EXTENDICARE

REAL ESTATE INVESTMENT TRUST

NOTICE

AND

MANAGEMENT INFORMATION AND PROXY CIRCULAR

FOR THE

ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

OF

EXTENDICARE REAL ESTATE INVESTMENT TRUST

TO BE HELD ON

MAY 8, 2012

TO CONSIDER A PLAN OF ARRANGEMENT PROVIDING FOR THE CONVERSION OF EXTENDICARE REAL ESTATE INVESTMENT TRUST FROM AN INCOME TRUST STRUCTURE TO A CORPORATE STRUCTURE

APRIL 2, 2012

EXTENDICARE

REAL ESTATE INVESTMENT TRUST

April 2, 2012

Dear Unitholders:

You are invited to attend the annual and special meeting (the "**Meeting**") of holders of trust units (the "**Unitholders**") of Extendicare Real Estate Investment Trust (the "**REIT**") to be held on May 8, 2012 at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, commencing at 2:30 p.m. (Toronto time).

At the Meeting, Unitholders will be asked to consider and vote upon the conversion of the REIT from an income trust structure to a corporate structure (the "**Conversion**") under a corporation to be named "Extendicare Inc." ("**New Extendicare**"). The Conversion will be implemented by a plan of arrangement under the *Canada Business Corporations Act* (the "**Arrangement**"). If the special resolution of the Unitholders approving the Arrangement (the "**Arrangement Resolution**") is passed, the Unitholders will be asked to consider and vote upon an ordinary resolution authorizing and approving the adoption of a shareholder rights plan by New Extendicare. The terms of the shareholder rights plan are the same in all material respects as the terms of the unitholder rights plan of the REIT that was approved by the Unitholders at last year's annual and special meeting, with such changes as are necessary to reflect the differences between the capital structure of the REIT and New Extendicare. Unitholders will also be asked to conduct the business that is normally conducted at annual meetings of the REIT, as outlined in the accompanying notice of the Meeting.

The board of trustees of the REIT (the "**Board of Trustees**") believes that the Conversion is in the best interests of the REIT and the Unitholders and recommends that Unitholders vote in favour of the Arrangement Resolution.

In evaluating and approving the Arrangement and in making its determination and recommendation, the Board of Trustees considered, among other things, the following factors and benefits of the Arrangement:

- the Conversion provides Extendicare REIT with an effective and efficient method of converting from an income trust structure to a corporate structure consistent with the rules contained in amendments to the *Income Tax Act* (Canada) (the "**SIFT Amendments**") that were designed to facilitate tax-efficient conversions of income trusts to corporations if completed on or before December 31, 2012 (the "**Termination Date**");
- because a conversion by the REIT from an income trust structure to a corporate structure after the Termination Date would have negative tax consequences to the REIT and/or subsidiaries of the REIT, and in view of the fact that the REIT has been subject to tax at the trust level on distributions of certain income to Unitholders at a rate of tax comparable to the general corporate tax rate since its formation, the Board of Trustees determined (taking into account the advice of counsel) that it would be imprudent for the REIT not to utilize the SIFT Amendments to effect the Conversion before the Termination Date;
- the Conversion will be completed in accordance with the "exchange method" provided by the rules contained in the SIFT Amendments and Unitholders will be able to exchange their REIT Units for common shares of New Extendicare on a tax-deferred basis for Canadian federal income tax purposes;
- the reorganized structure of the REIT as a corporation with share capital will remove the restriction on non-Canadian ownership imposed on income trusts, which may attract new investors, including U.S. and other non-resident investors, and provide a more liquid and attractive market for the common shares of New Extendicare than the market that currently exists for the REIT Units;
- a corporate structure will potentially enhance New Extendicare's access to larger pools of capital;
- New Extendicare will be able to utilize certain provisions of the Tax Act which provide for flexibility in structuring acquisitions on a tax-deferred basis and which will allow New Extendicare to use its shares as currency on acquisitions;
- the Conversion will eliminate the administrative costs and complexities associated with the REIT's income trust structure; and

- the Conversion, in and of itself, will not affect the amount of funds that will be available to New Extendicare to distribute to its shareholders and it is expected that the board of New Extendicare, subject to its discretion, will continue to declare and pay monthly dividends following the Conversion after consideration of the same factors that are currently taken into account by the Board of Trustees, as well as other factors that may be considered to be relevant.

The Board of Trustees also considered the unavailability to taxable Canadian Unitholders of the Canadian income tax deferral associated with distributions made by Extendicare REIT that are "returns of capital", but concluded that the benefits of the Conversion and the consequences of not completing the Conversion by the Termination Date were compelling reasons to approve the Conversion and to recommend that Unitholders vote in favour of the Arrangement Resolution.

Under the Conversion, which is anticipated to be completed on July 1, 2012, Unitholders will exchange their REIT Units for common shares of New Extendicare on the basis of one common share of New Extendicare for each REIT Unit. In addition, New Extendicare will assume all of the obligations of Extendicare REIT in respect of the REIT's outstanding 5.70% convertible unsecured subordinated debentures due June 30, 2014 and 7.25% convertible unsecured subordinated debentures due June 30, 2013 (collectively, the "**Convertible Debentures**"). As a result, following the completion of the Conversion, holders of the Convertible Debentures will be entitled to receive common shares of New Extendicare on the same basis as REIT Units were previously issuable on the conversion thereof.

Following the completion of the Conversion, it is anticipated that the board of directors of New Extendicare will be comprised of the current members of the Board of Trustees and that senior management of New Extendicare will be comprised of the current senior management of the REIT and Extendicare Inc.

Subject to the discretion of the Board of Trustees to determine the amount of and when a distribution is declared and paid by the REIT to Unitholders, the REIT expects to continue to pay a monthly distribution of $0.07 per REIT Unit to the Unitholders of record on the last business day of each month up to and including the month immediately preceding the month in which the Conversion is completed. If the Conversion is approved at the Meeting and completed on July 1, 2012, as anticipated, any distribution in respect of the month of June, 2012 would be the last distribution made by the REIT. After the completion of the Conversion, any distributions made by New Extendicare to its shareholders will be paid as dividends.

The REIT is a specified investment flow-through trust, or SIFT, and since 2007 has been subject to tax in respect of certain income that is distributed to Unitholders at tax rates that are comparable to the general corporate tax rate applicable to Canadian corporations. Therefore, the Conversion itself will not impact the funds available for distribution by New Extendicare to its shareholders. The declaration and payment of dividends will be subject to the discretion of the New Extendicare board of directors (the "**New Extendicare Board**"), as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the Board of Trustees, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the New Extendicare Board. The Board of Trustees currently anticipates that the New Extendicare Board will declare its first monthly dividend in respect of the month of July, 2012.

The Arrangement Resolution must be approved by two-thirds of the votes cast by Unitholders voting in person or by proxy at the Meeting. The Arrangement is also subject to the approval of the Ontario Superior Court of Justice and regulatory approvals, including the approval of the Toronto Stock Exchange.

The accompanying management information and proxy circular provides a detailed description of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisers. If you are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy in accordance with the instructions set out therein so that your REIT Units can be voted at the Meeting.

On behalf of the Board of Trustees, management and the employees of Extendicare, I would like to take this opportunity to thank you for the support that you have shown as unitholders of Extendicare Real Estate Investment Trust.

Yours very truly,

Mel Rhinelander
Chairman

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NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS OF EXTENDICARE REAL ESTATE INVESTMENT TRUST

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the "**Meeting**") of the holders (collectively, the "**Unitholders**") of trust units of Extendicare Real Estate Investment Trust (the "**REIT**") will be held on May 8, 2012, at 2:30 p.m. (Toronto time) at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, for the following purposes:

(a) to consider, pursuant to an interim order of the Ontario Superior Court of Justice dated March 23, 2012 and, if deemed advisable, to pass with or without variation, a special resolution (the "**Arrangement Resolution**") approving a plan of arrangement under section 192 of the *Canada Business Corporations Act* involving the REIT, Extendicare Trust, Extendicare Holding General Partner Inc. ("**Holding GP**"), Extendicare Limited Partnership, 8120404 Canada Inc. ("**ULC**"), Extendicare Inc. ("**EI**"), 8067929 Canada Inc. ("**New Extendicare**") and the Unitholders, providing for the conversion of the REIT from an income trust structure to a corporate structure under New Extendicare, all as more particularly described and set forth in the accompanying management information and proxy circular of the REIT (the "**Information Circular**");

(b) if the Arrangement Resolution is passed, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution authorizing and approving the adoption of a shareholder rights plan by Extendicare Inc., the corporation continuing as a result of the amalgamation of New Extendicare, Holding GP, ULC and EI pursuant to the Arrangement, all as more particularly described and set forth in the accompanying Information Circular;

(c) to receive the consolidated financial statements of the REIT for the year ended December 31, 2011 and the report of the auditors thereon;

(d) to appoint the auditors of the REIT;

(e) to elect trustees of the REIT;

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

(g) 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 Unitholder, you are entitled to attend the Meeting and to cast one vote for each trust unit of the REIT (a "**REIT Unit**") held by you.

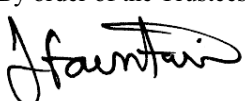
Registered Unitholders who are unable to attend the Meeting in person are requested to date, sign and return the accompanying form of proxy in the envelope provided for that purpose. Proxies to be used at the Meeting must be received by Computershare Trust Company of Canada, Stock Transfer Services, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, no later than 2:30 p.m. (Toronto time) on May 4, 2012, and if the Meeting is adjourned, not less than 24 hours prior to the commencement of the adjourned Meeting. In addition, the proxy forms provide instructions on how to vote by telephone or over the internet.

If you are a non-registered Unitholder, and receive these materials through an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds REIT Units on your behalf or in the name of a clearing agency in which the intermediary is a participant) (each, an "**Intermediary**"), you must follow the instructions provided by the Intermediary with this Information Circular in order to vote your REIT Units. If you are a non-registered Unitholder and do not complete and return the materials in accordance with the Intermediary's instructions, you may lose the right to vote at the Meeting, either in person or by proxy.

If you are a new Unitholder or a non-registered Unitholder who did not elect to receive our 2011 Annual Report, you can view this report on our website at www.extendicare.com. If you wish a hard copy of this report, please contact the Secretary of the REIT at 905-470-5534.

DATED at Markham, Ontario on April 2, 2012.

By order of the Trustees of Extendicare REIT



Jillian E. Fountain
Secretary

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including under "Summary". These defined terms are not always used in the documents incorporated by reference herein and may not conform exactly to the defined terms used in the appendices to this Information Circular or any agreements referred to herein. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

"**1933 Act**" means the United States Securities Act of 1933, as amended;

"**1934 Act**" means the United States Securities Exchange Act of 1934, as amended;

"**2011 Annual Information Form**" means the annual information form of the REIT for the year ended December 31, 2011;

"**2011 Management Discussion and Analysis**" means the management discussion and analysis of financial condition and results of operations of the REIT for the year ended December 31, 2011;

"**2013 Debentures**" means the convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2013, bearing interest at an annual rate of 7.25%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $92,000,000;

"**2014 Debentures**" means the convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2014, bearing interest at an annual rate of 5.70%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $115,000,000;

"**Affiliate**" has the meaning assigned to "affiliated companies" in the Securities Act (Ontario);

"**ALC**" means Assisted Living Concepts, Inc., a corporation existing under the laws of Nevada;

"**Amended DRIP**" means the DRIP, as amended and restated pursuant to the Plan of Arrangement;

"**Arrangement**" means the proposed arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as amended, modified or supplemented;

"**Arrangement Agreement**" means the arrangement agreement made as of the 14th day of March, 2012 between Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare, a copy of which is attached as Appendix E to this Information Circular, as amended, modified or supplemented from time to time in accordance with the terms thereof;

"**Arrangement Resolution**" means the special resolution of the Unitholders approving the Arrangement, the full text of which is set forth in Appendix A to this Information Circular;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;

"**Board**", "**Board of Trustees**" or "**Trustees**" means at any time the individuals who are, in accordance with the REIT Deed of Trust, the trustees of the REIT at such time;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, in the Province of Ontario, for the transaction of banking business;

"**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;

"**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Director pursuant to Section 192(7) of the CBCA giving effect to the Arrangement;

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

"**Common Shares**" means in respect of anytime before the amalgamation of 8067929 Canada Inc., Holding GP, ULC and EI pursuant to the Arrangement, the common shares in the capital of 8067929 Canada Inc., a corporation incorporated by the REIT under the CBCA for the purposes of effecting the Arrangement, and in respect of any time after the amalgamation of 8067929 Canada Inc., Holding GP, ULC and EI pursuant to the Arrangement, the common shares of the corporation continuing as a result of such amalgamation and to be known as "Extendicare Inc.";

"**Conversion**" means the conversion of the REIT from an income trust structure to a corporate structure under New Extendicare;

"**Court**" means the Ontario Superior Court of Justice;

"**CRA**" means the Canada Revenue Agency;

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

"**Debentures**" means, collectively, the 2013 Debentures and the 2014 Debentures;

"**Depositary**" means Computershare Investor Services Inc., or such other Person as may be designated by the REIT;

"**DHHS**" means the U.S. Department of Health and Health Services, a federal agency that regulates and administers health and human service programs in the United States;

"**Director**" means the director appointed under Section 260 of the CBCA;

"**DRIP**" means the distribution reinvestment plan of Extendicare REIT;

"**DRS Advice**" means the documents evidencing electronic registration of ownership of Common Shares under the Direct Registration System adopted by Computershare Trust Company of Canada, the registrar and transfer agent of New Extendicare;

"**ECI**" means Extendicare (Canada) Inc., a corporation incorporated 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;

"**Effective Date**" means the date the Arrangement is effective under the CBCA;

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in writing by New Extendicare;

"**EHI**" means Extendicare Holdings, Inc., a corporation incorporated under the laws of Wisconsin and a subsidiary of Extendicare;

"**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;

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

"**Eligible Institution**" means a Canadian schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP); members of these programs are usually

members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

"**Extendicare**" or "**EI**" means the corporation continuing as a result of the amalgamation of Extendicare Inc. and Extendicare Acquisition Inc. and known as "Extendicare Inc.", pursuant to an arrangement under the CBCA, effective as of 12:01 a.m. on November 10, 2006, which involved the distribution by Extendicare Inc. of shares of ALC to the shareholders of Extendicare Inc. and the conversion of Extendicare Inc. into a real estate investment trust (the REIT or Extendicare REIT) and references to Extendicare or EI in this Information Circular mean Extendicare or EI, alone or together with its subsidiaries, as the context requires;

"**Extendicare LP**" means Extendicare Limited Partnership, a limited partnership formed under the laws of the Province of Ontario and a subsidiary of Extendicare Trust;

"**Extendicare Trust**" means Extendicare Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Trust Deed of Trust and a subsidiary of the REIT;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 192(4) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**First Supplemental Indenture**" means the supplemental indenture dated June 19, 2008 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2013 Debentures;

"**Holder**" has the meaning set forth under the heading "Certain Canadian Federal Income Tax Considerations";

"**Holding GP**" means Extendicare Holding General Partner Inc., a corporation incorporated under the laws of Canada, the general partner of Extendicare LP and a subsidiary of Extendicare Trust;

"**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;

"**Indenture**" means, collectively, the Original Trust Indenture and the First Supplemental Indenture;

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

"**Interim Order**" means an interim order of the Court pursuant to Section 192(4) of the CBCA containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Letter of Transmittal**" means the letter of transmittal sent with the Information Circular to all registered Unitholders;

"**Limited Partnership Agreement**" means the limited partnership agreement dated September 11, 2006, among Holding GP, Extendicare Trust and each Person who, from time to time, becomes or is deemed to become a party thereto;

"**Meeting**" means the annual and special meeting of Unitholders to be held on May 8, 2012, at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, commencing at 2:30 p.m. (Toronto time) and all postponements or adjournments thereof, to consider and vote on the Arrangement Resolution, the Shareholder Rights Plan Resolution and the other matters set out in the Notice of Meeting;

"**Minister of Finance**" means the Minister of Finance (Canada);

"**New Extendicare**" means in respect of any time before the amalgamation of 8067929 Canada Inc., Holding GP, ULC and EI pursuant to the Arrangement, 8067929 Canada Inc., a corporation incorporated by the REIT under the

CBCA for the purposes of effecting the Arrangement, and in respect of any time after the amalgamation of 8067929 Canada Inc., Holding GP, ULC and EI pursuant to the Arrangement, the corporation continuing as a result of such amalgamation and to be known as "Extendicare Inc.";

"**New Extendicare Board**" means the board of directors of New Extendicare;

"**New Extendicare Supplemental Indenture**" means the supplemental indenture to be entered into pursuant to the Indenture and pursuant to which New Extendicare acknowledges, confirms and agrees that New Extendicare is liable for all the covenants and obligations of the REIT under the Indenture in respect of the Debentures;

"**Non-Resident Holder**" has the meaning set forth under the heading "Certain Canadian Federal Income Tax Considerations - Trust Unitholders Not Resident in Canada";

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

"**OIG**" means the Office of the Inspector General, the investigative arm of the DHHS that overseas investigations of alleged violations of Medicare and Medicaid laws and rules;

"**Original Trust Indenture**" means the trust indenture dated June 21, 2007 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2014 Debentures;

"**Parties**" has the meaning set forth under the heading "Background to and Reasons for the Arrangement — Conditions Precedent to the Arrangement";

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

"**Plan of Arrangement**" means the plan of arrangement attached as Exhibit "A" to the Arrangement Agreement, as amended, modified or supplemented from time to time in accordance with the terms thereof;

"**Record Date**" has the meaning set forth under the heading "General Proxy Matters — Record Date and Principal Holders of REIT Units";

"**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 pursuant to the REIT Deed of Trust;

"**REIT Deed of Trust**" means the amended and restated deed of trust dated December 15, 2010, governing the REIT, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

"**REIT Group**" means, collectively, the REIT and its Subsidiaries;

"**REIT Unit**" means a trust unit of the REIT (other than a special voting unit of the REIT) authorized and issued under the REIT Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Resident Holder**" has the meaning set forth under the heading "Certain Canadian Federal Income Tax Considerations - Residents of Canada";

"**Right**" has the meaning set forth under the heading "The Shareholder Rights Plan — Summary of the Shareholder Rights Plan";

"**Shareholder Rights Plan**" means the shareholder rights plan of New Extendicare to be approved at the Meeting;

"**Shareholder Rights Plan Resolution**" means the ordinary resolution in respect of the Shareholder Rights Plan, the full text of which is set forth in Appendix B to this Information Circular;

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

"**SIFT**" means a "SIFT trust" as defined in Section 122.1 of the Tax Act or a "SIFT partnership" as defined in Section 197 of the Tax Act;

"**SIFT Amendments**" has the meaning given to such term under the heading "Summary — Background to and Reasons for the Arrangement — The SIFT Rules and Amendments to the SIFT Rules";

"**SIFT Rules**" has the meaning given to such term under the heading "Summary — Background to and Reasons for the Arrangement — The SIFT Rules and Amendments to the SIFT Rules";

"**Subsidiary**" has the meaning ascribed thereto in Section 1.1 of National Instrument 45-106 - Prospectus and Registration Exemptions, as it exists on the date hereof;

"**Tax Act**" means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, and in either case, as amended;

"**Termination Date**" has the meaning given to such term under the heading "Summary — Background to and Reasons for the Arrangement — The SIFT Rules and Amendments to the SIFT Rules";

"**Trust Deed of Trust**" means the deed of trust dated September 11, 2006, governing Extendicare Trust, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

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

"**UARs**" means unit appreciation rights granted under the UARP;

"**UARP**" means the unit appreciation rights plan of the REIT established in August, 2009;

"**ULC**" means 8120404 Canada Inc., a corporation incorporated under the laws of the Province of Alberta on September 11, 2006 as an unlimited liability corporation and formerly known as "Extendicare ULC", which was continued as a limited liability corporation under the CBCA on February 29, 2012, with the name "8120404 Canada Inc.", in contemplation of the Arrangement, and a subsidiary of Extendicare LP;

"**Unitholder Rights**" means the rights to purchase REIT Units on the terms and subject to the conditions set out in the Unitholder Rights Plan;

"**Unitholder Rights Plan**" means the unitholder rights plan of the REIT dated December 15, 2010 that was approved, ratified and confirmed by Unitholders at the annual and special meeting of Extendicare REIT held on June 7, 2011;

"**Unitholders**" means the holders of REIT Units from time to time;

"**U.S. Holder**" has meaning set forth under the heading "Certain U.S. Federal Income Tax Considerations — Scope of this Summary — U.S. Holders";

"**U.S. Securityholders**" has the meaning set forth under the heading "Background to and Reasons for the Arrangement — Securities Law Matters — United States"; and

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

EXTENDICARE REAL ESTATE INVESTMENT TRUST

MANAGEMENT INFORMATION CIRCULAR

INTRODUCTION

This Information Circular is furnished in connection with the solicitation by or on behalf of the trustees of Extendicare REIT of proxies to be used at the annual and special meeting of Unitholders to be held on May 8, 2012, at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, commencing at 2:30 p.m. (Toronto time), and all postponements and adjournments thereof, for the purpose of transacting the business set forth in the accompanying Notice of Meeting.

No Person has been authorized to give any information or to make any representation in connection with the proposed conversion of the REIT from an income trust structure to a corporate structure pursuant to the Arrangement, or in connection with any of the other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by the REIT, the Board of Trustees or officers and employees of the REIT and its subsidiaries. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile, e-mail or oral communication by the trustees, officers and employees of the REIT and its subsidiaries, at no additional compensation. All costs associated with the solicitation of proxies by the REIT and its subsidiaries will be borne by the REIT and its subsidiaries.

This Information Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or in which the Person making such offer or solicitation is not qualified to do so, or to any Person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Information Circular nor any distribution of the securities referred to in this Information Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Information Circular.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement, a copy of which is attached as Appendix E to this Information Circular, and the Plan of Arrangement, a copy of which is attached as Exhibit "A" to the Arrangement Agreement. **You are urged to read carefully the full text of this Information Circular, the Arrangement Agreement and the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein shall have the meanings set forth under "Glossary of Terms". Information contained in this Information Circular is given as of March 30, 2012, unless otherwise noted.

