHSI.

Mr. Pearce'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. Pearce's annual bonus may be forfeited.

The following is a description of Mr. Pearce's 2012 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Pearce's award for corporate performance is determined based on EHSI achieving a minimum of 90% to a maximum of 110% of budgeted EBITDA. At 90% of budget, Mr. Pearce 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. Pearce's individual objectives for 2012 were based on performance relative to a number of key operational metrics including: (i) continued refinement and implementation of a new alternative dispute resolution program; (ii) development and achievement of certain new compliance initiatives and policies; and (iii) development and implementation of an enhanced risk management/litigation plan.

Mr. Claypool, Chief Information Officer of EHSI: In accordance with Mr. Claypool's employment contract, he is entitled to receive an annual bonus of up to 35% of his base salary, of which 35% of his target bonus is determined based on the performance of EHSI, 35% is based on the performance of VCPI, and 30% is based on his individual performance with respect to EHSI and VCPI. 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. Claypool's annual bonus can be further enhanced by 2.45%, or up to 37.45% of his base salary, if the corporate performance attains 110% of budget. The combined corporate component was set at 70% of his annual bonus because the HR/GN Committee believes that as Chief Information Officer of EHSI and VCPI, a significant portion of Mr. Claypool's annual incentive should be based on the performance of these companies.

The EHSI and VCPI awards are determined separately, and eligibility for each of the EHSI and VCPI components of the award is conditional on achieving the respective financial components and upon achieving a threshold of 80% of the respective individual performance objectives. Notwithstanding the foregoing, if the operations of EHSI or VCPI have serious deficiencies in care or services provided, all or part of Mr. Claypool's annual bonus may be forfeited.

The following is a description of Mr. Claypool's 2012 annual incentive objectives:

Corporate Performance (70% of total incentive potential): 35% of Mr. Claypool's target bonus potential is determined based on EHSI achieving a minimum of 90% to a maximum of 110% of budgeted EBITDA, and 35% of his target bonus is determined based on VCPI achieving a minimum of 90% to a maximum of 110% of budgeted NOI, excluding internal charges with EHSI. With respect to each of these incentives, Mr. Claypool is eligible for 80% of the award upon achieving the minimum 90% of budget, and the award accumulates at the rate of 2% for each additional 1% over budget to a maximum of 110%.

Individual Performance (30% of total incentive potential): Mr. Claypool's individual objectives provide for a threshold of 80% to a maximum of 100% of the award, and with respect to EHSI for 2012 included: (i) ensuring adherence to EHSI's information technology plan; and (ii) executing to conclusion approved EHSI information technology project initiatives. With respect to VCPI, Mr. Claypool's individual objectives for 2012 included: (i) realization of VCPI's infrastructure cost containment initiative; and (ii) achievement of VCPI's business development growth targets.

2012 Short-term Incentives Awarded: In light of the base salary freeze for the past few years, the HR/GN Committee approved a 5% increase in the 2012 eligible target bonuses otherwise entitled to by the Named Executive Officers. The HR/GN Committee did not, otherwise, 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.

With respect to Mr. Lukenda, the HR/GN Committee set the following 2012 performance measures, of which two 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$250,000, representing 50% of the maximum of US$500,000.

CEO 2012 Performance Measures	**Target**	**Achieved**
Extendicare – AFFO per unit [(1)]	≥ $1.02	$1.19
Extendicare – EBITDA margin [(1)]	≥ 9.9%	9.8%
EHSI – Medicare census as a % of total census from continuing operations	≥ 17.6%	15.8%
EHSI – Five-Star ranking of centers – % of ones and twos	≤ 50%	50%

Note:

(1) The Company's AFFO per unit and EBITDA margin achieved in 2012 have been adjusted to exclude the effect of $16.6 million, or $0.196 per share, of prior years' reserves for self-insured general and professional liabilities

The following table summarizes the 2012 financial performance targets that the other Named Executive Officers bonuses were based on (as indicated in italics), resulting in the following corporate financial performance measures: Mr. Harris – 110%; Mr. Gurka – 96%; Mr. Pearce – 96%; and Mr. Claypool – 96% with respect to EHSI and 0% with respect to VCPI.

NEO 2012 Performance Measures	% of Target
Extendicare – Adjusted Budgeted Net Earnings *(Harris)*	109%
EHSI – EBITDA *(Gurka, Pearce, Claypool)*	98%
VCPI – NOI, excluding internal charges with EHSI *(Claypool)*	53%

With respect to the personal objectives of the other Named Executive Officers, they achieved the following: Mr. Harris – 70%; Mr. Gurka – 73%; Mr. Pearce – 100%; and Mr. Claypool – 61%.