Forward-Looking Statements

Certain statements contained in this Information Circular and in certain documents incorporated by reference in this Information Circular constitute "forward-looking statements" concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the REIT Group, including its business operations, business strategy and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "project", "plan" or "objective" or other similar expressions or the negative thereof.

Forward-looking statements reflect management's current expectations, beliefs and assumptions and are based on information currently available and the REIT assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. These statements are not representations or guarantees of future performance and are based on estimates and assumptions that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the REIT Group to differ materially from those expressed or implied in the statements. In addition to the assumptions and other factors referred to specifically in connection with these statements, such factors are identified in the REIT's public filings with the Canadian securities regulators and include, but are not limited to, the following: changes in the overall health of the economy and government; changes in the health care industry in general and the long-term care

industry in particular because of political and economic influences; changes in applicable accounting policies, including the adoption of International Financial Reporting Standards; changes in regulations governing the industry and the compliance of the REIT Group with such regulations; changes in government funding levels for health care services; changes in tax laws; resident care and class action litigation, including exposure for punitive damage claims and increased insurance costs, and other claims asserted against the REIT Group; the ability to maintain and increase census levels; changes in competition; changes in demographics and local environment economies; changes in foreign exchange and interest rates; changes in the financial markets that may affect the refinancing of debt; the availability and terms of capital to fund capital expenditures; and the ability to attract and retain qualified personnel.

The information contained in this Information Circular, including the information set forth in this Information Circular under "Risk Factors" and in the documents incorporated by reference herein, identifies additional factors that could affect the actual results, performance or achievements of the REIT Group.

Many other factors could also cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and prospective purchasers are cautioned that the list of factors is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein or in the documents incorporated by reference herein as expected, intended, anticipated, believed, estimated, planned or projected. The forward-looking statements in this Information Circular and in the documents incorporated by reference herein are expressly qualified by this cautionary statement. Given these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements of the REIT.

Non-GAAP Measures

The 2011 Management Discussion and Analysis, which is incorporated by reference herein, makes reference to certain non-GAAP financial measures to assist in assessing the financial performance of the REIT. Non-GAAP financial measures do not have standard meanings prescribed by Canadian GAAP, and are therefore unlikely to be comparable to similar measures presented by other issuers. For information regarding the non-GAAP financial measures used by the REIT, see the 2011 Management Discussion and Analysis, a copy of which is available under the REIT's profile on the SEDAR website at www.sedar.com.

Information for United States Unitholders

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES; NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE REGULATORY AUTHORITY OR COMMISSION PASSED UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

None of the Common Shares to be issued under the Arrangement have been or will be registered under the 1933 Act and the Common Shares are being issued in the United States in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to Unitholders. See "Background to and Reasons for the Arrangement — Securities Law Matters — United States" for additional information.

The solicitation of proxies for the Meeting is not subject to the proxy requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act. Specifically, information concerning the operations of the REIT contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards.

Financial statements and information of the REIT included in, or incorporated by reference in, this Information Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing and auditor independence standards, which differ from United States GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the many of the members of the REIT Group are organized or settled outside the United States, that many of their respective officers and directors or trustees and the experts named herein are residents of a foreign country, and that a substantial portion of the assets of the members of the REIT Group and said persons may be located outside the United States. As a result, it may be difficult or impossible for other Unitholders in the United States to effect service of process within the United States upon, the REIT, any members of the REIT Group, their officers, directors, trustees or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Unitholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. See " Background to and Reasons for the Arrangement — Securities Law Matters — United States".

The 1933 Act may impose restrictions on the resale of securities received pursuant to the Arrangement by Persons who are "affiliates" of New Extendicare after the Arrangement or were "affiliates" of the REIT or New Extendicare within 90 days before the Effective Time. See " Background to and Reasons for the Arrangement — Securities Law Matters — United States" for additional information.

This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in any state in the United States in which such offer or solicitation is unlawful.

References to Currency

Unless otherwise stated, all references in this Information Circular to monetary amounts are expressed in Canadian dollars. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the Board of Trustees for use at the Meeting.

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

Appointment of Proxies

The persons named in the accompanying forms of proxy are officers and/or trustees of the REIT. **A Unitholder has the right to appoint some other Person (who need not be a Unitholder) to represent him or her at the Meeting or at any adjournment thereof. To exercise this right, the Unitholder may strike out the printed names and insert the name of the Unitholder's chosen proxy in the blank space provided in the form of proxy for that purpose or complete another form of proxy.**

To be valid, Unitholders' proxies must be deposited with the REIT'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 4, 2012 or, in the case of any

adjournment, not less than 24 hours prior to the commencement of the adjourned Meeting. In addition, the proxy forms provide instructions on how to vote by telephone or over the internet.

Non-registered Unitholders or Unitholders that hold their REIT Units in the name of a "nominee" such as a bank, trust company, securities broker or other financial institution, must seek instructions from their nominee as to how to complete their form of proxy and vote their REIT Units. Non-registered Unitholders will have received this Information Circular in a mailing from their nominee, together with a form of proxy or voting instruction form. It is important that non-registered Unitholders adhere to the voting instructions provided to them by their nominee. Since the registrar and transfer agent of the REIT, Computershare Trust Company of Canada, does not have a record of the names of the non-registered Unitholders, Computershare Trust Company of Canada will have no knowledge of a non-registered Unitholder's right to vote, unless the nominee has appointed the non-registered Unitholder as proxyholder. Non-registered Unitholders that wish to vote in person at the Meeting must insert their name in the space provided on the form of proxy or voting instruction form, and adhere to the signing and return instructions provided by their nominee. By doing so, non-registered Unitholders are instructing their nominee to appoint them as proxyholder.

Revocation of Proxy

Any Unitholder who has given a proxy may revoke it by preparing a written statement to that effect. The statement must be executed by the Unitholder or by his or her attorney authorized in writing to do so. Non-registered Unitholders who wish to revoke their proxy should contact their nominee well in advance of the Meeting to determine how they can do so. This statement must be delivered either to the Secretary at the head office of the REIT no later than 2:30 p.m. (Toronto time) on May 4, 2012 or to the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Exercise of Discretion by Proxyholders

The REIT Units represented by properly executed proxies appointing officers and/or trustees of the REIT will be voted for or withheld from voting in accordance with the instructions of the Unitholder on the form of proxy. **In the absence of any such instructions, it is intended that proxies appointing officers and/or trustees of the REIT will be voted FOR the Arrangement Resolution, FOR the Shareholder Rights Plan Resolution, FOR the appointment of the REIT's auditors, FOR the election of the 10 nominees to the Board of Trustees and FOR the REIT'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 Trustees 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 judgment, pursuant to the discretionary authority conferred by the forms of proxy with respect to such matters.

Record Date and Principal Holders of REIT Units

The Trustees have fixed March 13, 2012 (the "**Record Date**") for the purpose of determining Unitholders entitled to receive notice of and to vote at the Meeting. Only Unitholders of record at the close of business on the Record Date shall be entitled to vote at the Meeting or any adjournment thereof, except that a Person who has acquired REIT Units subsequent to such date will be entitled to vote such REIT Units, instead of the holder of record on the Record Date, upon making a written request, not later than 10 days preceding the date of the Meeting to the REIT's registrar and transfer agent, Computershare Trust Company of Canada, Attention: Stock Transfer Services, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, to be included on the list of Unitholders entitled to vote at the Meeting, or any adjournment thereof, and establishing ownership of such Units.

As at the close of business on March 30, 2012, there were 84,574,703 REIT Units issued and outstanding.

To the knowledge of the Trustees and the executive officers of the REIT, as of the close of business on March 30, 2012, 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 REIT Units.

SUMMARY

The following is a summary of certain information contained elsewhere in this Information Circular. It is not, and is not intended to be, complete in itself. This is a summary only and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Information Circular and incorporated by reference herein. Unitholders are urged to review carefully this Information Circular, including the Appendices, and the documents incorporated by reference herein in their entirety. Certain capitalized terms used in this Information Circular have the meanings set forth in the "Glossary of Terms".

Business of the Meeting

The Meeting will be held on May 8, 2012, commencing at 2:30 p.m. (Toronto time) at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, for the purpose of transacting the business set forth in the accompanying Notice of Meeting. The business of the Meeting will be to:

(a) consider and, if deemed advisable, pass, with or without variation, the Arrangement Resolution;

(b) if the Arrangement Resolution is passed, consider and, if deemed advisable, pass, with or without variation, the Shareholder Rights Plan Resolution;

(c) to receive the consolidated financial statements of the REIT for the year ended December 31, 2011;

(d) to appoint the auditors of the REIT;

(e) to elect trustees of the REIT;

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

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

As of the date of this Information Circular, the Trustees are not aware of any changes to these items, and do not expect any other items to be brought forward at the Meeting.

Background to and Reasons for the Arrangement

The SIFT Rules and Amendments to the SIFT Rules

On October 31, 2006, the day before Extendicare was initially scheduled to complete its reorganization, which included a conversion by Extendicare into a real estate investment trust (Extendicare REIT), the Minister of Finance announced proposals to amend the Tax Act so that certain publicly-listed mutual fund trusts would be subject to a tax at the trust level on distributions of certain income to unitholders at a rate of tax comparable to the general corporate tax rate (the "**SIFT Rules**"). The SIFT Rules were subsequently enacted by Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007. Because the conversion of Extendicare into a REIT was completed on November 10, 2006, Extendicare REIT has been subject to the SIFT Rules since its formation. Although the Minister of Finance announced that trusts whose units were listed or traded on a public market on October 31, 2006 would have a four-year transition period and generally would not be subject to the new rules until 2011 (subject to certain conditions), these transitional rules did not apply to Extendicare REIT. Furthermore, due to the nature of its income and investments, Extendicare REIT does not qualify for the exemption from the SIFT Rules applicable to "real estate investment trusts" (as defined in the SIFT Rules). As a result, the REIT has been subject to the SIFT tax since January 1, 2007.

In 2008 and 2009, the Minister of Finance released draft amendments to the Tax Act, including certain amendments to the SIFT Rules (the "**SIFT Amendments**"). The SIFT Amendments, which received Royal Assent on March 12, 2009, facilitate the conversion of SIFT trusts into corporations, by providing for an automatic tax-deferred rollover treatment in respect of conversions that are completed on or before December 31, 2012 (the "**Termination Date**").

Under the SIFT Amendments, the conversion of a SIFT trust to a corporation may be effected through the distribution by a SIFT trust of shares of a taxable Canadian corporation to its unitholders (the "distribution method") or by the transfer of units of a SIFT trust to a taxable Canadian corporation in exchange for shares of the taxable Canadian corporation (the "exchange method"), followed by a winding up of the SIFT trust.

Recommendation of the Board

At a meeting held on November 8, 2011, the Board of Trustees unanimously approved the Conversion to be implemented by way of the Arrangement and unanimously determined that the Arrangement is in the best interests of the REIT and its Unitholders and recommends that the Unitholders vote in favour of the Arrangement Resolution.

In evaluating and approving the Arrangement and in making its determination and recommendation, the Board of Trustees relied upon legal, tax and other advice and information received during the course of its deliberations and considered, among other things, the following factors and benefits of the Arrangement:

(a) the Conversion provides Extendicare REIT with an effective and efficient method of converting from an income trust structure to a corporate structure consistent with the rules contained in the SIFT Amendments that were designed to facilitate tax-efficient conversions of income trusts to corporations if completed on or before the Termination Date;

(b) because a conversion by the REIT from an income trust structure to a corporate structure after the Termination Date would have negative tax consequences to the REIT and/or subsidiaries of the REIT, and in view of the fact that the REIT has been subject to the SIFT tax since its formation, the Board of Trustees determined (taking into account the advice of counsel) that it would be imprudent for the REIT not to utilize the SIFT Rules to effect the Conversion before the Termination Date;

(c) the Conversion will be completed in accordance with the "exchange method" provided by the rules contained in the SIFT Amendments and Unitholders will be able to exchange their REIT Units for common shares of New Extendicare on a tax-deferred basis for Canadian federal income tax purposes;

(d) the reorganized structure of the REIT as a corporation with share capital will remove the restriction on non-Canadian ownership imposed on income trusts, which may attract new investors, including U.S. and other non-resident investors, and provide a more liquid and attractive market for the common shares of New Extendicare than the market that currently exists for the REIT Units;

(e) a corporate structure will potentially enhance New Extendicare's access to larger pools of capital;

(f) New Extendicare will be able to utilize certain provisions of the Tax Act which provide for flexibility in structuring acquisitions on a tax-deferred basis and which will allow New Extendicare to use its shares as currency on acquisitions;

(g) the Conversion will eliminate the administrative costs and complexities associated with the REIT's income trust structure; and

(h) the Conversion, in and of itself, will not affect the amount of funds that will be available to New Extendicare to distribute to its shareholders and it is expected that the New Extendicare Board, subject to its discretion, will continue to declare and pay monthly dividends following the Conversion after consideration of the same factors that are currently taken into account by the Board of Trustees, as well as other factors that may be considered to be relevant.

The Board of Trustees also considered the unavailability to taxable Canadian Unitholders of the Canadian income tax deferral associated with distributions made by Extendicare REIT that are "returns of capital", but concluded that the benefits of the Conversion and the consequences of not completing the Conversion by the Termination Date were compelling reasons to approve the Conversion and to recommend that Unitholders vote in favour of the Arrangement Resolution.

See "The Arrangement — Background to and Reasons for the Arrangement" and "The Arrangement — Recommendation of the Board".

General Effect of the Arrangement

If approved, the Arrangement will result in the conversion of the REIT from an income trust structure to a corporate structure under New Extendicare, which will continue the business currently carried on by the REIT Group. For a detailed description of the business of the REIT Group, see "Information Concerning Extendicare REIT — Summary Description of the Business of Extendicare".

Following the completion of the Arrangement, it is anticipated that the board of directors of New Extendicare will be comprised of the current trustees of the REIT, namely: Mel Rhinelander; John F. Angus; Margery O. Cunningham; Governor Howard Dean, MD; Dr. Seth B. Goldsmith; Benjamin J. Hutzel; Michael J. L. Kirby; Alvin G. Libin; Timothy L. Lukenda; and J. Thomas MacQuarrie, Q.C. and that senior management of New Extendicare will be comprised of the current senior management of the REIT and/or EI, namely: Timothy L. Lukenda, President and Chief Executive Officer; Douglas J. Harris, Senior Vice President and Chief Financial Officer; Paul Tuttle, President of Canadian Operations; Elaine Everson, Vice President and Controller and Jillian E. Fountain, Corporate Secretary.

Effect on Unitholders

Pursuant to the Arrangement, the REIT Units held by Unitholders will be transferred to New Extendicare in consideration for Common Shares on the basis of one Common Share for each REIT Unit so transferred. See "Effect of the Arrangement — Effect on Unitholders".

Effect on Holders of Debentures

As part of the Arrangement and pursuant to the successor provisions of the Indenture, New Extendicare will assume all of the covenants and obligations of the REIT under the Indenture. Provided that the Arrangement is completed, the 2013 Debentures and the 2014 Debentures will be convertible into Common Shares (in lieu of REIT Units) on the same terms and conditions as provided in the Original Trust Indenture and First Supplemental Indenture, respectively. See "Background to and Reasons for the Arrangement — Effect of Arrangement — Effect on Holders of Debentures".

Effect on Distributions

Subject to the discretion of the Board of Trustees to determine the amount of and when a distribution is declared and paid by the REIT to Unitholders, the REIT expects to continue to pay a monthly distribution of $0.07 per REIT Unit to the Unitholders of record on the last business day of each month up to and including the month immediately preceding the month in which the Conversion is completed. If the Conversion is approved at the Meeting and completed on July 1, 2012, as anticipated, any distribution in respect of the month of June, 2012 would be the last distribution made by the REIT. After the completion of the Conversion, any distributions made by New Extendicare to its shareholders will be paid as dividends.

The REIT is a specified investment flow-through trust, or SIFT, and since 2007 has been subject to tax in respect of certain income that is distributed to Unitholders at tax rates that are comparable to the general corporate tax rate applicable to Canadian corporations. Therefore, the Conversion itself will not impact the funds available for distribution by New Extendicare to its shareholders. The declaration and payment of dividends will be subject to the discretion of the New Extendicare Board, as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the Board of Trustees, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the New Extendicare Board. The Board of Trustees currently anticipates that the New Extendicare Board will declare its first monthly dividend in respect of the month of July, 2012. See "Background to and Reasons for the Arrangement — Effect of Arrangement — Effect on Distributions".

Effect on DRIP

Under the Arrangement, the DRIP shall be amended and restated such that: (i) holders of Common Shares who are residents of Canada may direct that their cash dividends on their Common Shares be reinvested in additional Common Shares issued from treasury at a price equal to 97% of the average market price, as defined in the Amended DRIP, on the applicable dividend payment date; and (ii) all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and eligible holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by New Extendicare on the Common Shares. See "Background to and Reasons for the Arrangement — Effect of Arrangement — Effect on DRIP".

Post-Arrangement Structure

Immediately following the completion of the Arrangement, the former holders of REIT Units will be the sole holders of Common Shares. See "Background to and Reasons for the Arrangement — Effect of the Arrangement", "The Arrangement — Post Arrangement Structure", "Description of New Extendicare" and Appendix F — "Information Concerning New Extendicare".

Approvals

Unitholder Approval

Pursuant to the Interim Order, the number of votes required to pass the Arrangement Resolution is a special majority of not less than 66⅔% of the votes cast by Unitholders in person or by proxy at the Meeting.

Court Approval

Implementation of the Arrangement requires the satisfaction of several conditions and the approval of the Court. See "The Arrangement — Procedure for the Arrangement Becoming Effective". The application for the Final Order approving the Arrangement is scheduled for Tuesday, May 15, 2012 at 10:00 a.m. (Toronto time), at Toronto, Ontario, or as soon thereafter as counsel may be heard in Toronto, Ontario. The notice of application in respect of the Final Order is attached as Appendix D to this Information Circular. At the hearing, the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court sees fit. The Final Order, if granted, will constitute the basis for an exemption, under section 3(a)(10) of the 1933 Act from the registration requirements under United States securities laws which would otherwise apply to the securities of New Extendicare to be issued to Unitholders pursuant to the Arrangement. If the Final Order is obtained, in form and substance satisfactory to the REIT, acting reasonably, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the REIT expects the Effective Date to be July 1, 2012. See "Background to and Reasons for the Arrangement — Approvals — Court Approval".

Stock Exchange Listing Approvals

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion, redemption or maturity of the Debentures to be assumed by New Extendicare pursuant to the Arrangement) on the TSX under the trading symbol "EXE" and the supplemental listing of the 2014 Debentures and 2013 Debentures on the TSX under the trading symbols "EXE.DB" and "EXE.DB.A", respectively, which approvals are subject to New Extendicare fulfilling the requirements of the TSX. See "Background to and Reasons for the Arrangement — Approvals — Stock Exchange Listing Approvals".

Third Party Approvals

The completion of the Arrangement is also conditional upon the receipt of all necessary third party consents and approvals. See "Background to and Reasons for the Arrangement — Approvals — Third Party Approvals".

Procedure for Exchange of REIT Units

A Letter of Transmittal has been sent with this Information Circular to all registered Unitholders. The Letter of Transmittal contains, among other things, instructions as how Unitholders may obtain a DRS Advice in respect of the Common Shares that Unitholders are entitled to receive pursuant to the Arrangement. In the case of Unitholders whose REIT Units are registered in the name of a broker, dealer, bank, trust company or other nominee, such nominee will assist in arranging for the exchange of REIT Units and completion of the required documentation and such non-registered Unitholders should contact their nominee if they have questions or require assistance in this regard. See "Background to and Reasons for the Arrangement — Procedure for Exchange of REIT Units".

Certain Canadian Federal Income Tax Considerations

On a disposition of REIT Units in exchange for Common Shares pursuant to the Arrangement, a Unitholder whose REIT Units constitute capital property will generally be considered to have disposed of its REIT Units for proceeds of disposition equal to their adjusted cost base. Accordingly, no capital gain or capital loss will be realized and the Unitholder's cost of the Common Shares acquired on the exchange will be equal to the Unitholder's adjusted cost base of the REIT Units so exchanged. Unitholders will not need to file an income tax election in order to achieve this tax deferral.

This Information Circular contains a summary of the principal Canadian federal income tax considerations relevant to resident and non-resident Unitholders relating to the Arrangement and the above comments are qualified in their entirety by reference to such summary. All Unitholders should consult their own tax advisors for advice with respect to their own particular circumstances. See "Certain Canadian Federal Income Tax Considerations".

Certain U.S. Federal Income Tax Considerations

Although there is no direct authority addressing the U.S. federal income tax treatment of a series of transactions like the Arrangement and, therefore, the U.S. federal income tax consequences of the Arrangement to U.S. Holders is not free from doubt, assuming the REIT is treated as a corporation for U.S. federal income tax purposes, the REIT believes the Arrangement will likely qualify as a tax-deferred transaction under Section 351 or Section 368 of the Internal Revenue Code. In accordance with this treatment, U.S. Holders generally will not recognize a gain or loss for U.S. federal income tax purposes on the exchange of REIT Units for Common Shares pursuant to the Arrangement. However, the REIT has not requested or received a ruling or opinion regarding the U.S. federal income tax treatment of the Arrangement. If, contrary to the foregoing, the Arrangement is not treated as a tax-deferred transaction, a U.S. Holder would recognize a gain or loss to the extent that the fair market value of the Common Shares received differs from his or her adjusted tax basis in the REIT Units exchanged.

The foregoing summary is qualified in its entirety by the more detailed discussion of U.S. federal income tax consequences of the Arrangement set forth under the heading "Certain U.S. Federal Income Tax Considerations." In addition, U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership of the Common Shares based on their own particular circumstances.

Information Concerning New Extendicare

New Extendicare was incorporated on February 3, 2012 pursuant to the provisions of the CBCA, for purposes of effecting the Conversion. The principal and head office of New Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2.

New Extendicare will, as a result of the Arrangement, become a reporting issuer in all Canadian provinces on the Effective Date and, accordingly, become subject to the informational reporting requirements under the securities laws of each jurisdiction in which it so becomes a reporting issuer. See "Description of New Extendicare" and Appendix F -"Information Concerning New Extendicare".