2012 Annual Incentive Table

The corporate performance measures and weightings set by the HR/GN Committee for 2012 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 translated to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's audited consolidated financial statements for the 2012 year of 0.9996.

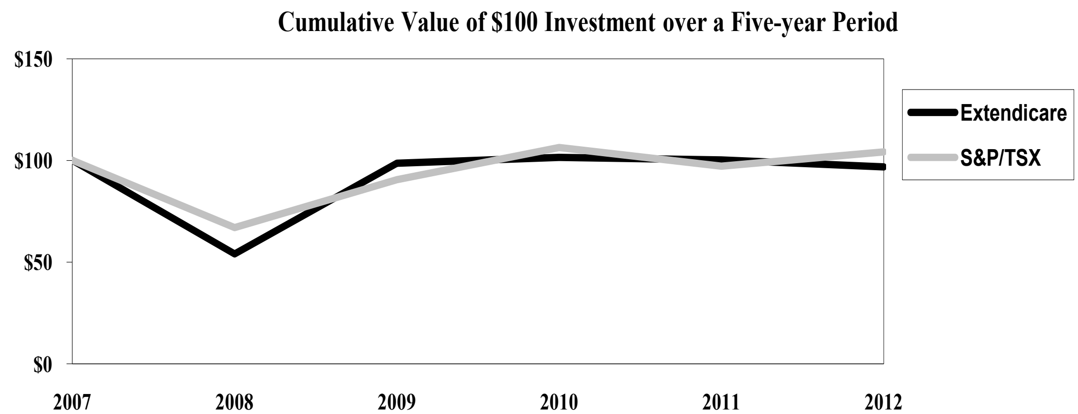
	2012 Annual Incentive Opportunity (as a % of base salary)			2012 Annual Incentive Bonus Awarded		
Named Executive	**Minimum**	**Target**	**High**	**% of base salary**	**Amount (US$)**	**Amount (C$)**
T.L. Lukenda	72.62%	72.62%	72.62%	36.31%	250,000	249,900
D.J. Harris	36.00%	45.00%	48.30%	44.70%	147,510	147,452
R. Gurka	36.00%	45.00%	48.30%	40.38%	138,907	138,852
D.C. Pearce	32.00%	40.00%	42.95%	38.82%	124,224	124,175
L.W. Claypool	32.00%	40.00%	42.95%	20.59%	58,829	58,805

Long-term Incentives for 2012 – 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. In March 2012, SARs were awarded to the Named Executive Officers. The HR/GN Committee did not use a set formula to determine the appropriate number of SARs awarded in 2012. 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 $8.11 for the March 15, 2012 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, 2007), 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	2007	2008	2009	2010	2011	2012
Extendicare (EXE/EXE.UN)	$100.00	$54.02	$98.57	$101.55	$100.33	$96.84
S&P/TSX Composite Index	$100.00	$67.00	$90.48	$106.41	$97.14	$104.13

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, 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 Pearce, 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. 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, 2012, the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers (collectively, the "Named Executive Officers") of the Company and its subsidiaries.

Name and Principal Position	Year	Salary (3) (C$)	Option-based Awards (4) (C$)	Annual Non-equity Incentive Plans (3) (C$)	Pension Value (3) (C$)	All Other Compensation (3) (5) (C$)	Total Compensation (C$)
T.L. Lukenda	2012	688,225	90,000	249,900	68,822	32,314	1,129,261
President and Chief Executive	2011	756,662	123,500	370,912	75,666	32,122	1,358,862
Officer of Extendicare	2010	787,874	95,000	386,212	78,787	27,750	1,375,623
D.J. Harris	2012	329,868	54,000	147,452	49,480	13,102	593,902
Senior Vice President and	2011	282,685	74,100	110,413	42,403	17,433	527,034
Chief Financial Officer of Extendicare	2010	294,345	57,000	120,717	44,152	19,046	535,260
R. Gurka (1)	2012	343,862	54,000	138,852	34,386	19,281	590,381
Senior Vice President of	2011	274,311	120,360	132,218	27,431	19,215	573,535
Operations of EHSI	2010	251,296	34,200	133,019	25,130	21,819	465,464
D.C. Pearce (2)	2012	319,872	32,400	124,175	31,987	17,435	525,869
Vice President and General	2011	291,784	44,460	106,385	29,178	15,135	486,942
Counsel of EHSI	2010	69,138	–	60,619	6,697	22,746	159,200
L.W. Claypool	2012	285,586	32,400	58,805	28,559	18,095	423,445
Chief Information Officer of	2011	282,586	44,460	108,569	28,259	17,619	481,493
EHSI	2010	294,242	34,200	51,724	29,424	20,022	429,612

Notes:

(1) 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.

(2) Mr. Pearce was hired in his current position in August 2010 at an annualized base salary of US$295,000. His compensation for 2010 represents the prorated amount earned.

(3) Other than amounts for option-based awards, compensation of the Named Executive Officers is earned in United States dollars and has been translated to Canadian dollars using the average U.S./Canadian dollar exchange rates of 1.0299, 0.9891, and 0.9996 that were used in preparing the Company's audited consolidated financial statements for the years ended 2010, 2011, and 2012, respectively.

(4) The value of the option-based awards in 2012, 2011, and 2010 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) 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%.

ii) 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%.

iii) 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%.

iv) 2010 – represents the value of SARs granted on March 10, 2010 carrying a base value of $10.09, calculated using the Black-Scholes option pricing model, which determined a fair value of $1.90 per SAR at the date of grant based on the following assumptions: risk-free interest rate of 1.85%; a term of three years with no cancellations and terminations; and expected volatility of 24.05%.

(5) All other compensation, in the case of Messrs. Lukenda, Harris, Gurka, Pearce, and Claypool, includes employer contributions to qualified 401(k) 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. Pearce "other" includes reimbursement of moving expenses of $20,086 in 2010.

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

Named Executive	Year	Employer Contribution to Qualified 401(k) (US$)	Life/LTD/ ADD/ Health (US$)	Other (US$)	Total (US$)	Total (C$)
T.L. Lukenda	2012	–	10,920	21,407	32,327	32,314
	2011	–	4,031	28,445	32,476	32,122
	2010	–	5,944	21,000	26,944	27,750
D.J. Harris	2012	–	3,508	9,600	13,108	13,102
	2011	2,450	5,575	9,600	17,625	17,433
	2010	2,500	6,393	9,600	18,493	19,046
R. Gurka	2012	–	7,888	11,400	19,288	19,281
	2011	2,450	5,577	11,400	19,427	19,215
	2010	2,450	7,335	11,400	21,185	21,819
D.C. Pearce	2012	–	7,842	9,600	17,442	17,435
	2011	2,389	3,312	9,600	15,301	15,135
	2010	–	–	22,086	22,086	22,746
L.W. Claypool	2012	–	10,302	7,800	18,102	18,095
	2011	2,450	7,563	7,800	17,813	17,619
	2010	2,500	9,140	7,800	19,440	20,022

INCENTIVE PLAN AWARDS

Incentive Plan Awards – outstanding as at December 31, 2012

The following table sets forth the SAR holdings of the Named Executive Officers at December 31, 2012. 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	March 15, 2012	50,000	8.11	March 15, 2015	–
	March 16, 2011	50,000	11.16	March 16, 2014	–
	March 10, 2010	50,000	10.09	March 10, 2013	–
D.J. Harris	March 15, 2012	30,000	8.11	March 15, 2015	–
	March 16, 2011	30,000	11.16	March 16, 2014	–
	March 10, 2010	30,000	10.09	March 10, 2013	–
R. Gurka	March 15, 2012	30,000	8.11	March 15, 2015	–
	August 24, 2011	30,000	7.58	August 24, 2014	38,700
	March 16, 2011	18,000	11.16	March 16, 2014	–
	March 10, 2010	18,000	10.09	March 10, 2013	–
D.C. Pearce	March 15, 2012	18,000	8.11	March 15, 2015	–
	March 16, 2011	18,000	11.16	March 16, 2014	–
L.W. Claypool	March 16, 2012	18,000	8.11	March 15, 2015	–
	March 16, 2011	18,000	11.16	March 16, 2014	–
	March 10, 2010	18,000	10.09	March 10, 2013	–

The payout value of the SARs at December 31, 2012 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 $7.68 at December 31, 2012, plus Accrued Distributions. The payout value at December 31, 2012 amounted to $1.29 per SAR for the SARs granted in August 2011, and was nil for the SARs granted in each of March 2010, 2011 and 2012, as a result of the minimum Common Share price conditions being higher than the 10 day volume-weighted average trading price of $7.68 at December 31, 2012.