Risk Factors Relating to New Extendicare

For a description of certain risk factors in respect of the business of the REIT Group and the industry in which it operates which will continue to apply to New Extendicare after the Effective Date, see "Risk Factors".

New Extendicare's Shareholder Rights Plan

At the Meeting, if the Arrangement Resolution is passed, Unitholders will be asked to consider, and if deemed adviseable, pass the Shareholder Rights Plan Resolution to approve the adoption by New Extendicare of the Shareholder Rights Plan, which will replace the Unitholder Rights Plan. The terms of the Shareholder Rights Plan are substantially the same as the Unitholder Rights Plan, that was approved, ratified and confirmed by Unitholders at the annual meeting of the REIT held on June 7, 2011, with such changes as are necessary to reflect the differences between the capital structure of the REIT and New Extendicare, respectively. The number of votes required to pass the Shareholder Rights Plan Resolution is (i) a majority of the votes cast by Unitholders present in person or represented by proxy at the Meeting, and (ii) a majority of the votes cast by Unitholders present in person or represented by proxy at the Meeting, excluding any votes cast by any Unitholder that, directly or indirectly, on its own or in concert with others, holds or exercises control over more than 20% of the outstanding REIT Units and by associates, affiliates and insiders of any such Unitholder. Management of the REIT is not aware of any Unitholder whose votes would be ineligible to vote on the approval of the Shareholder Rights Plan at the Meeting. See "The Shareholder Rights Plan".

The Board of Trustees recommends that Unitholders vote FOR the ordinary resolution approving the adoption by New Extendicare of the Shareholder Rights Plan.

Other Business of the Meeting

At the Meeting, Unitholders will also be asked to consider and approve a number of matters relating to the REIT that are typically dealt with as regular business at the annual meeting of Unitholders. See "Annual Business of the Meeting".

Management does not know of any matters to be brought before the Meeting other than those set forth in the Notice of Meeting accompanying this Information Circular.

Unitholders are strongly encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of REIT Units and Common Shares.

BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

The SIFT Rules and Amendments to the SIFT Rules

On October 31, 2006, the day before Extendicare was initially scheduled to complete its reorganization, which included a conversion by Extendicare into a real estate investment trust (Extendicare REIT), the Minister of Finance announced proposals to amend the Tax Act so that certain publicly-listed mutual fund trusts would be subject to a tax at the trust level on distributions of certain income to unitholders at a rate of tax comparable to the general corporate tax rate. The SIFT Rules were subsequently enacted by Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007. Because the conversion of Extendicare into a REIT was completed on November 10, 2006, Extendicare REIT has been subject to the SIFT Rules since its formation. Although the Minister of Finance announced that trusts whose units were listed or traded on a public market on October 31, 2006 would have a four-year transition period and generally would not be subject to the new rules until 2011 (subject to certain conditions), these transitional rules did not apply to Extendicare REIT. Furthermore, due to the nature of its income and investments, Extendicare REIT does not qualify for the exemption from the SIFT Rules applicable to "real estate investment trusts" (as defined in the SIFT Rules). As a result, the REIT has been subject to the SIFT tax since January 1, 2007.

In 2008 and 2009, the Minister of Finance released draft amendments to the Tax Act, including certain amendments to the SIFT Rules. The SIFT Amendments, which received Royal Assent on March 12, 2009, facilitate the conversion of SIFT trusts into corporations, by providing for an automatic tax-deferred rollover treatment in respect of conversions that are completed on or before December 31, 2012).

Under the SIFT Amendments, the conversion of a SIFT trust to a corporation may be effected through the distribution by a SIFT trust of shares of a taxable Canadian corporation to its unitholders (the "distribution method") or by the transfer of units of a SIFT trust to a taxable Canadian corporation in exchange for shares of the taxable Canadian corporation (the "exchange method"), followed by a winding up of the SIFT trust.

Recommendation of the Board

At a meeting held on November 8, 2011, the Board of Trustees unanimously approved the Conversion to be implemented by way of the Arrangement and unanimously determined that the Arrangement is in the best interests of the REIT and its Unitholders and recommends that the Unitholders vote in favour of the Arrangement Resolution.

In evaluating and approving the Arrangement and in making its determination and recommendation, the Board of Trustees relied upon legal, tax and other advice and information received during the course of its deliberations and considered, among other things, the following factors and benefits of the Arrangement:

(a) the Conversion provides Extendicare REIT with an effective and efficient method of converting from an income trust structure to a corporate structure consistent with the rules contained in the SIFT Amendments that were designed to facilitate tax-efficient conversions of income trusts to corporations if completed on or before the Termination Date;

(b) because a conversion by the REIT from an income trust structure to a corporate structure after the Termination Date would have negative tax consequences to the REIT and/or subsidiaries of the REIT, and in view of the fact that the REIT has been subject to the SIFT tax since its formation, the Board of Trustees determined (taking into account the advice of counsel) that it would be imprudent for the REIT not to utilize the SIFT Rules to effect the Conversion before the Termination Date;

(c) the Conversion will be completed in accordance with the "exchange method" provided by the rules contained in the SIFT Amendments and Unitholders will be able to exchange their REIT Units for common shares of New Extendicare on a tax-deferred basis for Canadian federal income tax purposes;

(d) the reorganized structure of the REIT as a corporation with share capital will remove the restriction on non-Canadian ownership imposed on income trusts, which may attract new investors, including U.S. and other non-resident investors, and provide a more liquid and attractive market for the common shares of New Extendicare than the market that currently exists for the REIT Units;

(e) a corporate structure will potentially enhance New Extendicare's access to larger pools of capital;

(f) New Extendicare will be able to utilize certain provisions of the Tax Act which provide for flexibility in structuring acquisitions on a tax-deferred basis and which will allow New Extendicare to use its shares as currency on acquisitions;

(g) the Conversion will eliminate the administrative costs and complexities associated with the REIT's income trust structure; and

(h) the Conversion, in and of itself, will not affect the amount of funds that will be available to New Extendicare to distribute to its shareholders and it is expected that the New Extendicare Board, subject to its discretion, will continue to declare and pay monthly dividends following the Conversion after consideration of the same factors that are currently taken into account by the Board of Trustees, as well as other factors that may be considered to be relevant.

The Board of Trustees also considered the unavailability to taxable Canadian Unitholders of the Canadian income tax deferral associated with distributions made by Extendicare REIT that are "returns of capital", but concluded that the benefits of the Conversion and the consequences of not completing the Conversion by the Termination Date were compelling reasons to approve the Conversion and to recommend that Unitholders vote in favour of the Arrangement Resolution.

The foregoing discussion of the factors and potential benefits considered and given weight by the Board of Trustees is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board of Trustees did not assign any relative or specific weight to the factors that were considered, and individual Trustees may have evaluated the various factors summarized above in light of their own knowledge of the business, financial condition, and prospects of the REIT Group and may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Information Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "Risk Factors".

Effect of the Arrangement

General

If approved, the Arrangement will result in the reorganization of the REIT from an income trust structure to a corporate structure under New Extendicare, which will continue the business currently carried on by the REIT Group. Pursuant to the Arrangement, Unitholders will become the shareholders of New Extendicare.

Effect on Unitholders

Pursuant to the Arrangement, the REIT Units held by Unitholders will be transferred to New Extendicare in consideration for Common Shares on the basis of one Common Share for each REIT Unit so transferred.

See also "Background to and Reasons for the Arrangement — Arrangement Steps", "Background to and Reasons for the Arrangement — Procedure for Exchange of REIT Units", "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations".

Effect on Holders of Debentures

As part of the Arrangement and pursuant to the successor provisions of the Indenture, New Extendicare will assume all of the covenants and obligations of the REIT under the Indenture. Provided that the Arrangement is completed, the 2013 Debentures and 2014 Debentures will be convertible into Common Shares (in lieu of REIT Units) on the same terms and conditions as provided in the Original Trust Indenture and the First Supplemental Indenture, respectively.

As a result, holders of the 2013 Debentures and 2014 Debentures who subsequently wish to convert their 2013 Debentures or 2014 Debentures will be entitled to receive 88.1057 Common Shares and 50.251 Common Shares, respectively, for each $1,000 principal amount of 2013 Debentures or 2014 Debentures converted, subject to adjustment in certain events in accordance with the terms of the Indenture. The Debentures are currently listed and posted for trading on the TSX. The TSX has conditionally approved the substitutional listing of the Debentures to be assumed by New Extendicare as part of the Arrangement and the Common Shares issuable on the conversion, redemption or maturity of the Debentures.

The 2013 Debentures and the 2014 Debentures were issued in the form of fully registered global Debentures and are held by, or on behalf of, CDS Clearing and Depositary Services Inc. ("**CDS**"), as custodian for participants (the "**Participants**") in the book-entry system administered by CDS. Investors in the Debentures are not entitled to receive physical certificates representing their interests in the Debentures. Following the completion of the Arrangement, transfers of beneficial ownership in the 2013 Debentures and the 2014 Debentures represented by the global Debentures will continue to be effected only through records maintained by CDS for such global Debentures (with respect to the interests of Participants) and on the records of such Participants (with respect to the interests of persons other than Participants). Indirect holders of the Debentures do not need to take any action in connection with the Arrangement.

Effect on Distributions

Under the Arrangement, Unitholders will receive one Common Share for each REIT Unit held on the Effective Date, which is expected to be on or about July 1, 2012. Subject to the discretion of the Board of Trustees to determine the amount of and when a distribution is declared and paid by the REIT to Unitholders, the REIT expects to continue to pay a monthly distribution of $0.07 per REIT Unit to Unitholders of record on the last business day of each month up to and including the month immediately preceding the month in which the Conversion is completed. If the Conversion is approved at the Meeting and completed on July 1, 2012, as anticipated, any distribution in respect of the month of June, 2012 would be the last distribution made by the REIT. After the completion of the Conversion, any distributions made by New Extendicare to its shareholders will be paid as dividends.

The REIT is a specified investment flow-through trust, or SIFT, and since 2007 has been subject to tax in respect of certain income that is distributed to Unitholders at tax rates that are comparable to the general corporate tax rate applicable to Canadian corporations. Therefore, the Conversion itself will not impact the funds available for distribution by New Extendicare to its shareholders. The declaration and payment of dividends will be subject to the discretion of the New Extendicare Board, as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the Board of Trustees, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the New Extendicare Board. The Board of Trustees currently anticipates that the New Extendicare Board will declare its first monthly dividend in respect of the month of July, 2012.

Any dividends declared and paid on the Common Shares that are designated by New Extendicare as "eligible dividends" for Canadian federal income tax purposes will qualify for the enhanced dividend tax credit. However, there may be limitations on the ability of New Extendicare to designate all or any portion of any dividends as "eligible dividends" and, accordingly, no assurance can be given as to the extent to which any dividends will be designated as "eligible dividends". See "Certain Canadian Federal Income Tax Considerations — Unitholders Resident in Canada — Dividends on Common Shares".

Effect on DRIP

On November 7, 2006, the REIT implemented a DRIP pursuant to which Unitholders, who are residents of Canada, may elect to reinvest their cash distributions in additional REIT Units on each distribution date, at a price equal to 97% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days preceding the corresponding distribution date.

Pursuant to the Arrangement, the DRIP shall be amended and restated such that: (i) holders of Common Shares who are residents of Canada may direct that their cash dividends on their Common Shares be reinvested in additional Common Shares issued from treasury at a price equal to 97% of the average market price, as defined in the Amended DRIP, on the applicable dividend payment date; and (ii) all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and eligible holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by New Extendicare on the Common Shares.

With respect to any distribution of the REIT payable to Unitholders of record on the last day of the month immediately preceding the month in which the Arrangement becomes effective, the REIT's obligation to issue REIT Units under the DRIP in respect of such distribution will be satisfied instead by the issuance of Common Shares by New Extendicare under the Amended DRIP.

Effect on UARP

In August 2009, the REIT established the UARP, a long-term incentive plan for the Trustees and the employees, officers and directors of Extendicare and its subsidiaries. The UARP was established with a view to enhancing the performance of the REIT and to align the interests of the participants with the interests of the Unitholders, as well as to encourage participants in the UARP to remain employees of the REIT and its subsidiaries and to attract new employees.

Pursuant to the Arrangement, the UARP and all outstanding UARs under the UARP, will be amended to replace references to the REIT and the REIT Units to New Extendicare and Common Shares, respectively.

Arrangement Steps

The Plan of Arrangement, a copy of which is attached as Exhibit "A" to the Arrangement Agreement, sets out the transactions that will occur pursuant to the Arrangement. On the Effective Date, each of the events set out below shall occur and shall be deemed to occur at the Effective Time in the order set forth below, without any further act or formality:

Amendment of the REIT Deed of Trust, the Trust Deed of Trust and the Limited Partnership Agreement

(a) the REIT Deed of Trust, the Trust Deed of Trust and the Limited Partnership Agreement shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated by the Plan of Arrangement;

Termination of Unitholders Rights Plan

(b) all of the issued and outstanding Unitholder Rights shall be cancelled without any payment or other consideration to the Unitholders and the Unitholder Rights Plan shall terminate and cease to have any further force and effect;

Exchange of REIT Units for New Extendicare Common Shares

(c) all of the issued and outstanding REIT Units shall be assigned, transferred and conveyed to New Extendicare (free and clear of any encumbrances) in exchange for Common Shares on the basis of one Common Share for each REIT Unit so transferred;

Cancellation of the Initial Common Share of New Extendicare

(d) the one Common Share issued to the REIT in connection with the organization of New Extendicare shall be purchased for cancellation by New Extendicare for $1.00, and shall be cancelled;

Dissolution of Extendicare LP

(e) all of the property of Extendicare LP shall be assigned, transferred and conveyed to Extendicare Trust, as to a 99.99% undivided interest in each such property, and Holding GP, as to a 0.01% undivided interest in each such property, in satisfaction of their respective partnership interests in Extendicare LP, all of the liabilities and obligations of Extendicare LP shall be assumed by Extendicare Trust, as to a 99.99% undivided interest, and Holding GP, as to a 0.01% undivided interest, and Extendicare LP shall be dissolved and thereafter cease to exist;

Dissolution of Extendicare Trust

(f) all of the property of Extendicare Trust (including, for the avoidance of doubt, any property acquired by Extendicare Trust upon the dissolution of Extendicare LP pursuant to Section 3.1(e)) shall be assigned, transferred and conveyed to Extendicare REIT in satisfaction of Extendicare REIT's interest in the Trust Units, Extendicare REIT shall assume all of the liabilities and obligations of Extendicare Trust, and Extendicare Trust shall be dissolved and thereafter cease to exist and the Trust Units shall be cancelled;

Dissolution of the REIT

(g) all of the property of the REIT (including, for the avoidance of doubt, any property acquired by Extendicare REIT upon the dissolution of Extendicare Trust pursuant to Section 3.1(f)) shall be assigned, transferred and conveyed to New Extendicare in satisfaction of New Extendicare's interest in the REIT Units, New Extendicare shall assume all of the liabilities and obligations of

the REIT (including the liabilities and obligations of the REIT in respect of any declared but unpaid distributions on the REIT Units as of the Effective Date and all of the covenants and obligations under the Indenture in respect of the Debentures, including, for the avoidance of doubt, the obligations to pay amounts payable to the holders thereof), and the REIT shall be dissolved and thereafter cease to exist and the REIT Units shall be cancelled;

Amalgamation of New Extendicare, Holding GP, ULC and EI

(h) the stated capital of the Holding GP shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to New Extendicare, the sole shareholder;

(i) the stated capital of the ULC shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to Holding GP and New Extendicare, the shareholders of ULC;

(j) the stated capital of the EI shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to ULC, the sole shareholder of EI;

(k) New Extendicare and Holding GP, ULC and EI, each a subsidiary of New Extendicare, shall be amalgamated and shall continue as one corporation, with the name "Extendicare Inc.", as follows:

(i) no securities shall be issued in connection with the amalgamation (such that the common shares of New Extendicare issued to Unitholders pursuant to step (c) above shall become the common shares of the amalgamated company by virtue of the amalgamation);

(ii) the articles and by-laws of the amalgamated corporation shall be the same as the articles of incorporation and by-laws of New Extendicare;

(iii) the first directors of the amalgamated corporation shall be those persons who are the Trustees on the Effective Date and the first officers of the amalgamated corporation shall be those persons who are the officers of the REIT and/or EI on the Effective Date;

(iv) the property of each of the amalgamating corporations shall continue to be the property of the amalgamated corporation and the amalgamated corporation shall continue to be liable for the obligations of each of the amalgamating corporations (including, for the avoidance of doubt, the liabilities and obligations of the REIT in respect of any declared but unpaid distributions on the REIT Units as of the Effective Date and all of the covenants and obligations of the REIT under the Indenture in respect of the Debentures); and

(v) the first auditors of the amalgamated corporation shall be KPMG LLP;

New Extendicare Amalco Supplemental Indenture

(l) New Extendicare and the Debenture Trustee shall enter into the New Extendicare Supplemental Indenture;

Amended DRIP

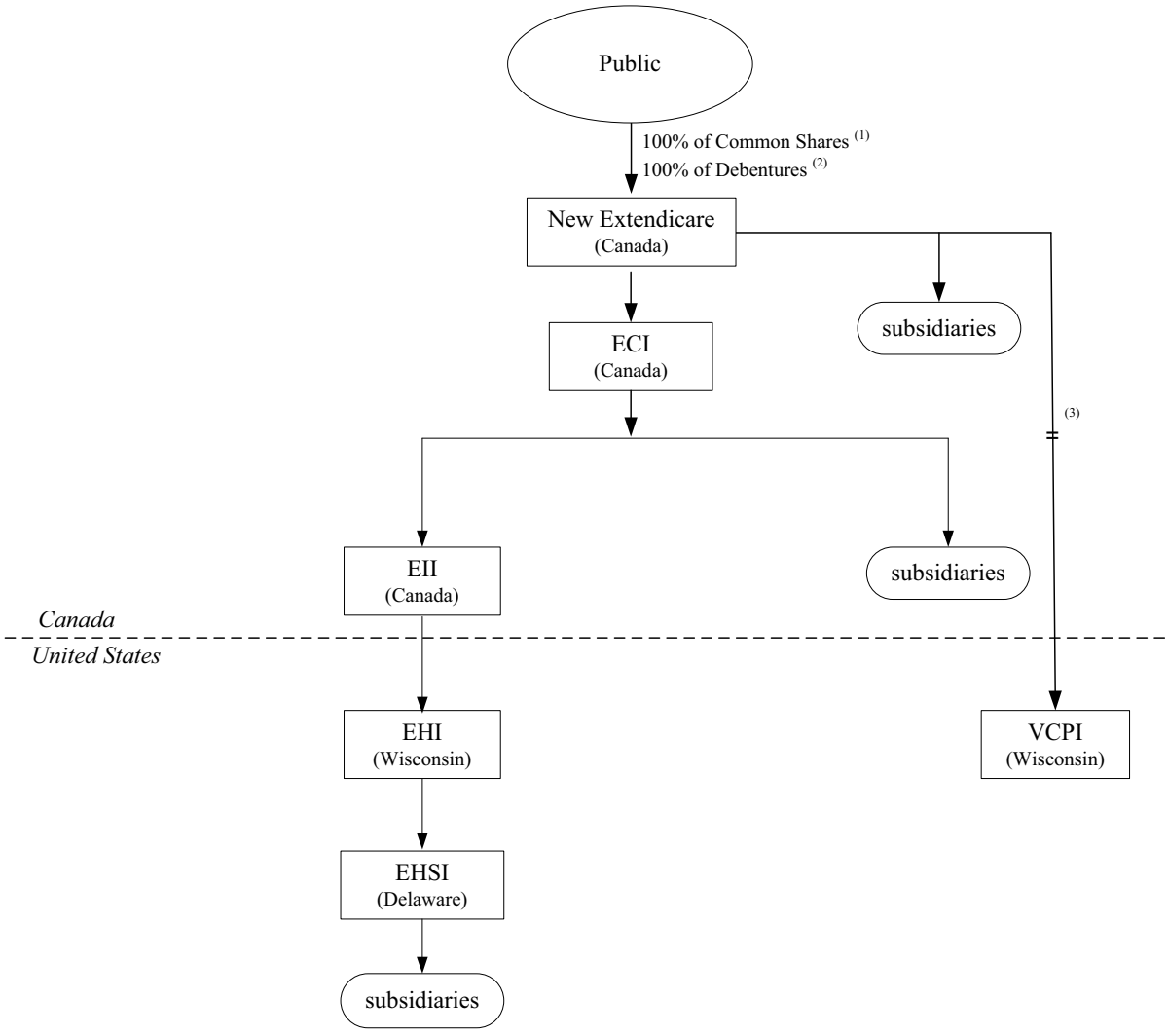
(m) the DRIP shall be amended and restated such that: (i) holders of Common Shares who are residents of Canada may direct that their cash dividends on their Common Shares be reinvested in additional Common Shares issued from treasury at a price equal to 97% of the average market price, as defined in the Amended DRIP, on the applicable dividend payment date; and (ii) all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part, and eligible holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by New Extendicare on the Common Shares; and

Amended UARs and UARP

(n) the outstanding UARs issued under the UARP, the related grant agreements and the UARP shall be amended and restated to replace the references to the REIT and the REIT Units to New Extendicare and Common Shares, respectively.

Post Arrangement Structure

Immediately following the completion of the Arrangement, the former holders of REIT Units will be the sole holders of Common Shares. The following diagram illustrates the organizational structure of New Extendicare immediately following completion of the Arrangement, including the jurisdiction of incorporation of its subsidiaries.



Notes:

(1) As at March 30, 2012, there were 84,574,703 REIT Units issued and outstanding. Under the Conversion, Unitholders will exchange their REIT Units for common shares of New Extendicare on the basis of one common share of New Extendicare for each REIT Unit.

(2) New Extendicare will assume all of the covenants and obligations of Extendicare REIT under the Indenture. As at March 30, 2012, there were $113,930,000 aggregate principal amount of 2014 Debentures and $91,794,000 aggregate principal amount of 2013 Debentures issued and outstanding.

(3) All of the subsidiaries of New Extendicare are wholly owned and "=" indicates the omission of intermediary wholly owned subsidiaries.

Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement, which contains covenants, representations and warranties of and from each of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare, and various conditions precedent. The Arrangement Agreement is attached as Appendix E to this Information Circular and reference is made thereto for the full text thereof.

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective, as more particularly described below:

(a) the Arrangement Resolution must be approved by a special majority of not less than 66⅔% of the votes cast by Unitholders, in person or by proxy, at the Meeting;

(b) the Arrangement must be approved by the Court pursuant to the Final Order (as defined below under the heading "Background and Reasons for the Arrangement — Approvals — Court Approval");

(c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and

(d) the Final Order, the Articles of Arrangement and related documents, in the form prescribed by the CBCA, must be filed with the Director and the Certificate must be issued by the Director.

Approvals

Voting Unitholder Approval

The full text of the Arrangement Resolution is attached as Appendix A to this Information Circular. Pursuant to the Interim Order, the number of votes required to approve the Arrangement Resolution is a special majority of not less than 66⅔% of the votes cast by Unitholders in person or by proxy, at the Meeting.

Notwithstanding that the Arrangement Resolution is duly passed by the Unitholders or that the Final Order is obtained, the Board of Trustees is authorized and empowered, without further notice to, or approval of, the Unitholders: (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement; and (ii) not to proceed with the Arrangement at any time prior to the Arrangement becoming effective.

The Trustees and the directors and senior officers of the REIT Group, who own, directly or indirectly, or exercise control or direction over, approximately 2.2% of the outstanding REIT Units, have indicated that they intend to vote in favour of the Arrangement Resolution.

Court Approval

Interim Order

On March 23, 2012, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. A copy of the Interim Order is attached as Appendix C to this Information Circular.

Final Order

The CBCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Unitholders at the Meeting in the manner required by the Interim Order, Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare will make an application to the Court for a final order (the "Final Order").

The application for the Final Order approving the Arrangement is scheduled for Tuesday, May 15, 2012 at 10:00 a.m. (Toronto time), at Toronto, Ontario, or as soon thereafter as counsel may be heard in Toronto, Ontario. The Notice of Application in respect of the Final Order is attached as Appendix D to this Information Circular. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to

present evidence or argument may do so, subject to filing with the Court and serving upon Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare a notice of intention to appear together with any evidence or materials which such party intends to present to the Court on or before 2:00 p.m. (Toronto time) on Monday, May 15, 2012. **Service of such notice shall be effected by service upon the REIT's legal counsel, Bennett Jones LLP, Suite 3400, 1 First Canadian Place, Toronto, Ontario, M5X 1A4, Attention: Derek J. Bell/Michael J. Paris.**

The Common Shares to be issued pursuant to the Arrangement will not be registered under the 1933 Act in reliance upon the exemption from registration provided by section 3(a)(10) of the 1933 Act. The Final Order, if granted, will constitute the basis for an exemption, under section 3(a)(10) of the 1933 Act from the registration requirements under United States securities laws which would otherwise apply to the Common Shares to be issued to holders of REIT Units pursuant to the Arrangement.

The REIT has been advised by its counsel, Bennett Jones LLP, that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court sees fit. Depending upon the nature of any required amendments, Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare may at any time prior to the Effective Time determine not to proceed with the Arrangement.

Stock Exchange Listing Approvals

It is a condition to completion of the Arrangement that the TSX will have conditionally approved (i) the substitutional listing of the Common Shares to be issued for the REIT Units pursuant to the Arrangement (including the Common Shares issuable upon the conversion, redemption or maturity of the Debentures to be assumed by New Extendicare pursuant to the Arrangement), and (ii) the substitutional listing of the Debentures to be assumed by New Extendicare pursuant to the Arrangement.

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion, redemption or maturity of the 2014 Debentures and the 2013 Debentures to be assumed by New Extendicare pursuant to the Arrangement) on the TSX under the trading symbol "EXE" and the supplemental listing of the 2014 Debentures and the 2013 Debentures on the TSX under the trading symbols "EXE.DB" and "EXE.DB.A", respectively, which approvals are subject to New Extendicare fulfilling the requirements of the TSX.

It is intended that the REIT Units will be delisted from the TSX following the completion of the Arrangement. If the Arrangement is implemented in accordance with the anticipated timing, the Common Shares will begin trading on the TSX on or about July 3, 2012 or as soon as reasonably practicable thereafter. Following the Effective Date, it is also intended that an application be made to the applicable securities regulatory authorities in Canada for an order deeming the REIT to no longer be a "reporting issuer" for the purposes of applicable securities legislation. As a result, the REIT will no longer be subject to the ongoing disclosure and other obligations currently imposed on it under such legislation.

Third Party Approvals

The completion of the Arrangement requires that all requisite consents, orders, approvals and authorizations, if any, be obtained, including regulatory approvals and consents and releases from third parties.

Conditions Precedent to the Arrangement

The respective obligations of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare (the "**Parties**") to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date, of a number of conditions, any of which may be waived by the mutual consent of the Parties without prejudice to their right to rely on any other of such conditions. These conditions include, without limitation:

(a) the Interim Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, not later than April 2, 2012 or such later date as the Parties may agree and shall not have been set aside or modified in a manner unacceptable to the Parties on appeal or otherwise;

(b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;

(c) the Final Order shall have been granted in form and substance satisfactory to the Parties acting reasonably, not later than June 30, 2012 or such later date as the Parties may agree, and the Final Order shall not have been set aside or modified in a manner unacceptable to the Parties acting reasonably, on appeal or otherwise;

(d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Parties acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with Section 192(6) of the CBCA;

(e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

  (i) makes illegal or otherwise directly or indirectly restrains, enjoins, prohibits or materially adversely affects the Arrangement or any other transactions contemplated in the Arrangement Agreement; or

  (ii) results in, or could reasonably be expected to result in, a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement;

(f) all material regulatory consents, exemptions and approvals considered necessary or desirable by the Parties with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, consents, exemptions and approvals from applicable securities regulatory authorities and under the rules or policies of the TSX; and

(g) the approval of the TSX to list:

  (i) the Common Shares to be issued by New Extendicare to Unitholders pursuant to the Arrangement;

  (ii) the Debentures to be assumed by New Extendicare on the Effective Date;

  (iii) the Common Shares issuable by New Extendicare upon the conversion, redemption or maturity of the Debentures; and

  (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP;

  on the TSX on a substitutional listing basis shall have been obtained.

Upon such conditions being satisfied or waived, New Extendicare intends to file a copy of the Final Order and the Articles of Arrangement with the Director under the CBCA, together with such other materials as may be required by the Director, in order to give effect to the Arrangement.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned and the Arrangement Resolution is approved, Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare currently intend to apply for the Final Order approving the Arrangement on Tuesday, May 15, 2012 at 10:00 a.m. (Toronto time). If the Final Order is obtained in form and substance satisfactory to Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare, acting reasonably, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the REIT expects the Effective Date to be July 1, 2012.

The Arrangement will become effective on the Effective Date as provided in the Plan of Arrangement, following the filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director, and issuance by the Director of the corresponding certificate, on the Effective Date as provided in the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement.

The REIT's objective is to have the Effective Date occur on (but no earlier than) July 1, 2012. The Effective Date could be delayed, however, for a number of reasons, including a failure to obtain the Final Order in a timely manner.

Procedure for Exchange of REIT Units

Upon the exchange of REIT Units for Common Shares pursuant to the Arrangement each former holder of REIT Units shall cease to be the holder of REIT Units so exchanged and the name of each such former holder of REIT Units shall be removed from the register of REIT Units and, until validly surrendered, the certificates formerly representing REIT Units held by any such Unitholder shall represent only the right to receive, upon such surrender, a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement and dividends accrued to such former Unitholder in respect of such Common Shares, if any.

The REIT has sent with this Information Circular to each registered Unitholder at the address of such holder as it appears on the register of REIT Units on the Record Date, a Letter of Transmittal and instructions for obtaining delivery of a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement. New Extendicare shall, as soon as practicable following the later of the Effective Date and the delivery to the Depositary for cancellation of certificates representing such holder's REIT Units and the Letter of Transmittal, duly completed in accordance with the instructions contained therein, and such other documents as the Depositary may reasonably require, cause the Depositary to deliver to such holder a DRS Advice evidencing the number of Common Shares which such holder has the right to receive and the certificates so surrendered will forthwith be cancelled. A DRS Advice representing the Common Shares issued to such holder shall be registered in such name(s) and be delivered to such address as such holder may direct in such Letter of Transmittal, or if requested by the former Unitholder in the Letter of Transmittal, made available at the Depositary for pick-up by the former Unitholder, as soon as practicable after receipt by the Depositary of the required documents. **In the case of Unitholders whose REIT Units are registered in the name of a broker, dealer, bank, trust company or other nominee, such nominee will assist in arranging for the exchange of REIT Units and the completion of the required documentation and such non-registered Unitholders should contact their nominee if they have questions or require assistance in this regard.**

Under the CBCA, a securityholder of a corporation is entitled, at the securityholder's option, to obtain a security certificate representing the securities of that corporation held by the securityholder. Accordingly, if a registered Unitholder wishes to obtain a certificate in lieu of a DRS Advice representing the Common Shares to which it is entitled to receive pursuant to the Arrangement, the Unitholder should contact the Depositary at one of the offices specified in the Letter of Transmittal with such a request. A Shareholder can also request a physical share certificate representing the Common Shares by completing the information accompanying the DRS Advice.

Unitholders are advised that use of the mail to transmit certificates representing their REIT Units and the Letter of Transmittal is at each holder's risk. The REIT recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used and that proper insurance be obtained.

All signatures on the Letter of Transmittal and on certificates representing REIT Units must be guaranteed by an Eligible Institution, unless otherwise provided.

A registered Unitholder who has lost or misplaced his, her or its REIT Unit certificate(s) should complete the Letter of Transmittal as fully as possible and forward it, together with an affidavit explaining the loss, to the Depositary. The Depositary will assist in making arrangements for the necessary documentation (which may include a bonding requirement) for a DRS Advice to be issued in accordance with the Arrangement.

Subject to any applicable legislation relating to unclaimed personal property, any certificate formerly representing REIT Units that is not deposited with all other documents as provided in the Plan of Arrangement on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and the right of the former holder of such REIT Units to receive certificates representing Common Shares and/or any cash payments, as the case may be, and shall be deemed to be surrendered to New Extendicare together with all dividends thereon held for such holder.

Expenses of the Arrangement

The estimated costs to be incurred by the REIT with respect to the Arrangement and related matters including, without limitation, accounting and legal fees, and the preparation, printing and mailing of this Information Circular and other related documents and agreements, are expected to aggregate to approximately $1.3 million.

Securities Law Matters

Canada

The Common Shares to be issued under the Arrangement will be issued in reliance on exemptions from prospectus and registration requirements of applicable securities laws of the Provinces of Canada and, following completion of the Arrangement, the Common Shares will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable securities laws of the Provinces of Canada.

United States

Status under U.S. securities laws

New Extendicare is a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act. It is the REIT's intention that the Common Shares will be listed for trading on the TSX following completion of the Arrangement. The REIT does not currently intend to seek a listing for the Common Shares on a stock exchange in the United States. U.S. Securityholders (as hereinafter defined) who receive Common Shares pursuant to the Arrangement will not have access to any information regarding New Extendicare or the Common Shares that is required by applicable federal and state securities laws in the United States but not in Canada.

Issuance and resale of Common Shares under U.S. securities laws

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to holders of Common Shares in the United States ("**U.S. Securityholders**"). All U.S. Securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of Common Shares issued to them under the Arrangement complies with applicable securities legislation.

The following discussion does not address the Canadian securities laws that will apply to the issue of the Common Shares or the resale of Common Shares by U.S. Securityholders within Canada. U.S. Securityholders reselling their Common Shares in Canada must comply with Canadian securities laws, as outlined above.

Exemption from the registration requirements of the 1933 Act

The Common Shares to be issued in the United States pursuant to the Arrangement will not be registered under the 1933 Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the 1933 Act and exemptions provided under the securities laws of each state of the United States in which U.S. Securityholders reside. Section 3(a)(10) of the 1933 Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange have been approved by any court of competent jurisdiction, after a hearing upon the fairness of such terms and conditions of the issuance and exchange, at which all persons to whom it is proposed to issue securities in such exchange have the right to appear and receive timely notice thereof, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, the Final Order will, if granted, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the Common Shares issued in connection with the Arrangement.

Resales of Common Shares within the United States after the completion of the Arrangement

Persons who are not affiliates of New Extendicare after the Arrangement may resell the Common Shares that they receive in connection with the Arrangement in the United States without restriction under the 1933 Act. Common Shares received by a holder who will be an "affiliate" of New Extendicare after the Arrangement may be subject to certain restrictions on resale imposed by the 1933 Act. As defined in Rule 144 under the 1933 Act, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer.

Persons who are affiliates of New Extendicare after the Arrangement may not sell their Common Shares that they receive in connection with the Arrangement in the absence of registration under the 1933 Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the 1933 Act.

Affiliates — Rule 144. In general, under Rule 144, persons who are affiliates of New Extendicare after the Arrangement will be entitled to sell in the United States, during any three-month period, the Common Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about New Extendicare. Persons who are affiliates of New Extendicare after the Arrangement may continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of New Extendicare.

Affiliates — Regulation S. In general, under Regulation S, persons who are affiliates of New Extendicare solely by virtue of their status as an officer or director of New Extendicare may sell their Common Shares outside the United States in an "offshore transaction" (which would include a sale through the TSX, if applicable) if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States. In the case of a sale of Common Shares by an officer or director who is an affiliate of New Extendicare solely by virtue of holding such position, there is an additional requirement that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the Unites States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of Common Shares who is an affiliate of New Extendicare after the Arrangement other than by virtue of his or her status as an officer or director of New Extendicare.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the REIT, the following summary fairly describes, as of the date hereof, the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Unitholder who exchanges REIT Units for Common Shares pursuant to the Arrangement and who, for the purposes of the Tax Act and at all relevant times, holds such REIT Units and Common Shares as capital property, is not affiliated with the REIT or New Extendicare, and deals with the REIT and New Extendicare at arm's length (a "**Holder**"). A REIT Unit or Common Share will generally be capital property to a Unitholder unless it is held in the course of carrying on a business or has been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Unitholder (i) an interest in which is a "tax shelter investment" (as defined in the Tax Act), (ii) that is a "financial institution" for purposes of certain rules applicable to any income, gain or loss arising from a "mark-to-market property" (each as defined in the Tax Act), (iii) that is a "specified

financial institution" (as defined in the Tax Act), or (iv) that has elected to determine its Canadian tax results in a foreign currency pursuant to the functional currency rules contained in the Tax Act. Such Unitholders should consult their own tax advisors with respect to the tax consequences to them associated with the Arrangement.

This summary is based on the provisions of the Tax Act on the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Tax Proposals**"), and counsel's understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the "**CRA**"). This summary assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law or administrative practice, whether by judicial, legislative, governmental or administrative decisions or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

For the purposes of this summary, counsel has assumed that (i) the Arrangement will be completed and become effective in accordance with the provisions of the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement, and (ii) at all relevant times the REIT satisfies all of the factual conditions to be considered a "mutual fund trust" for the purposes of the Tax Act.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations associated with the Arrangement. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser and no representations with respect to the income tax consequences to any particular Unitholder are made. Accordingly, Unitholders should consult their own tax advisors about the tax consequences to them of the Arrangement in their own particular circumstances.

Unitholders Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act and any applicable tax treaty or convention, is or is deemed to be resident in Canada (a "**Resident Holder**").

Exchange of REIT Units for Common Shares

A Resident Holder who disposes of REIT Units to New Extendicare in exchange for Common Shares pursuant to the Arrangement will be deemed to have disposed of each such REIT Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such REIT Unit to the Resident Holder immediately before the disposition, and to have acquired each Common Share received in exchange for a REIT Unit at a cost equal to the "cost amount" to the Resident Holder of such REIT Unit immediately before the disposition. The "cost amount" of a REIT Unit to a Resident Holder will generally be equal to the "adjusted cost base" (as defined in the Tax Act) of the REIT Unit to the Resident Holder. As a consequence, a Resident Holder will neither realize a capital gain nor a capital loss on the disposition of REIT Units to New Extendicare in exchange for Common Shares pursuant to the Arrangement. A Resident Holder will not need to file an income tax election in order to achieve this tax deferral.

The Tax Act provides that to the extent the fair market value of a Common Share immediately following the exchange exceeds the fair market value of a REIT Unit, any such excess is deemed to be a benefit that the exchanging Resident Holder is required to include in income for the taxation year that includes the Effective Date. The REIT intends to take the position that the fair market value of a Common Share at the time of the exchange is equal to the fair market value of a REIT Unit immediately prior to the exchange, however such a determination as to the fair market value of a Common Share and a REIT Unit is not binding on the CRA or a court.

Amalgamation of New Extendicare, Holding GP, ULC and EI

On the amalgamation of New Extendicare, Holding GP, ULC and EI to continue as one corporation with the name "Extendicare Inc." pursuant to the Arrangement, a Resident Holder will, pursuant to the CRA's administrative position, be deemed to have disposed of the Common Shares that are received by such Resident Holder in exchange for REIT Units pursuant to the Arrangement for proceeds of disposition equal to the adjusted cost base of such Common Shares immediately before the amalgamation, and to have reacquired Common Shares of

the amalgamated corporation for a cost equal to such proceeds of disposition. Accordingly, a Resident Holder will neither realize a capital gain nor a capital loss on their Common Shares as a result of the amalgamation.

Dividends on Common Shares

Dividends on Common Shares received or deemed to be received by a Resident Holder who is an individual (other than certain trusts) will be included in the Resident Holder's income and will be subject to the gross-up and dividend tax credit rules under the Tax Act generally applicable to taxable dividends received from taxable Canadian corporations, including an enhanced dividend tax credit to the extent New Extendicare designates a dividend on the Common Shares as an "eligible dividend" in accordance with the Tax Act. No assurance can be given as to the extent to which any dividends will be designated as "eligible dividends". Dividends received or deemed to be received on Common Shares by a Resident Holder that is a corporation will be included in its income and will generally be deductible in computing its taxable income to the extent and in the circumstances provided for in the Tax Act. A Resident Holder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable to pay a 33⅓% refundable tax on dividends received on the Common Shares to the extent such dividends are deductible in computing taxable income.

Dispositions of Common Shares Following Arrangement

A Resident Holder will generally realize a capital gain (or loss) on a disposition or deemed disposition of Common Shares (other than to New Extendicare) to the extent that the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Common Shares to the Resident Holder immediately before the disposition and any reasonable costs of disposition. A Resident Holder's adjusted cost base of a Common Share will be averaged with the cost to the Resident Holder of all other Common Shares held as capital property at that time.

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in computing such Resident Holder's income for that taxation year, while one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year is deductible against any taxable capital gains realized by the Resident Holder in that taxation year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent taxation year, against net taxable capital gains realized in such years, in the circumstances and to the extent permitted under the Tax Act. If the Resident Holder is a corporation, a capital loss realized on the disposition of a Common Share may be reduced by the amount of any dividends received or deemed to be received on such Common Share. Similar rules may apply where a Common Share is owned by a partnership or certain trusts of which a corporation, partnership or trust is a member or beneficiary.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) will be liable for an additional 6 2⁄3% refundable tax on its "aggregate investment income" (as defined in the Tax Act), which includes taxable capital gains.

Alternative Minimum Tax

Resident Holders who are individuals, including certain trusts, may be subject to alternative minimum tax as a consequence of receiving or being deemed to receive dividends on the Common Shares or realizing a capital gain on the disposition or deemed disposition of Common Shares, depending on their circumstances.

Eligibility for Investment

Provided the Common Shares are listed on a designated stock exchange (which includes the TSX), the Common Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan, registered disability savings plan, deferred profit sharing plan or tax-free savings account ("**TFSA**"), all as defined in the Tax Act.

Notwithstanding that the Common Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or annuitant of an RRSP or RRIF, as the case may be, that holds Common Shares will be subject to a penalty tax if the Common Shares constitute a "prohibited investment" (as defined in the Tax Act) for the trust. The Common Shares will not be a "prohibited investment" for a trust governed by a TFSA,

RRSP or RRIF provided the holder of the TFSA or annuitant of the RRSP or RRIF, as the case may be, deals at arm's length with New Extendicare for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in New Extendicare, or in a corporation, partnership or trust with which New Extendicare does not deal at arm's length for purposes of the Tax Act.

Unitholders Not Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act, is neither resident in Canada nor deemed to be resident in Canada (including as a consequence of an applicable tax treaty or convention) and who does not use or hold, and is not deemed to use or hold, the Common Shares in connection with carrying on business in Canada (a "**Non-Resident Holder**"). The following portion of this summary does not apply to a Non-Resident Holder who is an insurer who carries on business in Canada and elsewhere, or to an "authorized foreign bank" (as defined in the Tax Act).

Exchange of REIT Units for Common Shares

A Non-Resident Holder who disposes of REIT Units to New Extendicare in exchange for Common Shares pursuant to the Arrangement will be deemed to have disposed of each such REIT Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such REIT Unit to the Non-Resident Holder immediately before the disposition, and to have acquired each Common Share received in exchange for a REIT Unit at a cost equal to the "cost amount" to the Non-Resident Holder of such REIT Unit immediately before the disposition. The "cost amount" of a REIT Unit to a Non-Resident Holder will generally be equal to the "adjusted cost base" (as defined in the Tax Act) of the REIT Unit to the Non-Resident Holder. As a consequence, a Non-Resident Holder will neither realize a capital gain nor a capital loss on the disposition of REIT Units to New Extendicare in exchange for Common Shares pursuant to the Arrangement. A Non-Resident Holder will not need to file an income tax election in order to achieve this tax deferral.

The Tax Act provides that to the extent the fair market value of a Common Share immediately following the exchange exceeds the fair market value of a REIT Unit, any such excess is deemed to be a dividend received by the exchanging Non-Resident Holder from a corporation resident in Canada and subject to Canadian withholding tax. The REIT intends to take the position that the fair market value of a Common Share at the time of the exchange is equal to the fair market value of a REIT Unit immediately prior to the exchange, however such a determination as to the fair market value of a Common Share and a REIT Unit is not binding on the CRA or a court.