Incentive Plan Awards – value earned and paid out during 2012

The following table sets forth the amount earned and paid to the Named Executive Officers with respect to SARs that vested and expired during the year ended December 31, 2012. 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 ($)	SAR Expiration Date	Payout Value of SARs ($)
T.L. Lukenda	August 20, 2009	50,000	6.64	August 20, 2012	178,000
D.J. Harris	August 20, 2009	30,000	6.64	August 20, 2012	106,800
R. Gurka	August 20, 2009	18,000	6.64	August 20, 2012	64,080
L.W. Claypool	August 20, 2009	18,000	6.64	August 20, 2012	64,080

The payout value of the SARs that vested and expired on August 20, 2012 was based on the appreciation in value of a Common Share from its base value of $6.64 to the 10 day volume-weighted average trading price of $7.68 at August 20, 2012, plus Accrued Distributions of $2.52. The payout value at August 20, 2012 was an aggregate of $3.56 per SAR.

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, and Mr. Harris is currently 57. Prior to his relocation to the Company's U.S. operations, Mr. Harris' benefit upon retirement 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 audited consolidated financial statements for the year ended December 31, 2012, as provided in note 23 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	1,095,639	–	85,616	1,181,225

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$285,642	US$68,850	US$384,218
	DSP	US$189,569	–	US$265,760
	Total – US$	US$475,211	US$68,850	US$649,978
	Total – C$	**C$483,290**	**C$68,822**	**C$646,663**
D.J. Harris	ERP	US$284,066	US$33,000	US$337,846
	DCP	US$504,617	US$16,500	US$572,246
	Total – US$	US$788,683	US$49,500	US$910,092
	Total – C$	**C$802,091**	**C$49,480**	**C$905,450**
R. Gurka	ERP	US$230,115	US$34,400	US$284,452
	DSP	US$257,563	–	US$266,066
	Total – US$	US$487,678	US$34,400	US$550,518
	Total – C$	**C$495,969**	**C$34,386**	**C$547,711**
D.C. Pearce	ERP	US$36,005	US$32,000	US$68,010
	Total – C$	**C$36,617**	**C$31,987**	**C$67,663**
L.W. Claypool	ERP	US$222,459	US$28,570	US$251,065
	Total – C$	**C$226,241**	**C$28,559**	**C$249,784**
U.S./Canadian dollar exchange rate (1)		1.0170	0.9996	0.9949

Note:

(1) The U.S./Canadian dollar exchange rates are those that were used by the Company in preparing its audited consolidated financial statements. The opening and closing pension value amounts have been translated to Canadian dollars using the U.S./Canadian dollar exchange rates of 1.0170 and 0.9949 as at December 31, 2011 and 2012, respectively. The compensatory amounts received during 2012 have been translated to Canadian dollars using the average U.S./Canadian dollar exchange rate of 0.9996.

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 and an automobile allowance.

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

In the event of Mr. Lukenda's termination for cause, he is entitled to his full base salary and other accrued benefits earned up to the date of termination, a pro rata share of his bonus to be received to the date of termination, and all vested deferred compensation. If a bonus has not been determined at the time of termination, the preceding bonus paid shall be utilized to calculate the bonus payable.

The agreement provides that Mr. Lukenda's employment shall automatically terminate upon there being a material diminution of his assigned duties or functions that is made without his written consent, and provided it is not cured within 10 days of Mr. Lukenda's giving notice to Extendicare that the amendments to the conditions of his employment are not acceptable.

In the event of Mr. Lukenda's termination without cause, or due to automatic termination of employment, as described above, Mr. Lukenda is entitled to a lump sum cash payment equivalent to 12 months base salary (during the first year of employment), a maximum bonus of US$500,000, an automobile allowance, club dues and the amount credited as contributions to any of the ERP, DSP or 401(k) programs. For each year of service thereafter, Mr. Lukenda's severance compensation increases by an additional two months to a maximum of 24 months (i.e. 20 months at the end of 2012). The bonus is to be based on the most recently paid annual bonus (which for 2012 was US$250,000). In the event of a change of control, such lump sum cash payment shall automatically become equivalent to 24 months compensation, unless Mr. Lukenda chooses to continue his employment following such change in control. Mr. Lukenda is also entitled to all vested deferred compensation.