If the REIT Units disposed of by a Non-Resident Holder pursuant to the Arrangement constitute "taxable Canadian property" of the Non-Resident Holder immediately prior to the disposition, the Common Shares received by the Non-Resident Holder in exchange for such REIT Units pursuant to the Arrangement will be deemed to constitute "taxable Canadian property" of the Non-Resident Holder at any time that is within 60 months after the disposition. Provided the REIT Units are listed on a designated stock exchange (which includes the TSX) at the time they are disposed of pursuant to the Arrangement, a REIT Unit will generally not constitute "taxable Canadian property" of a Non-Resident Holder at the time of the disposition unless, at any particular time during the 60-month period immediately preceding the disposition, 25% or more of the REIT Units were owned or belonged to any combination of the Non-Resident Holder and persons with whom the Non-Resident Holder did not deal at arm's length for purposes of the Tax Act and more than 50% of the value of the REIT Unit was derived, directly or indirectly, from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), or (iv) options in respect of, or interests in, or for civil law rights in, any property described in (i) to (iii).

Amalgamation of New Extendicare, Holding GP, ULC and EI

On the amalgamation of New Extendicare, Holding GP, ULC and EI to continue as a corporation with the name "Extendicare Inc." pursuant to the Arrangement, a Non-Resident Holder will, pursuant to the CRA's administrative position, be deemed to have disposed of the Common Shares that are received by such Non-Resident Holder in exchange for REIT Units pursuant to the Arrangement for proceeds of disposition equal to the adjusted cost base of such Common Shares immediately before the amalgamation, and to have reacquired Common Shares of the amalgamated corporation for a cost equal to such proceeds of disposition. Accordingly, a Non-Resident Holder will neither realize a capital gain nor a capital loss on their Common Shares as a result of the amalgamation.

If the Common Shares held by a Non-Resident Holder immediately prior to the amalgamation are "taxable Canadian property" of the Non-Resident Holder (see "Unitholders Not Resident in Canada — Exchange of REIT Units for Common Shares"), such Common Shares will be deemed to constitute "taxable Canadian property" of the Non-Resident Holder at any time that is within 60 months after the amalgamation.

Dividends on Common Shares

Dividends on Common Shares that are paid or credited, or deemed to be paid or credited, to a Non-Resident Holder will be subject to Canadian withholding tax at a rate of 25%, subject to reduction of such rate under an applicable income tax treaty or convention. Under the Canada-United States income tax treaty, the rate of withholding tax on dividends paid by a Canadian corporation to the beneficial owner of such dividends that is a resident of the United States for purposes of the treaty, and who qualifies for the benefits of the treaty, is generally reduced to 15%.

Dispositions of Common Shares Following Arrangement

A Non-Resident Holder will not generally be subject to tax on any capital gain realized on the disposition of a Common Share following the Arrangement unless the Common Share is "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition. Provided the Common Shares are listed on a designated stock exchange (which includes the TSX) at the time of disposition, a Common Share will generally not constitute "taxable Canadian property" of a Non-Resident Holder at the time of disposition unless (A) at any particular time during the 60-month period immediately preceding the disposition, 25% or more of the issued shares of any class of New Extendicare were owned or belonged to any combination of the Non-Resident Holder and persons with whom the Non-Resident Holder did not deal at arm's length for purposes of the Tax Act and more than 50% of the value of the share was derived, directly or indirectly, from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), or (iv) options in respect of, or interests in, or for civil law rights in, any property described in (i) to (iii), or (B) the Common Share is deemed to be "taxable Canadian property" of the Non-Resident Holder under certain provisions of the Tax Act (see "Unitholders Not Resident in Canada — Amalgamation of New Extendicare, Holding GP, ULC and EI").

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Any statement made herein regarding any U.S. federal tax issue is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding penalties. Any such statement herein is written to support the marketing or promotion of the Arrangement. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following, based on advice received from U.S. counsel, is a summary of certain material U.S. federal income tax considerations arising from and relating to the Arrangement. This summary addresses only persons or entities that are "U.S. Holders" (as defined below) who dispose of their REIT Units for Common Shares pursuant to the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences of the Arrangement that may apply to a U.S. Holder and does not address the specific consequences arising from and relating to ownership of the REIT Units or the Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences of the Arrangement to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address U.S. state and local, U.S. federal estate and gift, or foreign tax consequences or the U.S. federal alternative minimum tax. **Each U.S. Holder should consult his, her or its own tax advisor regarding the U.S. federal income, U.S. state and local, and foreign tax consequences arising from and relating to the disposition of Units pursuant to the Arrangement, and the ownership of the Common Shares.**

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service ("**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences arising from and relating to the Arrangement. This summary is not binding on the IRS, and because the authorities on which this summary is based are subject to various interpretations, the IRS or the U.S. courts could disagree with one or more of the positions discussed in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"); U.S. Treasury Regulations (whether final, temporary, or proposed); IRS rulings and official pronouncements; judicial decisions; and the Canada-United States income tax treaty, all as in effect and available, as of the date of this Information Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation (including, but not limited to, changes in rates of taxation) that, if enacted, could be applied at any time, including on a retroactive basis.

U.S. Holders

For purposes of this summary, a "**U.S. Holder**" is an owner of REIT Units that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the U.S., or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

An entity that is classified as a partnership for U.S. federal income tax purposes is neither a U.S. Holder nor a non-U.S. Holder. The U.S. federal income tax treatment of a partnership and its partners depends upon a variety of factors not specifically addressed herein, including the activities of the partnership and the partners. Holders of REIT Units that are partnerships for U.S. federal income tax purposes, and partners in any such partnerships, should consult their own tax advisors concerning the U.S. federal income tax consequences arising from and relating to the exchange of REIT Units pursuant the Arrangement and of owning and disposing of Common Shares. This summary is limited to U.S. Holders who own REIT Units directly and not through an intermediary entity, such as a corporation, partnership, limited liability company or a trust. The U.S. tax consequences of the Arrangement to U.S. Holders of any interest in the REIT other than direct ownership of REIT Units is not discussed herein.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following U.S. Holders: (a) U.S. Holders that are tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own REIT Units as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that hold REIT Units other than as a capital asset within the meaning of Section 1221 of the Code; (g) former U.S. citizens or former long-term residents of the U.S. as defined in Section 877 of the Code; or (h) U.S. Holders that own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding REIT Units of the REIT. **U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the exchange of REIT Units pursuant to the Arrangement and the ownership of Common Shares.**

U.S. Tax Classification of the REIT

The U.S. federal income tax consequences to a U.S. Holder of the disposition of REIT Units pursuant to the Arrangement may depend, in the first instance, on how the REIT is classified for U.S. federal income tax purposes. Treasury Regulations issued under Section 7701 of the Code provide guidance for determining how an entity is classified for United States federal income tax purposes (i.e., as a trust, corporation, partnership, disregarded entity, etc.). These Treasury Regulations list certain non-United States ("foreign") entities that are classified as "per se corporations" for United States federal income tax purposes and also provide the classification rules for certain foreign entities that are not "per se corporations" (referred to as "foreign eligible entities").

An Ontario unincorporated open-ended investment trust like the REIT is not listed as a "per se corporation" in the Treasury Regulations. Therefore, the REIT is a "foreign eligible entity" that may (but is not required to) elect its tax classification for United States federal income tax purposes. A foreign eligible entity that does not elect to be classified as either an "association" (i.e., a corporation) or a partnership is subject to application of the default classification rules set forth in applicable Treasury Regulations. Under the default rules, a foreign eligible entity is generally classified as a corporation if all members have limited liability, or as a partnership if the foreign eligible entity has two or more members and at least one member does not have limited liability.

The REIT has elected to be classified as a corporation for United States federal income tax purposes effective January 1, 2011. Further, even if the default classification rules applied to the REIT, it appears that the REIT likely would be classified as a corporation for U.S. federal income tax purposes under the default rules. The REIT is not obtaining a ruling from the IRS or an opinion of legal counsel on this matter. The remainder of this discussion assumes the REIT is classified as a corporation for United States federal income tax purposes. If the REIT were characterized as a partnership or a trust rather than a corporation for United States federal income tax purposes, the U.S. federal income tax consequences of the Arrangement to U.S. Holders and of owning and disposing of Common Shares could be materially different (and, potentially, materially more adverse) than those described in this summary. A U.S. Holder should consult its own tax advisor concerning the entity classification of the REIT for U.S. federal income tax purposes and the potential U.S. federal income tax consequences if the REIT were classified other than as a corporation for such purposes.

U.S. Federal Income Tax Consequences to U.S. Holders of the Arrangement

Plan of Arrangement

Pursuant to the Arrangement, in a series of transactions, all of the holders (including the U.S. Holders) will exchange their REIT Units for Common Shares on a one REIT Unit to one Common Share exchange ratio. Immediately following the completion of the Arrangement, the former holders of REIT Units will be the sole holders of Common Shares.

While the REIT makes no representations with respect to its status as a Passive Foreign Investment Company (a "**PFIC**") or Controlled Foreign Corporation (a "**CFC**"), this discussion assumes that the REIT has not been a PFIC for any taxable year during which a U.S. Holder held REIT Units, as discussed more fully below in connection with New Extendicare (see "- U.S. Anti-Deferral Regimes - Passive Foreign Investment Company ("PFIC") Regime"), and has not been a CFC for any taxable year during which a U.S. Holder held REIT Units (see " — U.S. Anti-Deferral Regimes - Controlled Foreign Corporation ("CFC") Regime").

Qualification as a Tax-Deferred Transaction

There is no U.S. tax authority that has directly addressed a situation like the Arrangement under similar circumstances. Based on certain assumptions described below, while the Arrangement likely qualifies as a tax-deferred transaction within the meaning of Section 351 or Section 368 of the Code with respect to U.S. Holders, this conclusion is not free from doubt. Qualification as a tax-deferred transaction is not clear and may depend to some extent upon events subsequent to the date of this Information Circular, including events subsequent to the Effective Date, which events cannot be predicted with accuracy. Moreover, this conclusion is based on certain assumptions, including that (i) the REIT is not a CFC on the Effective Date and none of the U.S. Holders are "Section 1248 Shareholders" under the Code and applicable Treasury Regulations; (ii) there will not be any U.S. Holders that own, directly, indirectly, or constructively, 5% or more of the Common Shares immediately after the exchange of REIT Units for Common Shares; and (iii) the REIT has not been a PFIC at any point during a U.S. Holder's ownership of REIT Units. If any of the assumptions on which this conclusion is based are inaccurate, then the treatment of the Arrangement as a tax-deferred transaction may not be possible.

Treatment as a Tax-Deferred Transaction

If the Arrangement qualifies as a tax-deferred transaction under Section 351 or Section 368 of the Code, then the following U.S. federal income tax consequences will result for U.S. Holders:

(a) no gain or loss will be recognized by a U.S. Holder on the exchange of REIT Units for Common Shares pursuant to the Arrangement;

(b) the tax basis of a U.S. Holder in the Common Shares acquired in exchange for REIT Units pursuant to the Arrangement will be equal to such U.S. Holder's tax basis in the REIT Units exchanged;

(c) the holding period of a U.S. Holder with respect to the Common Shares acquired in exchange for REIT Units pursuant to the Arrangement will include such U.S. Holder's holding period for the REIT Units; and

(d) U.S. Holders who exchange REIT Units for Common Shares pursuant to the Arrangement may be required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs, and to retain certain records related to the Arrangement. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the exchange of REIT Units for Common Shares pursuant to the Arrangement.

The IRS could challenge a U.S. Holder's treatment of the Arrangement as a tax-deferred transaction. If this treatment was successfully challenged, then the Arrangement would be treated as a taxable transaction, with the consequences discussed immediately below (including the recognition of any realized gain).

Treatment as a Taxable Transaction

If the Arrangement does not constitute a tax-deferred transaction for U.S. federal income tax purposes, then:

(a) a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between: (i) the fair market value (expressed in U.S. dollars) of the Common Shares received in exchange for REIT Units pursuant to the Arrangement; and (ii) the adjusted tax basis (expressed in U.S. dollars) of such U.S. Holder in the REIT Units exchanged;

(b) the tax basis of a U.S. Holder in the Common Shares received in exchange for REIT Units pursuant to the Arrangement will be equal to the fair market value of such Common Shares on the date of receipt; and

(c) the holding period of a U.S. Holder for the Common Shares received in exchange for REIT Units pursuant to the Arrangement will begin on the day after the date of receipt.

Any gain or loss described in clause (a) immediately above generally would be capital gain or loss (see "Capital Gains and Losses", below).

The Ownership and Disposition of the Shares of New Extendicare

Distributions on Shares of New Extendicare

Subject to the discussion below regarding PFICs, the gross amount of any distribution paid by New Extendicare with respect to the Common Shares generally should be included in the gross income of a U.S. Holder as a dividend to the extent such distribution is paid out of current or accumulated earnings and profits of New Extendicare, as determined under United States federal income tax principles. It is anticipated that New Extendicare will calculate its current earnings and profits to determine the portion of distributions that may be treated as dividends as a result of current earnings and profits and communicate this information to U.S. Holders by January 31st following each calendar year end. New Extendicare is not required to calculate its current or accumulated earnings and profits under United States federal income tax principles and no attempt will be made to calculate accumulated earnings and profits. Consequently, it will generally not be known to New Extendicare, at the time a U.S. Holder receives any distribution that exceeds the U.S. Holder's share of current earnings and profits or thereafter, whether the excess distribution has been paid out of New Extendicare's accumulated earnings and profits or whether any accumulated earnings and profits exist. To the extent that the amount of any distribution exceeds New Extendicare's current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the Common Shares and to the extent that such distribution exceeds the U.S. Holder's adjusted tax basis in the Common Shares, will be taxed as a capital gain (see "Capital Gains and Losses", below). Dividends received by non-corporate U.S. Holders may be subject to United States federal income tax at a lower preferential rate (generally 15%) than other types of ordinary income in tax years beginning on or before December 31, 2012 if certain conditions are met. These conditions include New Extendicare not being classified as a PFIC, it being a "qualified foreign corporation", the U.S. Holder's satisfaction of a holding period requirement, and the U.S. Holder not treating the distribution as "investment

income" for purposes of the investment interest deduction rules. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of an income tax treaty with the United States, if such treaty contains an exchange of information provision and the United States Treasury Department has determined that the treaty is satisfactory for these purposes. The United States Treasury has determined that the Canada-United States income tax treaty meets these requirements, and therefore it is expected that New Extendicare will be eligible for the benefits of such income tax treaty and be a qualified foreign corporation. Whether dividends paid by New Extendicare in fact will constitute "qualified dividends" to any shareholder will depend on that shareholder's specific circumstances, including the shareholder's holding period for the shares on which such dividends are received. The preferential rate for dividends received by non-corporate U.S. Holders is scheduled to expire for tax years beginning on or after January 1, 2013. In the case of U.S. Holders that are corporations, such dividends generally will not be eligible for the dividends received deduction. Recently enacted legislation also requires certain U.S. Holders that are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, dividends for taxable years beginning on or after January 1, 2013. U.S. Holders are advised to consult with their own tax advisors concerning the treatment of distributions paid by New Extendicare in their particular circumstances.

Dispositions of Common Shares

Subject to the PFIC discussion below, gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of Common Shares generally will be subject to United States federal income taxation as a capital gain or loss in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Common Shares and the amount realized on the disposition. (See "Capital Gains and Losses", below.)

Capital Gains and Losses

A capital gain or loss may be realized with respect to a disposition of Common Shares. The amount of the capital gain or loss will be equal to the difference between the U.S. Holder's adjusted tax basis in the Common Shares and the amount realized on the transaction. Subject to the PFIC rules described below, net capital gains (i.e., capital gains in excess of capital losses) recognized by a non-corporate U.S. Holder (including an individual) on capital assets that have been held for more than one year will generally be subject currently to a maximum United States federal income tax rate of 15% (which maximum tax rate is to increase to 20% on January 1, 2013). Any gain that a U.S. Holder recognizes generally will be treated as gain from sources within the United States for purposes of the U.S. foreign tax credit limitation discussed below under "Foreign Tax Credit". Recently enacted legislation also requires certain U.S. Holders that are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, capital gains for taxable years beginning on or after January 1, 2013. Deductions for capital losses are subject to certain limitations.

U.S. Anti-Deferral Regimes - Controlled Foreign Corporation ("CFC") Regime

Generally, a non-U.S. corporation such as New Extendicare is not a CFC unless more than 50% (by vote or value) of its stock is owned by "U.S. Shareholders" (generally, United States owners with 10% or more of the votes of the non-U.S. corporation). This summary assumes that New Extendicare is not a CFC. If New Extendicare is or becomes a CFC, the U.S. federal income tax consequences summarized herein could be materially and adversely different.

U.S. Anti-Deferral Regimes - Passive Foreign Investment Company ("PFIC") Regime

If New Extendicare derives 75% or more of its gross income from certain types of "passive" income, or if the average value during a taxable year of New Extendicare's "passive assets" (generally, assets that generate passive income) is 50% or more of the average value of all assets held by New Extendicare, then the PFIC rules may apply to U.S. Holders. Several "look-through" rules apply in determining PFIC status. For example, if a foreign corporation owns at least 25% by value of the stock of another corporation, such foreign corporation shall be treated as if it (a) held a proportionate share of the assets of such other corporation, and (b) received directly its proportionate share of the income of such other corporation.

If New Extendicare is classified as a PFIC, a U.S. Holder is subject to an increased United States federal income tax liability in respect of gain recognized on the disposition of his, her or its Common Shares of New Extendicare or upon the receipt of certain distributions. An exception to the PFIC rules is available to a U.S. Holder of Common Shares if the U.S. Holder makes a "qualified electing fund" election to be taxed currently on his, her or its pro rata portion of New Extendicare's income and gain (whether or not such income or gain is distributed in the

form of dividends or otherwise), and New Extendicare provides certain annual statements which include the information necessary to determine inclusions and assure compliance with the PFIC rules. As an alternative to the foregoing rules, a U.S. Holder of Common Shares may make a "mark-to-market" election to include in income each year as ordinary income an amount equal to the increase in value of his, her or its Common Shares for that year or to claim a deduction for any decrease in value (but only to the extent of previous mark-to-market gains)

The PFIC rules are very complex. New Extendicare cannot give any assurance as to its status as a PFIC for any year, and offers no opinion or representation of any kind with respect to the PFIC status of New Extendicare. U.S. Holders should consult their own tax advisors with respect to the PFIC issue and its applicability to their particular tax situation.

Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the Arrangement or in connection with the ownership or disposition of the Common Shares may be entitled to either a deduction or a tax credit for such foreign tax paid or withheld, at the option of the U.S. Holder. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income tax on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year.

There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his, her or its worldwide taxable income. This limitation is designed to prevent foreign tax credits from offsetting United States source income. In determining this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process.

In addition, this limitation is calculated separately with respect to specific "baskets" of income. Foreign taxes assigned to a particular class of income generally cannot offset United States tax on income assigned to another class. Unused foreign tax credits can generally be carried back one year and carried forward ten years. U.S. Holders should consult their own tax advisors concerning the ability to utilize foreign tax credits.

Currency Fluctuations

For United States federal income tax purposes, the amount received by a U.S. Holder as payment with respect to a distribution on, or disposition of, Common Shares, if paid in Canadian dollars, will generally be the U.S. dollar value of the payment at the date of the payment, regardless of whether the payment is later converted into U.S. dollars. In such case, the U.S. Holder may recognize ordinary income or loss as a result of currency fluctuations between the date on which the payment is made and the date the payment is converted into U.S. dollars.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting Regarding Specified Foreign Financial Assets

Recently enacted legislation requires an individual U.S. person with an interest in any "specified foreign financial asset" to file a report with the IRS with information relating to the asset and the maximum value thereof for any taxable year in which the aggregate value of all such assets is greater than $50,000 (or such higher dollar amount as prescribed by U.S. Treasury regulations). Specified foreign financial assets include any depository or custodial account held at a foreign financial institution; any debt or equity interest in a foreign financial institution if such interest is not regularly traded on an established securities market; and, if not held at a financial institution, (i) any stock or security issued by a non-United States person, (ii) any financial instrument or contract held for investment where the issuer or counterparty is a non-United States person, and (iii) any interest in an entity which is a non-United States person. Penalties apply to any failure to file a required report. Additionally, in the event a U.S. person holding a specified foreign financial asset does not file the information report relating to disclosure of specified foreign financial assets, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. person for the related tax year will not begin until such information report is filed. U.S. Holders

should consult their own tax advisor as to the possible application to them of this information reporting requirement and related statute of limitations tolling provision with respect to their Common Shares.

Backup Withholding and Information Reporting

Under certain circumstances, a U.S. Holder may be subject to information reporting by the REIT or New Extendicare and backup withholding tax with respect to distributions on, or proceeds arising from the sale or other taxable disposition of REIT Units or Common Shares. Backup withholding may arise if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9); (b) furnishes an incorrect U.S. taxpayer identification number; (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax; or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Holder furnishes required information to the IRS. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder should consult its own U.S. tax advisor regarding the information reporting and backup withholding tax rules.

EXPERTS

Certain legal matters relating to the Arrangement are to be passed upon by Bennett Jones LLP and Foley & Lardner LLP on behalf of the REIT and New Extendicare. As at March 30, 2012, the partners and associates of Bennett Jones LLP beneficially owned, directly or indirectly, less than 1% of the outstanding REIT Units, 2013 Debentures and 2014 Debentures. As at March 21, 2012, the attorneys of Foley & Lardner LLP did not own any REIT Units or Debentures.

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

To the knowledge of the Board of Trustees, except as otherwise set out in the Information Circular, no Trustee or executive officer of the REIT, 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 Trustees or the appointment of auditors. The Trustees and the directors and senior officers of the REIT Group, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 1.9 million REIT Units, representing approximately 2.2% of the outstanding REIT Units.

The Arrangement will not result in any change of control, termination or other payments being made to any directors, trustees, officers or employees of the REIT Group pursuant to employment, change of control or similar agreements.