Messrs. Harris and Claypool 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 and an automobile allowance to such employees.

In the event of the employee's termination of employment due to death or voluntary termination by the employee, the employee is entitled to his or her full base salary and other accrued benefits earned up to the date of termination, and all vested deferred compensation.

If the employee's employment is terminated for cause, the employee is entitled to his or her full base salary through the date of termination and all vested deferred compensation.

The agreements provide that the employee's employment shall automatically terminate upon (i) the provision of written notice to the employee that his or her work location is being shifted to a location more than a specified distance from the current work location, or (ii) there being a material diminution of the employee's assigned duties and responsibilities, and (iii) the employee advises, in writing within a specified period, that the amendments to the conditions of employment in (i) and/or (ii) above are not acceptable.

If the employee is terminated without cause or his or her employment automatically terminates as a result of the occurrence of either of the events described in the preceding paragraph, the employee is entitled to his or her full base salary owed to the date of termination, severance pay in the amount as described below, a payment in lieu of bonus in an amount equal to a specified percentage of base salary as described below, a bonus on a pro rata basis for the portion of the year in which he or she was employed as described below, an automobile allowance for a period of time as described below, and the amount credited as contributions over a period of time as described below beginning immediately after the date of termination to any of the ERP, DCP, 401(k) or RRSP programs in which the employee was a participant. The employee is also entitled to all vested deferred compensation.

Mr. Harris' employment agreement provides for a lump sum severance payment in the amount of two years of base salary plus US$15,000, payment of a pro rata bonus in the year of termination based on 40% of base salary, payment in lieu of bonus based on 40% of base salary over the severance period, and payment of other benefits as described above, calculated on the basis of 24 months.

Messrs. Gurka and Pearce do not have employment agreements.

Mr. Claypool's employment agreement provides for a lump sum severance payment in the amount of one year of base salary plus US$15,000, payment of a pro rata bonus in the year of termination based on 35% of base salary, payment in lieu of bonus based on 35% of base salary over the severance period, and payment of other benefits as described above, calculated on the basis of 12 months.

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, assuming such termination was effective as of December 31, 2012. No incremental amounts of compensation would be paid in the event of death or voluntary termination or termination for cause, other than for Mr. Lukenda who is entitled to a pro rata share of his bonus to the date of termination for cause. Only Mr. Lukenda is eligible to receive compensation in the event of a change of control. The actual amounts to be paid can only be determined at the time of the individual's separation from us.

Named Executive / Type of Termination (1)	Salary (US$)	Payment in Lieu of Bonus (US$)	Employer Contribution to ERP/DCP/ 401(k) (US$)	Other (US$) (2)	Total (US$)	Total (C$) (3)
T.L. Lukenda						
Termination without cause or automatic termination	1,147,500	250,000	(ERP) 114,750	35,000	1,547,250	1,539,359
Change of control	1,377,000	500,000	(ERP) 137,700	42,000	2,056,700	2,046,211
D.J. Harris						
Termination without cause or automatic termination	675,000	264,000	(ERP) 66,000 (DCP) 33,000 (401(k)) –	19,200	1,057,200	1,051,808
L.W. Claypool						
Termination without cause or automatic termination	300,700	99,995	(ERP) 28,010 (401(k)) –	7,800	436,505	434,279

Notes:

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

(2) These amounts represent auto allowance and club dues.

(3) Compensation paid in United States dollars is reported in U.S. dollars and then translated to Canadian dollars using the U.S./Canadian dollar exchange rate of 0.9949 as at December 31, 2012, that was used in preparing the Company's audited consolidated financial statements for 2012.

COMPENSATION OF DIRECTORS OF EXTENDICARE

Following the completion of the 2012 Conversion on July 1, 2012, the Board of Directors of Extendicare was comprised of the former members of the board of trustees of the REIT (the Company's predecessor). 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), All of the Directors, other than M. Cunningham, who joined the Board of Extendicare in August 2010 and is not yet required to have met this minimum requirement, own more than 10,000 Common Shares. 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 Director Compensation Table set out below includes compensation paid to the Directors in their capacity as trustees of Extendicare REIT for the year ended December 31, 2012, which includes a 10% reduction in the annual retainers, per meeting fees and travel allowance, that was voluntarily taken by the Directors in response to U.S. funding reductions and management's implementation of cost saving measures in 2011.

Name	Retainer/Meeting Fees Earned ($)	Travel Allowance ($)	Common Share Based Awards (1) ($)	All Other Compensation (2) ($)	Total ($)	Minimum Unit Ownership Attained
J.F. Angus	91,800	16,200	18,000	152	126,152	Yes
M. Cunningham	118,900	11,700	18,000	152	148,752	No
H.B. Dean	87,300	9,000	18,000	152	114,452	Yes
S.B. Goldsmith	101,700	18,000	18,000	152	137,852	Yes
B.J. Hutzel	100,800	–	18,000	152	118,952	Yes
M.J.L. Kirby	108,900	14,400	18,000	152	141,452	Yes
A.G. Libin	83,700	9,000	18,000	152	110,852	Yes
J.T. MacQuarrie, Q.C.	128,700	18,900	18,000	152	165,752	Yes
M.A. Rhinelander	180,225	11,700	18,000	152	210,077	Yes
Total	1,002,025	108,900	162,000	1,368	1,274,293	

Notes:

(1) 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%.

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

Components of Directors' Fees for 2012

The cash compensation paid to non-employee Directors of the Company (including compensation paid to the Directors in their capacity as trustees of Extendicare REIT) for the year ended December 31, 2012 was based on the following elements of compensation, prior to taking into account the above noted voluntary 10% reduction in annual retainers, per meeting fees and travel allowance for 2012.

Components of Directors' Fees (1)	2012 ($)
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 at December 31, 2012 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 above 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	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
M. Cunningham	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	Nov. 18, 2010	10,000	9.95	Nov. 18, 2013	–
H.B. Dean	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	May 20, 2010	10,000	8.52	May 20, 2013	–
S.B. Goldsmith	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
B.J. Hutzel	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	May 20, 2010	10,000	8.52	May 20, 2013	–
M.J.L. Kirby	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
A.G. Libin	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
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	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
M.A. Rhinelander	March 15, 2012	10,000	8.11	March 15, 2015	–
	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–

The payout value of the SARs at December 31, 2012, 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 $7.68 at December 31, 2012, plus Accrued Distributions. The payout value at December 31, 2012, 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 $7.68 at December 31, 2012.

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, 2013, was US$615,000, and the fee for the policy that expires on January 31, 2014, is US$660,715.

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 2012 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 2012 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 2012, 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 2012 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 2012 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, 2012.

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 13, 2013. 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 2014 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 comparative financial statements and management's discussion and analysis for its year ended December 31, 2012, as contained in the 2012 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 13, 2013.

Timothy L. Lukenda President and Chief Executive Officer	**Douglas J. Harris** 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 9, 2013 annual meeting of shareholders of the Company has been fixed at 10. Information relating to each of the 10 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 nine of these 10 individuals, including Mr. Rhinelander, are "independent", as determined in accordance with National Instrument 58-101 of the Canadian Securities Administrators (NI 58-101). With respect to Mr. Rhinelander, who retired from the role of President and Chief Executive Officer of Extendicare over six years ago, it is the view of the Board of Directors that a sufficient amount of time has elapsed for Mr. Rhinelander to have distanced himself from the operations of Extendicare and that Mr. Rhinelander does not have any other interests or relationships with Extendicare or any of its subsidiaries, that could reasonably be expected to interfere with the exercise by Mr. Rhinelander of independent judgement. 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 comprised 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 2012 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/investors/governance.

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 2013, holders of common shares of the Company (the "Shareholders") will be participating in the third 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 Real Estate Investment Trust (the "REIT"), the Company's predecessor, held in 2012, approximately 95% of the holders of trust units of the REIT 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 currently has an Audit Committee, a Quality and Compliance Committee, and a Buyback Committee. Copies of each of the committee's mandates may be found on the Company's website at www.extendicare.com/investors/governance.

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 comprised of three members who are all independent directors of Extendicare. The primary objective of the QC Committee is assuring 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 five times during 2012, with full attendance at each meeting.

Buyback Committee

The primary purpose of the Buyback Committee is to consider the advisability of the Company implementing normal course issuer bids for its securities and to execute purchases on behalf of the Company of such securities pursuant to a normal course issuer bid that has been authorized by the Board of Directors, subject to any limitations and any other parameters or restrictions imposed by the Board. The Buyback Committee met once during 2012, with all members present at the meeting.

APPENDIX B

EXTENDICARE INC.

MANDATE OF THE BOARD OF DIRECTORS

The board of directors (the "Board of Directors" or 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/NG 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