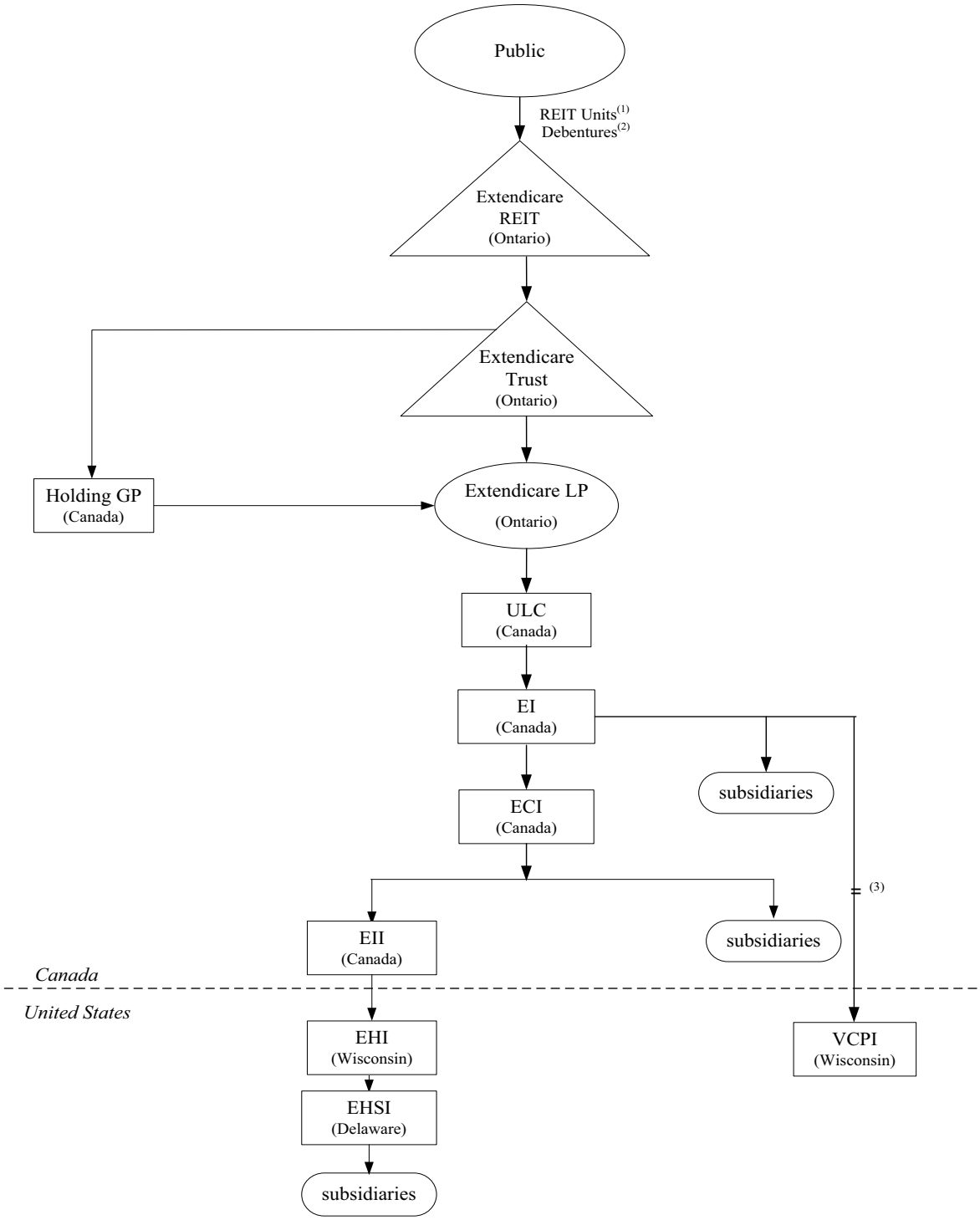
INFORMATION CONCERNING EXTENDICARE REIT

Overview of the REIT

The REIT is an unincorporated, open-ended limited purpose trust established under the laws of Ontario pursuant to the REIT Deed of Trust.

The registered and principal office of the REIT is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2.

The diagram on the following page illustrates the organizational structure of the REIT, including the jurisdiction of establishment or incorporation of certain subsidiaries.



Notes:
(1) As at March 30, 2012, there were 84,574,703 REIT Units issued and outstanding.
(2) As at March 30, 2012, there were $113,930,000 aggregate principal amount of 2014 Debentures and $91,794,000 aggregate principal amount of 2013 Debentures issued and outstanding.
(3) All of the subsidiaries of Extendicare REIT are wholly owned and "=" indicates omission of intermediary wholly owned subsidiaries.

Summary Description of the Business of Extendicare

Extendicare is a major provider of long-term care and related services in North America and, through its subsidiaries, employs 38,100 dedicated individuals and operates 261 senior care centers in the United States and Canada with an operational capacity of 28,107 residents, as at December 31, 2011. Based on the information published in the June 2011 edition of Provider Magazine, which ranked public and private nursing centers operators in the United States by the number of nursing center beds, and based on information available on operators in Canada, Extendicare believes that it is the fifth largest operator of nursing center beds in North America. Extendicare believes that the ownership of senior care centers provides it with greater operational and financial flexibility to meet the changing needs of its residents and the regulatory and funding environment. As at December 31, 2011, Extendicare owned or operated under capital lease arrangements approximately 98% of its 227 owned or leased centers, excluding those under management contracts.

Extendicare's core business is the provision of skilled nursing care and rehabilitative services. In the United States, Extendicare's skilled nursing and rehabilitative care centers provide post-acute skilled nursing care and therapy services with the goal to return individuals back into the community or a lower-cost care setting and, if unattainable, to continue to provide long-term care services. In Canada, the majority of Extendicare's centers focus on long-term care services, however our goal is to expand our provision of post-acute services to equally reduce the health care costs within the Canadian health care system.

For further details relating to the business of Extendicare, see "Description of the Business of Extendicare" in the 2011 Annual Information Form.

Documents Incorporated By Reference

Information in respect of the REIT has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this Information Circular may be, obtained, free of charge, from SEDAR at www.sedar.com or on request from the Secretary of the REIT at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, L3R 9W2, Canada.

The following documents of the REIT are specifically incorporated by reference into and form an integral part of this Information Circular:

(a) the 2011 Annual Information Form;

(b) the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, together with the notes thereto, comprising a summary of significant account policies and other explanatory information, and the auditor's report thereon; and

(c) the 2011 Management Discussion and Analysis.

Any documents of the type required by National Instrument 44-101 — Short Form Prospectus Distributions to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential material change reports), comparative interim financial statements, management's discussion and analysis, business acquisition reports, press releases and information circulars filed by the REIT with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Information Circular and prior to the Effective Date will be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Information Circular or contained in this Information Circular is deemed to be modified or superseded, for purposes of this Information Circular, to the extent that a statement contained in this Information Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Information Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded

statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Prior Sales

The REIT has implemented the DRIP pursuant to which Unitholders who are residents in Canada may elect to reinvest their cash distributions in additional REIT Units on the date of the cash distribution, at a price equal to 97% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the corresponding date of distribution. During the period from February 1, 2011 to March 31, 2012, 1,517,359 REIT Units were issued for consideration of approximately $12.4 million relating to the DRIP.

Trading Price and Volume

A table setting for the monthly price ranges and trading volumes of the REIT Units, the 2014 Debentures and the 2013 Debentures from January 2011 to February 2012 is contained on page 93 of the 2011 Annual Information Form. The following table sets for the monthly price ranges and trading volumes of the REIT Units, the 2014 Debentures and the 2013 Debentures for the month of March 2012.

	REIT Units (TSX: EXE.UN)			2014 Debentures (TSX: EXE.DB)			2013 Debentures (TSX: EXE.DB.A)		
Month	High ($)	Low ($)	Volume Traded	High ($)	Low ($)	Volume Traded	High ($)	Low ($)	Volume Traded
March 2012	8.42	7.41	5,440,743	102.00	100.06	6,100	102.01	101.25	3,720

Legal Proceedings

The REIT Group are defendants in actions brought against them from time to time in connection with their operations. It is not possible to predict the ultimate outcome of the various proceedings at this time or to estimate additional costs that may result. However, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on the consolidated financial position, or results of operations of the REIT. See "Legal Proceedings" in the 2011 Annual Information Form.

Auditor, Transfer Agent and Registrar

The auditors of the REIT are KPMG LLP, Chartered Accountants, located in Toronto, Ontario. KPMG LLP has confirmed that they are independent with respect to the REIT in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

The transfer agent and the registrar for the REIT Units and the Debentures is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

DESCRIPTION OF NEW EXTENDICARE

New Extendicare was incorporated on February 3, 2012 pursuant to the provisions of the CBCA, for purposes of effecting the Conversion. The principal and head office of New Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2.

New Extendicare will, as a result of the Arrangement, become a reporting issuer in all Canadian provinces on the Effective Date and, accordingly, become subject to the informational reporting requirements under the securities laws of each jurisdiction in which it so becomes a reporting issuer.

See Appendix F to this Information Circular for a detailed description of New Extendicare.

RISK FACTORS

Unitholders should carefully consider the risk factors set out below regarding the risks of the Arrangement and the Conversion and consider all other information contained herein and in the REIT's other public filings, including the risk factors described in the 2011 Annual Information Form and the 2011 Management Discussion and Analysis, before determining how to vote on the matters before the Meeting.

Risk Factors Relating to New Extendicare and the Arrangement

Conditions Precedent and Required Regulatory Approvals

The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, some of which are outside the control of the REIT including, without limitation: receipt of the requisite Unitholder approval at the Meeting; the approval of the TSX to list (a) the Common Shares to be issued by New Extendicare to Unitholders, (b) the Debentures to be assumed by New Extendicare and the Common Shares issuable by New Extendicare upon the conversion, redemption or maturity of the Debentures, and (c) the Common Shares to be reserved and authorized for issuance under the Amended DRIP, all on a substitutional listing basis; and the granting of the Final Order by the Court. See "Background to and Reasons for the Arrangement — Approvals" and "Background to and Reasons for the Arrangement — Conditions Precedent to the Arrangement" in this Information Circular. There can be no certainty, nor can the REIT provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Failure to obtain the Final Order on terms acceptable to the Board of Trustees would likely result in the decision being made not to proceed with the Arrangement. If any third party or regulatory consents, exemptions or approvals cannot be obtained on terms satisfactory to the Board of Trustees or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequences of the failure to obtain any such consent, exemption or approval, and accordingly, the benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a regulatory consent, exemption or approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the REIT Units may be adversely affected.

Benefits of the Arrangement

The Arrangement may not result in any or all of the benefits that are expected to be achieved, including, without limitation, providing a more liquid and attractive market for the Common Shares than currently exists for the REIT Units as a result of the removal of the restrictions on non-Canadian ownership imposed on income trusts and providing New Extendicare with access to larger pools of capital. There can be no certainty, nor can the REIT provide any assurance, that any or all of these benefits will be realized.

Other Risk Factors Relating to New Extendicare

The following is a list of certain additional risk factors relating to the activities of New Extendicare and the ownership of the Common Shares following the Effective Date, which Unitholders should carefully consider.

(a) The Conversion itself will not impact the funds available for distribution by New Extendicare to its shareholders. The declaration and payment of dividends will be subject to the discretion of the New Extendicare Board, as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the Board of Trustees, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the New Extendicare Board. The market value of the Common Shares may materially deteriorate if the REIT's current level of distributions is not continued by New Extendicare and that deterioration may be significant.

(b) Just as the REIT could issue an unlimited number of REIT Units, New Extendicare will be able to issue an unlimited number of Common Shares and that number of preferred shares, issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding at the time of the issuance of any series of preferred shares, for consideration and on terms and conditions that the New Extendicare Board may determine without the approval of Shareholders. Shareholders will have no pre-emptive rights in connection with any such further issuances. New Extendicare

may make future acquisition or enter into financings or other transactions involving the issuance of securities of New Extendicare which may be dilutive to the interests of Shareholders.

(c) The REIT Units are currently a component of S&P/TSX Capped REIT Index and other indices and are held by funds and institutions that attempt to track the performance of such indices. The REIT Units will be removed as a component of the S&P/TSX Capped REIT Index. Funds and institutional investors attempting to track the performance of the S&P/TSX Capped REIT Index and any such other indices would likely sell their REIT Units. The change in securityholder base could cause the price of REIT Units and the Common Shares to decline but management believes that any price decline in the REIT Units resulting therefrom would be temporary.

General Risk Factors

Risk factors in respect of the business of the REIT Group and the industry in which it operates will continue to apply to New Extendicare after the Effective Date. See "Risk Factors — Risks Related to the Business of the REIT Group" in the 2011 Annual Information Form and "Risks and Uncertainties" in the 2011 Management Discussion and Analysis.

THE SHAREHOLDER RIGHTS PLAN

Overview

At the Meeting, if the Arrangement Resolution is passed, Unitholders will be asked to consider and, if deemed advisable, pass the Shareholder Rights Plan Resolution to approve the adoption by New Extendicare of the Shareholder Rights Plan. The terms of the Shareholder Rights Plan are the same in all material respects as the terms of the Unitholder Rights Plan, which it will replace, with such changes as are necessary to reflect the differences between the capital structure of the REIT and New Extendicare, respectively.

If the Arrangement Resolution is approved and the Conversion is implemented, the Unitholder Rights Plan will be terminated and the Unitholder Rights will be cancelled as a step in the Arrangement. The approval of the adoption of the Shareholder Rights Plan is, therefore, being sought to provide New Extendicare with a comparable rights plan to the Unitholder Rights Plan.

If the Shareholder Rights Plan Resolution is approved at the Meeting and the Arrangement is completed in accordance with the terms of the Arrangement Agreement, the Shareholder Rights Plan will be implemented on the Effective Date. The following is a brief summary of the Shareholder Rights Plan. The complete text of the Shareholder Rights Plan is available under the REIT's profile on www.sedar.com. The approval of the Shareholder Rights Plan is not being recommended in response to, or in anticipation of, any pending threatened or proposed acquisition or take-over bid that is known to management of the REIT or the Board of Trustees.

Objectives of the Shareholder Rights Plan

The primary objectives of the Shareholder Rights Plan are to ensure, to the extent possible, that in the context of an unsolicited take-over bid for New Extendicare (i) the New Extendicare Board is provided with sufficient time to evaluate the bid and, if appropriate, to pursue value-enhancing alternatives to the bid, (ii) Shareholders are given an equal opportunity to participate in the bid, (iii) Shareholders are given adequate time to properly assess the bid and (iv) the pressure to tender to the bid, that is typically encountered by securityholders of an issuer that is subject to a bid, is alleviated. The Shareholder Rights Plan does not prevent take-over bids or transactions negotiated with New Extendicare and permits the making of a "Permitted Bid" (as described below).

In choosing to ask Unitholders to approve the adoption by New Extendicare of the Shareholder Rights Plan, the Board of Trustees considered the following concerns inherent in securities legislation governing take-over bids in Canada:

(a) **Time**. Current securities legislation permits a take-over bid to expire in 35 days which may not be sufficient time to permit Shareholders to consider a bid and to make a reasoned decision or for the New Extendicare Board to develop value-enhancing alternatives. The Shareholder Rights Plan provides a "Permitted Bid" mechanism whereby the minimum expiry period for a bid must be 60 days after the date of the bid. In addition, the bid must remain open for a further period of 10 business days after the offeror publicly announces that the Common Shares deposited under the

bid constitute more than 50% of the Common Shares outstanding held by "Independent Shareholders" (generally, shareholders other than the offeror or acquiring person, and associates and affiliates and persons acting jointly or in concert with the offeror or acquiring person). Accordingly, the Shareholder Rights Plan is intended to provide Shareholders with adequate time to properly evaluate a take-over bid and to provide the New Extendicare Board with sufficient time to evaluate the bid and, if appropriate, to pursue value-enhancing alternatives to the bid.

(b) **Unequal Treatment of Trust Shareholders**. While current securities legislation has substantially addressed many concerns of unequal treatment of shareholders, there remains the possibility that control of New Extendicare may be acquired pursuant to private agreements under which a small group of Shareholders dispose of their Common Shares at a premium to their market price. In addition, a person may slowly accumulate Common Shares through acquisitions over the TSX, which may result, over time, in an acquisition of control of New Extendicare without payment of fair value for control or a fair sharing of a control premium among all Shareholders. The Shareholder Rights Plan addresses these concerns by applying to essentially all acquisitions of more than 20% of the outstanding Common Shares.

(c) **Pressure to Tender**. A Shareholder may feel compelled to tender to an inadequate bid for New Extendicare if the Shareholder is concerned about being left in a minority position with discounted Common Shares. This is particularly so in the case of a partial bid for less than all of the outstanding Common Shares, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. The Shareholder Rights Plan permits partial bids. The Shareholder Rights Plan provides a Shareholder approval mechanism through the "Permitted Bid" mechanism that is intended to ensure a Shareholder can separate his or her decision to tender to the bid from the approval or disapproval of a particular bid. By requiring that a bid remain open for acceptance for a further 10 business days following public announcement that more than 50% of the Common Shares held by Independent Shareholders (as hereinafter defined) have been deposited under the bid, a Shareholder's decision to accept a bid is separated from his or her decision to tender. Shareholders who are not inclined to keep their Common Shares if New Extendicare will be controlled by the acquiror may want to wait and see if the acquiror achieves the more than 50% tender level at the time the Common Shares are first taken up by the acquiror and then subsequently tender their Common Share to exit their investment with assurance that their tender to the bid will be accepted and that they will receive the same consideration. Thus, in the case of a Permitted Bid, Shareholders are given a free choice to decide whether the consideration offered is adequate and properly reflective of a control premium.

Summary of the Shareholder Rights Plan

The following is a summary of the principal provisions of the Shareholder Rights Plan.

Issue of Rights

On the Effective Date, one right (a "**Right**") will be issued and attached to each outstanding Common Share. One Right will also attach to each subsequently issued Common Share. The initial exercise price of each Right is $100, subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Common Shares to which they are attached (the "**Separation Time**") and will become exercisable at the close of business on the 10th trading day after the earlier of (i) the first date of public announcement by New Extendicare or an Acquiring Person (as hereinafter defined) of facts indicating that a person has become an Acquiring Person (the "**Common Share Acquisition Date**"), and (ii) the date of the commencement of, or first public announcement of, the intent of any person (other than New Extendicare or any subsidiary of New Extendicare) to commence, a take-over bid (other than a Permitted Bid or Competing Permitted Bid (as described below)), or two days following the date on which a Permitted Bid ceases to qualify as such, or, in either case, such later date as may be determined by the New Extendicare Board.

The acquisition by a person (an "**Acquiring Person**"), including persons acting in concert with the Acquiring Person, of 20% or more of the outstanding Common Shares, other than by way of a Permitted Bid in certain circumstances, constitutes a "Flip-in Event" under the Shareholder Rights Plan. Any Rights held by an

Acquiring Person on or after the earlier of the Separation Time or the Common Share Acquisition Date, will become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase Common Shares at a substantial discount to the market price. For example, Common Shares with a total market value of $200 may be purchased for $100 (i.e., at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Common Shares, reported earnings per Common Share on a diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event and the Acquiring Person will suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, certificates representing the Common Shares will also evidence one Right for each Common Share represented thereby and shall have a legend imprinted thereon and the Rights will not be transferable separately from the attached Common Shares. From and after the Separation Time, the Rights will be evidenced by rights certificates, which will be transferable and will trade separately from the Common Shares.

Permitted Bid Requirements

The Shareholder Rights Plan utilizes the mechanism of a "**Permitted Bid**" to ensure that a person seeking control of New Extendicare through an unsolicited take-over bid gives Shareholders and the New Extendicare Board sufficient time to evaluate the bid and, if appropriate, to pursue value-enhancing alternatives. The Shareholder Rights Plan is designed to make it impracticable for any person to acquire more than 20% of the outstanding Common Shares without the approval of the New Extendicare Board except pursuant to the Permitted Bid procedures.

The requirements of a Permitted Bid under the Shareholder Rights Plan include the following:

(a) the take-over bid must be made by way of a take-over bid circular;

(b) the take-over bid must be made to all Shareholders (other than the bidder);

(c) the take-over bid must contain an offer made to all Shareholders (other than the bidder) to acquire Common Shares on the same terms;

(d) the take-over bid must not permit Common Shares tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days from the date of the take-over bid and then only if at such time more than 50% of the aggregate number of then outstanding Common Shares held by Shareholders other than the bidder, its affiliates and Persons acting jointly or in concert with the bidder (the "**Independent Shareholders**") have been tendered pursuant to the take-over bid and not withdrawn; and

(e) if more than 50% of the aggregate number of then outstanding Common Shares held by Independent Shareholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common Shares for an additional 10 business days from the date of such public announcement.

The Shareholder Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days, it may expire on the same date as the Permitted Bid.

Waiver and Redemption

The New Extendicare Board may, prior to a Flip-in Event, and in certain circumstances without the approval of Shareholders, waive the dilutive effects of the Shareholder Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, and in certain circumstances without the approval of the Rights holders, the trustees may redeem all, but not less than all, the outstanding Rights at a price of $0.000001 each.

Waiver of Inadvertent Flip-in Event

The New Extendicare Board may, prior to the close of business on the 10th trading day after the directors have determined that a person has become an Acquiring Person, waive the application of the Shareholder Rights Plan to an inadvertent Flip-in Event, on the condition that such person reduces its beneficial ownership of Common Shares such that it is not an Acquiring Person within fourteen days after such determination has been made by the directors.

Portfolio Managers

The Shareholder Rights Plan includes provisions relating to portfolio managers that are designed to prevent the occurrence of a Flip-in Event solely by virtue of their customary activities, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid for New Extendicare either alone or jointly with others.

Supplements and Amendments

The New Extendicare Board may make amendments to the Shareholder Rights Plan to correct any clerical or typographical error or to maintain the validity of the Shareholder Rights Plan as a result of changes in law or regulation.

Shareholder Rights

Until a Right is exercised, the holder thereof, as such, will have no rights as a Shareholder.

Term and Shareholder Approval

The Shareholder Rights Plan must be reconfirmed at the annual meeting of New Extendicare to be held in 2015 and at every third annual meeting of New Extendicare thereafter. The Shareholder Rights Plan will terminate in accordance with its terms on the ninth anniversary of the Effective Date.

Approval of the Shareholder Rights Plan

The TSX has accepted notice for filing of the Shareholder Rights Plan subject to certain conditions being satisfied, including the condition that the Shareholder Rights Plan be approved by: (i) a majority of the votes cast by Unitholders present in person or represented by proxy at the Meeting; and (ii) a majority of the votes cast by Unitholders present in person or represented by proxy at the Meeting, excluding any votes cast by any Unitholder that, directly or indirectly, on its own or in concert with others, holds or exercises control over more than 20% of the outstanding REIT Units and by the associates, affiliates and insiders of any such Unitholder. Management of the REIT is not aware of any Unitholder whose votes would be ineligible to vote on the confirmation of the Shareholder Rights Plan at the Meeting.

The Board of Trustees recommends that Unitholders vote FOR the ordinary resolution approving the adoption by New Extendicare of the Shareholder Rights Plan.

ANNUAL BUSINESS OF THE MEETING

The Meeting will be constituted as an annual meeting as well as a special meeting. As part of the annual business set out in the Notice of Meeting, the consolidated financial statements of the REIT for the year ended December 31, 2011 and the report of the auditors thereon will be placed before the Unitholders by the REIT and the Unitholders will be asked to: (i) appoint the auditors of the REIT; (ii) elect trustees of the REIT; (iii) approve an advisory (non-binding) resolution to accept the REIT'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.

APPOINTMENT OF AUDITORS

With the recommendation of the Audit Committee, the REIT Units 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 REIT to hold office until the next annual meeting of the REIT to be held in 2013, unless authority to vote in respect of the appointment of auditors is withheld in the form of proxy. If the Arrangement Resolution is passed, KPMG LLP will be the auditors of New Extendicare and will hold office with the first annual meeting of New Extendicare to be held in 2013.

ELECTION OF TRUSTEES

The REIT Deed of Trust provides that the REIT will have a minimum of three Trustees and a maximum of twenty Trustees, with the number of Trustees from time to time within such range being fixed by resolution of the Trustees. The Board of Trustees presently consists of 10 Trustees, all of whom are nominees for election at the Meeting. Pursuant to a resolution of the Trustees, the number of Trustees to be elected at the Meeting has been fixed at 10.

Unless otherwise directed, the persons named in the accompanying form of proxy intend to vote for the election, as Trustees, of the 10 nominees whose names are set forth below. Each Trustee will hold office for a term expiring at the close of the next annual meeting of Unitholders, unless his or her office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Trustees do not contemplate that any of the nominees will be unable to serve as a Trustee. If, for any reason, any of the nominees is unable to serve as a Trustee, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their sole discretion.

The Board of Trustees met seven times during 2011, at which attendance averaged 99%. The board of directors of Extendicare met 14 times during 2011, at which attendance averaged 99%.

The following table sets forth information for each of the 10 nominees proposed for election as Trustees of the REIT, and includes the following: name; province or state and country of residence; principal occupation during the past five years; the number of REIT Units beneficially owned or over which control or direction, directly or indirectly, is exercised by the nominee; the market value of such units based on the TSX closing price of the REIT Units at March 30, 2012 of $7.90; the date they became a director of Extendicare; and their attendance record at board meetings of the REIT and Extendicare during 2011.

If elected to the Board of Trustees, the individuals set forth below, other than Mr. Lukenda, will be independent Trustees. Each of the individuals set forth below will also be nominated for election, or appointed, as directors of Extendicare.

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

Trustees nominated to serve until the next Annual Meeting of Unitholders in 2013:

MEL RHINELANDER [(2)]
Ontario, Canada
Chairman of the Board of Trustees
Director since: May 2, 2000
REIT Units: 47,850; $378,015
Board meetings attended:
REIT: 7/7; **Extendicare:** 14/14

Mr. Rhinelander was appointed Chairman of the REIT and Extendicare effective December 17, 2008, prior to which he served as Vice Chairman of the REIT and Extendicare 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.

Trustees nominated to serve until the next Annual Meeting of Unitholders in 2013:	
JOHN F. ANGUS [(1)] Quebec, Canada **Director since:** Dec. 14, 2006 **REIT Units:** 10,000; $79,000 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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 Chairman of Sheltered Oaks Resources Corp. (a public Canadian-based junior mining and exploration company), 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 **REIT Units:** nil **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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 **REIT Units:** 14,000; $110,600 **Board meetings attended:** **REIT:** 6/7; **Extendicare:** 13/14	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 **REIT Units:** 50,000; $395,000 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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 **REIT Units:** 550,000; $4,345,000 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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).
MICHAEL J.L. KIRBY [(3) (4)] Ontario, Canada **Director since:** March 11, 1987 **REIT Units:** 12,000; $94,800 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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.

Trustees nominated to serve until the next Annual Meeting of Unitholders in 2013:	
ALVIN G. LIBIN [2] [3] Alberta, Canada **Director since:** January 20, 1984 **REIT Units:** 880,000; $6,952,000 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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, and past Chairman of the Alberta Ingenuity Fund.
TIMOTHY L. LUKENDA Wisconsin, United States **Director since:** May 8, 2008 **REIT Units:** 120,000; $948,000 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	Mr. Lukenda was appointed President and Chief Executive Officer of the REIT and Extendicare effective April 7, 2008. Mr. Lukenda is the former President and Chief Operating Officer of Tendercare, a private operator of skilled nursing facilities 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 **REIT Units:** 97,724; $772,020 **Board meetings attended:** **REIT:** 7/7; **Extendicare:** 14/14	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 Quality and Compliance Committee

Corporate Orders and Bankruptcies

To the knowledge of the REIT, except as described below, none of the proposed nominees for election as a trustee of the REIT had, as at the date of this 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 August 25, 2001 to September 26, 2001 when Aquarius Coatings was subject to a management cease trade order for failing to file its financial statements on time, and 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.

UNITHOLDER ADVISORY VOTE ON THE APPROACH TO EXECUTIVE COMPENSATION

The Board of Trustees believes that Unitholders should have the opportunity to fully understand the objectives, philosophy and principles the Board of Trustees has used to make executive compensation decisions and to have an advisory vote on the Board of Trustees' approach to executive compensation. As a result, the Board of Trustees developed an advisory vote policy 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 unitholder vote, commonly known as "Say on Pay", provides Unitholders with an the opportunity to endorse or not endorse the REIT's approach to its executive compensation program in the year that payments are made, as well as over a longer period of time.

The REIT's compensation policies and procedures are designed to provide a strong and direct link between performance and compensation. To assist Unitholders in making their voting decision, please refer to the Compensation Discussion and Analysis ("CD&A") below. The CD&A describes the Board of Trustees' approach to executive compensation, the details of the compensation program and the Board of Trustees' compensation decisions in 2011. This disclosure has been approved by the Board of Trustees' on the recommendation of the Human Resources, Governance and Nominating Committee.

The Board of Trustees 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 Trustees, that the Unitholders accept the approach to executive compensation disclosed in this Management Information and Proxy Circular delivered in advance of the 2012 annual and special meeting of Unitholders of the REIT."

Results of Advisory "Say on Pay" Vote

As this vote is an advisory vote, the results will not be binding upon the Board of Trustees. However, the Human Resources, Governance and Nominating Committee and the Board of Trustees will take the results of the vote into account, as appropriate, together with feedback received from Unitholders, when considering future compensation policies, procedures and decisions. Please refer to the discussion under the heading "Say on Pay" found in Appendix H to this Circular entitled "Statement of Governance Practices" for more details on the REIT's policy with respect to this advisory vote, and how Unitholders may contact the Board of Trustees 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 joint Human Resources, Governance and Nominating Committee of the Board of Trustees of the REIT and board of directors of Extendicare (the "HR/GN Committee") performs the functions of a compensation committee. A description of the roles and responsibilities of the HR/GN Committee is set out in Appendix H under the heading "Statement of Governance Practices – Compensation". On issues related to executive compensation, the HR/GN Committee, as part of its mandate, evaluates annually the performance of the Chief Executive Officer ("CEO") and other senior executives of the REIT 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 REIT and its subsidiaries are able to attract and retain high caliber executive officers, and to motivate executive officers performance in furtherance of the strategic objectives of the REIT and its subsidiaries.

The HR/GN Committee is currently comprised of three members who are independent Trustees of the REIT and independent directors of Extendicare. No member of the HR/GN Committee is an officer, employee or former officer or employee of the REIT 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 Trustees". Mr. Libin is also the co-founder of a nursing home business.

Overview of Executive Compensation Programs

The compensation philosophy of the REIT 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 REIT and its subsidiaries in its operations across North America. Given that approximately 67% of the REIT's 2011 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 REIT's UARP.

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 REIT 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 REIT 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 REIT 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 REIT and its subsidiaries. The maximum annual incentive payment for 2011 for the Named Executive Officers, other than the CEO, ranged from 43% to 56% 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). The assessment of the CEO's annual contribution is based upon the HR/GN Committee's subjective evaluation of the CEO's skills, performance and leadership. In addition to the CEO's individual performance and the overall financial results of the REIT, the HR/GN Committee considers factors such as strategic positioning, quality of service, human resources planning and the overall public image of the operations.

Long-term Incentives: In August 2009, the REIT established a unit appreciation rights plan, or UARP, a long-term incentive plan for the Trustees and the employees, officers and directors of Extendicare and its subsidiaries. The UARP was established with a view to enhancing the performance of the REIT and to align the interests of the participants with the interests of Unitholders, as well as to encourage participants in the plan to remain employees of the REIT and its subsidiaries and to attract new employees. The principal objectives of the UARP are to advance the interests of Extendicare REIT and its subsidiaries by: (a) focusing participants on, and rewarding participants for, achieving the business and financial goals of the REIT 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 REIT and its subsidiaries. Unit appreciation rights, or UARs, are granted at the discretion of the Board of Trustees, upon recommendation by the HR/GN Committee.

Awards under the UARP vest after three years, subject to conditions as described below, and permit the participant to receive, at the election of the Board of Trustees, either a payment in cash or equivalent value of REIT Units acquired on the TSX (or any other stock exchange on which the REIT Units listed and traded), by a broker designated by the participant. Vesting of UARs 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 REIT Unit price, and may also be subject to achieving operating performance measures, as determined by the Board of Trustees at the date of grant. Consideration for vested UARs is equal to the appreciation in the Fair Market Value of the vested UARs from the date of grant of the UAR, plus Accrued Distributions. "Fair Market Value" of a REIT Unit, on any particular date, means the volume-weighted average trading price of the REIT Unit on the TSX for the 10 trading days immediately preceding such date. "Accrued Distributions" means, the aggregate amount of cash distributions per REIT Unit declared payable to holders of record during the term of the UAR.

The UARP contains provisions providing for adjustments in the event of a corporate reorganization, including an amalgamation or merger of the REIT with or into another entity, or in the event of a change in control (as defined in the UARP). Upon termination of employment (for cause) of a participant, all of his or her UARs 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 UAR, the number of UARs 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 UARs 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 UAR, then such UAR is cancelled and terminated without payment.

Pursuant to the Arrangement, the UARP and all outstanding UARs under the UARP will be amended to replace references to the REIT and the REIT Units to New Extendicare and Common Shares, respectively.

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 basic 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 company 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 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 Messrs. Harris and Beal, who were "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 up to 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 Messrs. Harris and Beal who were "grandfathered" into the DCP. 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. Amounts contributed by the employee to the DCP are 100% vested and earn interest at the prime rate.

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 matching basis 25% of an employee's contributions up to the first 6% of the employee's pre-tax contributions. 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 Trustees of the REIT may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that it is in the REIT’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 REIT and its subsidiaries in the event of material fraud or misconduct, or actions resulting in the restatement of the REIT'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 REIT Securities: Senior officers of the REIT 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 REIT's securities.

Compensation for 2011

Base Salary

The following table summarizes the 2011 base salaries for the Named Executive Officers. The base salaries for the Named Executive Officers 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 REIT's audited consolidated financial statements for the 2010 and 2011 fiscal years.

	Salary		2011
Named Executive	**2010**	**2011**	**% Increase**
T.L. Lukenda President and Chief Executive Officer of the REIT	**US$765,000** C$787,874	**US$765,000** C$756,662	Nil
D.J. Harris Senior Vice President and Chief Financial Officer of the REIT	**US$285,800** C$294,345	**US$285,800** C$282,685	Nil
R. Gurka (1) Senior Vice President of Operations of EHSI	**US$244,000** C$251,296	**US$277,333** C$274,311	13.7% (1)
D.C. Pearce (2) Vice President, General Counsel and Chief Compliance Officer	**US$67,131** C$69,138	**US$295,000** C$291,785	Nil (3)
L.W. Claypool Chief Information Officer of EHSI	**US$285,700** C$294,242	**US$285,700** C$282,586	Nil
M. Beal (3) Senior Vice President of Operations of EHSI	**US$357,000** C$367,674	**US$152,869** C$151,203	N/A
U.S./Canadian dollar exchange rate (1)	1.0299	0.9891	

Notes:

(1) Mr. Gurka's increase in base salary during 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.

(2) David Pearce joined EHSI in his current position in August 2010 at an annualized base salary of US$295,000. Mr. Pearce's 2010 base salary of US$67,131 reflected in the table represents his prorated salary earned in 2010.

(3) Mel Beal was Senior Vice President of Operations of EHSI until May 2011, when he voluntarily resigned. Mr. Beal's 2011 annualized base salary was US$357,000. The US$152,869 reflected in the table represents his salary earned in 2011.

The base salaries of the senior executives, including the Named Executive Officers, were frozen in 2010 and 2011 as a result of the economic conditions and impact of U.S. health care reform and funding constraints on our industry. Furthermore, as a result of the recent U.S. funding reductions that took effect October 1, 2011, and management's implementation of further cost saving measures, the base salaries of the majority of the U.S. senior executives have been frozen for 2012. Mr. Lukenda has voluntarily taken a 10% reduction in his 2012 base salary.

Short-term Incentives for 2011

During 2011, 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 Extendicare REIT before the following items on an after-tax basis: (i) discontinued operations; (ii) fair value adjustments; (iii) distributions on Class B limited partnership units of Extendicare LP; (iv) loss (gain) on foreign exchange and financial instruments; and (v) loss (gain) from asset impairment, disposals other items. All of these line items are disclosed in the REIT's consolidated statements of earnings (loss), and net earnings (loss) on an after-tax basis prior to these items is disclosed in the REIT's management discussion and analysis for its financial year ended December 31, 2011 contained in the REIT's 2011 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 (v) listed above.

References to "EBITDA", in the following discussion, are to earnings (loss) from operations before interest, taxes, depreciation, amortization and accretion, and before the separately reported items (i) through (v) listed above.

References to "NOI", in the following discussion, are to net operating income, which is revenue less direct 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 REIT's consolidated financial statements for the applicable period.

References to "AFFO", in the following discussion, are to adjusted funds from operations (AFFO) as defined by the REIT Deed of Trust as consolidated net earnings (loss) of the REIT, as determined in accordance with Canadian GAAP, adjusted for non-cash items and other items not representative of the REIT's operating performance as set out in the REIT Deed of Trust, and including a deduction for facility maintenance (non-growth) capital expenditures.

Extendicare REIT assesses and measures operating results 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 REIT's management's discussion and analysis for its financial year ended December 31, 2011, contained in the REIT's 2011 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 REIT and its subsidiaries as described above. In considering the financial performance of the REIT for 2011, the HR/GN Committee determined that the 2011 net earnings and AFFO of the REIT should exclude the effect of the $42.8 million (US$43.3 million), or $0.51 per unit, 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 REIT: In accordance with Mr. Lukenda's employment contract, he is entitled to 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 Extendicare REIT, 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 the CEO's performance. The Five-Star Quality Rating System was established in 2008 by the United States Centers for Medicare & Medicaid Services, 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.

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 Extendicare REIT 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 REIT'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 REIT.

Mr. Harris' eligibility for an award under the incentive program is conditional upon the REIT achieving a minimum of 90% of its Adjusted Budgeted Net Earnings. Notwithstanding the foregoing, if the operations of the REIT 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' 2011 annual incentive objectives:

Corporate Performance (70% of total incentive potential): Mr. Harris' award for the performance of the REIT is determined based on Extendicare REIT 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 2011 included: (i) the refinancing of loan portfolios; (ii) completion of changeover to IFRS; and (iii) achievement of accounts receivable reduction targets in the U.S. operations.

Mr. Gurka, Senior Vice President of Operations of EHSI: Mr. Gurka held the position of Vice President Clinical Reimbursement and ProStep until September 2011 when he was appointed to his current position. Consequently, Mr. Gurka's 2011 annual bonus entitlement was prorated based on 67% and 33% of his respective entitlements under each role. The following description pertains to Mr. Gurka's entitlement in his current position, with his former entitlements as Vice President indicated in brackets.

Mr. Gurka is entitled to receive an annual bonus of up to 40% (VP – 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. Gurka's annual bonus can be further enhanced by 2.80%, or up to 42.80% of his base salary (VP – 37.45%), 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. In addition to the foregoing, Mr. Gurka in his role as Vice President of ProStep, was entitled to an annual bonus of up to 15% of his base salary based on the performance of ProStep.

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 2011 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 2011 were based on performance relative to a number of key operational metrics including: (i) achievement of certain quality, clinical and compliance standards; (ii) successful implementation of electronic documentation; and (iii) exceeding certain productivity and financial performance metrics in ProStep.

Mr. Pearce, Vice President, General Counsel and Chief Compliance Officer of EHSI: Mr. Pearce 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 and Chief Compliance Officer 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 2011 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 2011 were based on performance relative to a number of key operational metrics including: (i) development and implementation of a new alternative dispute resolution program; (ii) development and achievement of certain new compliance initiatives and policies; and (iii) development of standards and policies related to the implementation of new government regulations.

Mr. Claypool, Chief Information Officer of EHSI: Mr. Claypool is entitled to 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 2011 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 2011 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 2011 included: (i) achievement of VCPI’s financial an operational goals; and (ii) supervising VCPI’s business development targets.

2011 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 2011 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 2011 performance measures, of which three 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$375,000, representing 75% of the maximum of US$500,000.

CEO 2011 Performance Measures	Target	Achieved
REIT – AFFO per unit [(1)]	≥ $1.26	$1.35
REIT – EBITDA margin [(1)]	≥ 11.5%	11.6%
EHSI – Medicare census as a % of total census from continuing operations	≥ 18%	16.8%
EHSI – Five-Star ranking of facilities – % of ones and twos	≤ 55%	51%

Note:

(1) The REIT's AFFO per unit and EBITDA margin achieved in 2011 have been adjusted to exclude the effect of $42.8 million, or $0.51 per unit, of prior years' reserves for self-insured general and professional liabilities

The following table summarizes the 2011 financial performance targets that the other Named Executive Officers bonuses were based on (as indicated in italics). All of the financial targets achieved or exceeded their minimum thresholds, resulting in the following corporate financial performance measures: Mr. Harris – 82%; Mr. Gurka – 88% with respect to EHSI and 110% with respect to ProStep; Mr. Pearce – 88%; and Mr. Claypool – 88% with respect to EHSI and 102% with respect to VCPI.

NEO 2011 Performance Measures	% of Target
REIT – Adjusted Budgeted Net Earnings *(Harris)*	91%
EHSI – EBITDA *(Gurka, Pearce, Claypool)*	94%
ProStep – NOI *(Gurka)*	222%
VCPI – NOI, excluding internal charges with EHSI *(Claypool)*	101%

With respect to the personal objectives of the other Named Executive Officers, they achieved the following: Mr. Harris – 100%; Mr. Gurka – 98%; Mr. Pearce – 100%; and Mr. Claypool – 99%.

2011 Annual Incentive Table

The corporate performance measures and weightings set by the HR/GN Committee for 2011 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 REIT's audited consolidated financial statements for the 2011 year of 0.9891.

	2011 Annual Incentive Opportunity (as a % of base salary)			2011 Annual Incentive Bonus Awarded		
Named Executive	Minimum	Target	High	% of base salary	Amount (US$)	Amount (C$)
T.L. Lukenda	65.35%	65.35%	65.35%	49.02%	375,000	370,912
D.J. Harris	36.00%	45.00%	48.30%	39.06%	111,630	110,413
R. Gurka	41.33%	51.67%	55.73%	48.20%	133,675	132,218
D.C. Pearce	32.00%	40.00%	42.95%	36.46%	107,557	106,385
L.W. Claypool	32.00%	40.00%	42.95%	38.42%	109,766	108,569

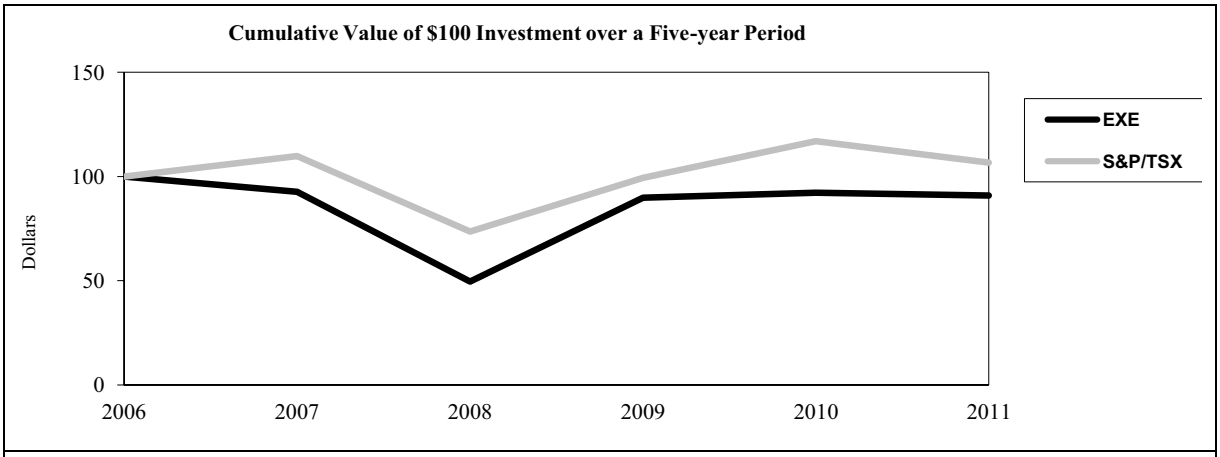
Long-term Incentives for 2011 – Unit Appreciation Rights

Pursuant to the HR/GN Committee's policy, annual awards of UARs 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 2011, UARs were awarded to the Named Executive Officers and a further award was granted to Mr. Gurka in August 2011 in connection with his promotion. The HR/GN Committee did not use a set formula to determine the appropriate number of UARs awarded in 2011. The base value and minimum REIT Unit price condition of each UAR is equal to the 10 day volume-weighted average trading price of the REIT Units at the date of the grant, which was $11.16 for the March 16, 2011 grants, and $7.58 for the August 24, 2011 grant. Accordingly, holders of these UARs will only receive a pay out if the Fair Market Value of the REIT Unit exceeds the base value at the end of the three-year term. Further details of the UARs granted to the Named Executive Officers are provided under the heading "Incentive Plan Awards".

In March 2012, the HR/GN Committee awarded the same number of UARs to each of the Named Executive Officers as the number awarded in 2011, with a base value and minimum REIT Unit price condition of $8.11.

Performance Graph

The following graph illustrates the total cumulative return on a $100 investment in REIT Units on December 31, 2006, with the total cumulative return of the S&P/TSX Composite Index over a five-year period ending December 31, 2011, assuming reinvestment of all distributions.



For the Year	2006	2007	2008	2009	2010	2011
EXE.UN	$100.00	$92.71	$49.60	$89.88	$92.26	$90.84
S&P/TSX Composite Index	$100.00	$109.83	$73.58	$99.38	$116.87	$106.69

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

The trend in the REIT's total cumulative unitholder 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 shown 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 and an equal number of UARs based on the position of responsibility of the Named Executive Officers were awarded over the past three years. Consequently, excluding the effect of foreign exchange, the change in the level of compensation is a result of higher per unit values of the UARs awarded and variations in annual performance based short-term incentives earned.

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 REIT and its subsidiaries for the individuals who were, at December 31, 2011, the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers (collectively, the "Named Executive Officers") of the REIT and its subsidiaries.

Name and Principal Position	Year	Salary [3] (C$)	REIT Unit Based Awards [4] (C$)	Annual Non-equity Incentive Plans [3] (C$)	Pension Value [3] (C$)	All Other Compensation [3] [5] (C$)	Total Compensation (C$)
T.L. Lukenda	2011	756,662	123,500	370,912	75,666	32,122	1,358,862
President and Chief	2010	787,874	95,000	386,212	78,787	27,750	1,375,623
Executive Officer of the	2009	873,630	78,000	428,250	87,363	17,581	1,484,824
REIT and Extendicare							
D.J. Harris	2011	282,685	74,100	110,413	42,403	17,433	527,034
Senior Vice President and	2010	294,345	57,000	120,717	44,152	19,046	535,260
Chief Financial Officer of	2009	326,384	46,800	139,692	48,969	23,804	585,649
the REIT and Extendicare							
R. Gurka [1]	2011	274,311	120,360	132,218	27,431	19,215	573,535
Senior Vice President of	2010	251,296	34,200	133,019	25,130	21,819	465,464
Operations of EHSI	2009	267,228	28,080	97,458	26,723	23,284	442,773
D.C. Pearce [2]	2011	291,784	44,460	106,385	29,178	15,135	486,942
Vice President, General	2010	69,138	–	60,619	6,697	22,746	159,200
Counsel and Chief							
Compliance Officer of EHSI							
L.W. Claypool	2011	282,586	44,460	108,569	28,259	17,619	481,493
Chief Information Officer of	2010	294,242	34,200	51,724	29,424	20,022	429,612
EHSI	2009	326,269	28,080	117,159	32,627	21,313	525,448
M. Beal [3]	2011	151,203	74,100	–	14,713	83,191	323,207
Senior Vice President of	2010	367,674	57,000	144,424	36,767	34,842	640,707
Operations of EHSI	2009	407,694	46,800	162,229	40,769	26,195	683,687

Notes:

(1) Mr. Gurka was appointed Senior Vice President of Operations of EHSI in September 2011, prior to which he was Vice President of Clinical Reimbursement and ProStep 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 REIT Unit 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 1.1420, 1.0299 and 0.9891 that were used in preparing the REIT's audited consolidated financial statements for the years ended 2009, 2010 and 2011, respectively.

(4) The value of the REIT Unit based awards in 2011, 2010 and 2009 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) 2011 – for all presented, with the exception of Mr. Gurka, represents the value of UARs 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 UAR 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%.

ii) 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 UARs 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 UAR 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%.

iii) 2010 – represents the value of UARs 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 UAR 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%.

iv) 2009 – represents the value of UARs granted on August 20, 2009 carrying a base value of $6.64, calculated using a modified binomial (Cox-Ross-Rubenstein) option pricing model, which determined a fair value of $1.56 per UAR at the date of grant based on the following assumptions: risk-free interest rate of 1.75%; distribution yield of 10.97%; distribution equivalents of $2.52 during the term of the UAR; a term of three years with no cancellations and terminations; and expected volatility of 37.05%.

(5) All other compensation, in the case of Messrs. Lukenda, Harris, Gurka, Pearce, Claypool and Beal, 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. Beal the "other" category includes a separation and waiver payment of US$75,000, and in the case of Mr. Pearce "other" includes reimbursement of moving expenses of $20,086.

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

Named Executive	Year	Employer Contribution to Qualified 401(k)	Employer Contribution to Group RRSP	Life/LTD/ ADD/ Health	Travel Allowance	Other	Total (US$)	Total (C$)
T.L. Lukenda	2011	–	–	US$4,031	–	US$28,445	US$32,476	C$32,122
	2010	–	–	US$5,944	–	US$21,000	US$26,944	C$27,750
	2009	–	–	US$3,395	–	US$12,000	US$15,395	C$17,581
D.J. Harris	2011	US$2,450	–	US$5,575	–	US$9,600	US$17,625	C$17,433
	2010	US$2,500	–	US$6,393	–	US$9,600	US$18,493	C$19,046
	2009	US$2,450	–	US$8,794	–	US$9,600	US$20,844	C$23,804
R. Gurka	2011	US$2,450	–	US$5,577	–	US$11,400	US$19,427	C$19,215
	2010	US$2,450	–	US$7,335	–	US$11,400	US$21,185	C$21,819
	2009	US$2,340	–	US$6,649	–	US$11,400	US$20,389	C$23,284
D.C. Pearce	2011	US$2,389	–	US$3,312	–	US$9,600	US$15,301	C$15,135
	2010	–	–	–	–	US$22,086	US$22,086	C$22,746
L.W. Claypool	2011	US$2,450	–	US$7,563	–	US$7,800	US$17,813	C$17,619
	2010	US$2,500	–	US$9,140	–	US$7,800	US$19,440	C$20,022
	2009	US$2,450	–	US$8,413	–	US$7,800	US$18,663	C$21,313
M. Beal	2011	US$2,450	–	US$1,907	–	US$79,750	US$84,107	C$83,191
	2010	US$2,500	–	US$11,210	US$8,720	US$11,400	US$33,830	C$34,842
	2009	US$2,450	–	US$4,276	US$4,811	US$11,400	US$22,937	C$26,195

INCENTIVE PLAN AWARDS

The following table sets forth the UAR holdings of the Named Executive Officers at December 31, 2011. The Named Executive Officers' UARs vest on the third anniversary date of their respective dates of grant and are subject to a minimum REIT Unit price condition equal to their respective base values only, with no associated performance criteria. For a description of the UARP, refer to the discussion above in the CD&A under the heading "Long-term Incentives".

Named Executive	UAR Grant Date	Number of UARs (#)	UAR Base Value/ Minimum REIT Unit Price Condition ($)	UAR Expiration Date	Payout Value of UARs that have not Vested ($)
T.L. Lukenda	March 16, 2011	50,000	11.16	March 16, 2014	–
	March 10, 2010	50,000	10.09	March 10, 2013	–
	August 20, 2009	50,000	6.64	August 20, 2012	166,000
D.J. Harris	March 16, 2011	30,000	11.16	March 16, 2014	–
	March 10, 2010	30,000	10.09	March 10, 2013	–
	August 20, 2009	30,000	6.64	August 20, 2012	99,600
R. Gurka	August 24, 2011	30,000	7.58	August 24, 2014	21,000
	March 16, 2011	18,000	11.16	March 16, 2014	–
	March 10, 2010	18,000	10.09	March 10, 2013	–
	August 20, 2009	18,000	6.64	August 20, 2012	59,760
D.C. Pearce	March 16, 2011	18,000	11.16	March 16, 2014	–
L.W. Claypool	March 16, 2011	18,000	11.16	March 16, 2014	–
	March 10, 2010	18,000	10.09	March 10, 2013	–
	August 20, 2009	18,000	6.64	August 20, 2012	59,760

The payout value of the UARs at December 31, 2011 is based on the appreciation in value of a REIT Unit from its base value to the 10 day volume-weighted average trading price of $7.93 at December 31, 2011, plus Accrued Distributions. The payout value at December 31, 2011 amounted to $3.32 per unit for the UARs granted in August 2009 and $0.70 for the UARs granted in August 2011, and was nil for the UARs granted in March 2010 and March 2011 because the minimum REIT Unit price conditions were higher than the 10 day volume-weighted average trading price of $7.93 at December 31, 2011.

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 this CD&A under the heading "Defined Benefit Plans". The SERP allows for normal retirement at the age of 60, and Mr. Harris is currently 56. Prior to his relocation to the REIT'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 REIT's audited consolidated financial statements for the year ended December 31, 2011, as provided in note 22 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	899,715	–	195,924	1,095,639

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 this 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$209,117	US$76,500	US$285,642
	DSP	US$183,511	–	US$189,569
	Total – US$	US$392,628	US$76,500	US$475,211
	Total – C$	**C$390,508**	**C$75,666**	**C$483,290**
D.J. Harris	ERP	US$266,420	US$28,580	US$284,066
	DCP	US$445,743	US$14,290	US$504,617
	Total – US$	US$712,163	US$42,870	US$788,683
	Total – C$	**C$708,318**	**C$42,403**	**C$802,091**
R. Gurka	ERP	US$202,354	US$27,733	US$230,115
	DSP	US$222,099	–	US$257,563
	Total – US$	US$424,453	US$27,733	US$487,678
	Total – C$	**C$422,161**	**C$27,431**	**C$495,969**
D.C. Pearce	ERP	US$6,503	US$29,500	US$36,005
	Total – C$	**C$6,468**	**C$29,178**	**C$36,617**
L.W. Claypool	ERP	US$193,862	US$28,570	US$222,459
	Total – C$	**C$192,815**	**C$28,259**	**C$226,241**
M. Beal	ERP	US$109,718	US$14,875	–
	DCP	US$210,413	–	–
	Total – US$	US$320,131	US$14,875	–
	Total – C$	**C$318,402**	**C$14,713**	**–**
U.S./Canadian dollar exchange rate [(1)]		0.9946	0.9891	1.0170

Note:

(1) The U.S./Canadian dollar exchange rates are those that were used by the REIT 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 0.9946 and 1.0170 as at December 31, 2010 and 2011, respectively. The compensatory amounts received during 2011 have been translated to Canadian dollars using the average U.S./Canadian dollar exchange rate of 0.9891.

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 REIT 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, a maximum bonus of US$500,000, an automobile allowance, club dues and the amount credited as contributions to any of the ERP, DCP or 401(k) programs, during the first year of employment. 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. 18 months at the end of 2011). The bonus is to be based on the most recently paid annual bonus (which for 2011 was US$375,000). 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.

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 as based on 40% of base salary, payment in lieu of bonus of 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 is 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 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, 2011. No amounts of compensation would be paid in the event of death or voluntary termination or termination for cause. Only Mr. Lukenda is eligible to receive compensation in the event of a change of control. The Conversion does not constitute 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	Payment in Lieu of Bonus	Employer Contribution to ERP/DCP/ 401(k)/RRSP	Other [2]	Total (US$)	Total (C$) [3]
T.L. Lukenda						
Termination without cause or automatic termination	US$1,147,500	US$375,000	ERP US$114,750	US$31,500	US$1,668,750	C$1,697,119
Change of control	US$1,530,000	US$750,000	ERP US$153,000	US$42,000	US$2,475,000	C$2,517,075
D.J. Harris						
Termination without cause or automatic termination	US$586,600	US$228,640	ERP US$57,160 DCP US$28,580 401(k) US$4,900	US$19,200	US$925,080	C$940,806
L.W. Claypool						
Termination without cause or automatic termination	US$300,700	US$99,995	ERP US$28,010 401(k) US$2,450	US$7,800	US$438,955	C$446,417

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 1.0170 as at December 31, 2011, that was used in preparing the REIT's audited consolidated financial statements for 2011.

INDEBTEDNESS OF TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

None of the Trustees, directors or executive officers of the REIT or any of its subsidiaries is indebted to the REIT or any of its subsidiaries.

COMPENSATION OF TRUSTEES OF THE REIT AND DIRECTORS OF EXTENDICARE

The Trustees of the REIT and directors of Extendicare who are employees of Extendicare or any of its subsidiaries are not compensated for their services as trustees, directors or members of committees. No additional compensation is paid to directors of Extendicare who are also Trustees of the REIT.

Trustees of the REIT are expected to acquire within three years of their appointment to the Board, and hold, a minimum of 10,000 REIT Units. With the exception of M. Cunningham who joined the Board in August 2010, all of the Trustees have met this minimum requirement.

Trustees of the REIT and 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 REIT's securities.

Trustee Compensation Table

The following Trustee Compensation Table sets forth all amounts of compensation provided to the non-employee Trustees of the REIT for the year ended December 31, 2011, which totalled $1,364,270.

Name	Retainer/Meeting Fees Earned ($)	Travel Allowance ($)	REIT Unit Based Awards [1] ($)	All Other Compensation [2] ($)	Total ($)	Minimum Unit Ownership Attained
J.F. Angus	92,000	13,000	24,700	127	129,827	Yes
M. Cunningham	94,000	12,000	24,700	127	130,827	No
H.B. Dean	85,000	12,000	24,700	127	121,827	Yes
G.A. Fierheller	44,000	–	24,700	127	68,827	Yes
S.B. Goldsmith	107,000	16,000	24,700	127	147,827	Yes
B.J. Hutzel	100,000	–	24,700	127	124,827	Yes
M.J.L. Kirby	105,000	14,000	24,700	127	143,827	Yes
A.G. Libin	85,000	14,000	24,700	127	123,827	Yes
J.T. MacQuarrie, Q.C.	125,000	15,000	24,700	127	164,827	Yes
M.A. Rhinelander	179,000	4,000	24,700	127	207,827	Yes
Total	1,016,000	100,000	247,000	1,270	1,364,270	

Notes:

(1) Represents the value of UARs 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 UAR 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%.

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

Components of Trustees' Fees for 2011

The cash compensation paid to non-employee Trustees of the REIT for the year ended December 31, 2011 was based on the following elements of compensation.

Components of Trustees' Fees	2011 ($)
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 [1]	2,000

Note:

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

As a result of the recent U.S. funding reductions that took effect October 2011, and management's implementation of cost saving measures, the Board of Trustees has voluntarily taken a 10% reduction in their annual retainers, per meeting fees and travel allowance for 2011.

Incentive Plan Awards

The following table sets forth the UARs issued and outstanding at December 31, 2011 for each non-employee Trustee of the REIT. The UARs vest on the third anniversary of their respective dates of grant and are subject to a minimum REIT Unit price condition equal to their respective base values only, with no associated performance criteria. For a description of the UARP, refer to the discussion above in this CD&A under the heading "Long-term Incentives".

Named Executive	UAR Grant Date	Number of UARs (#)	UAR Base Value/ Minimum REIT Unit Price Condition ($)	UAR Expiration Date	Payout Value of UARs that have not Vested ($)
J.F. Angus	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
M. Cunningham	March 16, 2011	10,000	11.16	March 16, 2014	–
	Nov. 18, 2010	10,000	9.95	Nov. 18, 2013	–
H.B. Dean	March 16, 2011	10,000	11.16	March 16, 2014	–
	May 20, 2010	10,000	8.52	May 20, 2013	–
S.B. Goldsmith	March 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
B.J. Hutzel	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 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
A.G. Libin	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 16, 2011	10,000	11.16	March 16, 2014	–
	March 10, 2010	10,000	10.09	March 10, 2013	–
M.A. Rhinelander	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 UARs at December 31, 2011, is based on the appreciation in value of a REIT Unit from its base value to the 10 day volume-weighted average trading price of $7.93 at December 31, 2011, plus Accrued Distributions. The payout value at December 31, 2011, was nil for all of the UARs because their respective minimum REIT Unit price conditions were higher than the 10 day volume-weighted average trading price of $7.93 at December 31, 2011.

In March 2011, the HR/GN Committee awarded 10,000 UARs to each of the non-employee Trustees of the REIT with a base value and minimum REIT Unit price condition of $8.11.

TRUSTEES', DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The REIT 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 trustees, 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 REIT, or any of its subsidiaries and their respective trustees, directors and officers. The total liability is shared among the REIT and its respective subsidiaries, and their respective trustees, directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective trustees, directors and officers.

The annual premium for the trustees', directors' and officers' liability policy that expired on January 31, 2012, was US$604,000. The annual premium for the trustees', directors' and officers' liability policy that expires on January 31, 2013 is US$615,000.

AUDIT COMMITTEE INFORMATION

The REIT and Extendicare maintain a joint audit committee (the "Audit Committee") that operates within a written mandate, approved by the Board of Trustees of the REIT and the board of directors of Extendicare. Information on the REIT's Audit Committee, required by Multilateral Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed on pages 98 to 99, inclusive, and in Appendix A of the Annual Information Form of the REIT dated March 30, 2012.

As well, the Audit Committee reports annually on the fulfillment of its responsibilities. The Audit Committee's 2011 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 REIT certify the information set forth in the consolidated financial statements and related disclosure materials of the REIT as required by Canadian securities laws.

In 2011 the Audit Committee met on eight 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 REIT and that of the external independent auditors, KPMG LLP, including the overall scope and plan for the 2011 audit. With the exception of one conference call meeting, the internal auditor and 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 (most notably the adoption of IFRS), the accounting treatment of significant risks and uncertainties, the key estimates and judgments 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 Trustees of the REIT 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 judgments 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 2011 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 wishes to acknowledge the outstanding contributions of George A. Fierheller as a member of this Audit Committee since 1995, until his retirement from the Board of Trustees in June 2011.

The Audit Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2011.

Report submitted by the Audit Committee:

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

ADMINISTRATION AGREEMENT

The REIT is administered by the Trustees and by Extendicare pursuant to the administration agreement entered into by the REIT, Extendicare Trust and Holding GP with Extendicare on November 10, 2006 (the "Administration Agreement").

Pursuant to the Administration Agreement, Extendicare is responsible for overseeing and managing all general and administrative affairs of the REIT and its subsidiaries. Extendicare's duties with respect to the administration of the REIT under the Administration Agreement include: (i) ensuring compliance by the REIT, its affiliates and subsidiaries with all continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements; (ii) providing investor relations services; (iii) providing or causing to be provided to Unitholders all information which Unitholders are entitled to receive under the REIT Deed of Trust, including relevant information with respect to income taxes; (iv) convening meetings of Unitholders and distributing required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) providing for the computation and making of distributions to Unitholders; (vi) attending to all administrative and other matters relating to the Unitholder Rights Plan; (vii) providing assistance in negotiating the terms of any offering of REIT Units or other securities of the REIT; (viii) notifying the Trustees of any event that might reasonably be expected to have a material adverse effect on the affairs of the REIT; and (ix) generally providing all other services as may be necessary, or as requested by the Trustees, for the administration of the REIT and which are not otherwise expressly delegated to Extendicare under the terms of the REIT Deed of Trust.

The Administration Agreement has an initial term of 10 years, and will be extended for additional five-year periods at the option of the REIT, Extendicare Trust, Holding GP and Extendicare. The Administration Agreement may be terminated by a party in the event of the insolvency or receivership of another party, or in the case of default by another party in the performance of a material obligation under the Administration Agreement, with certain exceptions, which is not remedied within 30 days after written notice has been delivered.

GOVERNANCE DISCLOSURE

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

OTHER BUSINESS

The Trustees 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.

ADDITIONAL INFORMATION

Additional information relating to the REIT may be found on the SEDAR website at www.sedar.com and on the REIT's website at www.extendicare.com. Additional financial information is provided in the REIT's comparative financial statements and management's discussion and analysis for its year ended December 31, 2011, as contained in the 2011 Annual Report. A copy of this document and other public documents of the REIT are available upon request to:

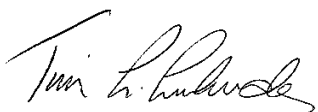
Extendicare Real Estate Investment Trust

Attention: Secretary of the REIT
3000 Steeles Avenue East, Suite 700
Markham, Ontario L3R 9W2
Phone: 905-470-5534
Fax: 905-470-4003

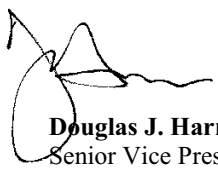
APPROVAL OF TRUSTEES

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

DATED at Markham, Ontario on April 2, 2012.



Timothy L. Lukenda
President and
Chief Executive Officer



Douglas J. Harris
Senior Vice President and
Chief Financial Officer

CONSENT OF LEGAL COUNSEL

We hereby consent to the reference to our name and opinion contained under "Certain Canadian Federal Income Tax Considerations" and "Experts" in the Management Information and Proxy Circular of Extendicare Real Estate Investment Trust dated April 2, 2012.

Toronto, Ontario
April 2, 2012

(Signed) "*Bennett Jones LLP*"

AUDITORS' CONSENT

To: The Board of Trustees of Extendicare Real Estate Investment Trust and the Board of Directors of 8067929 Canada Inc.

We have read the Management Information and Proxy Circular of Extendicare Real Estate Investment Trust ("**Extendicare REIT**") dated April 2, 2012 relating to the plan of arrangement involving Extendicare REIT, Extendicare Trust, Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc. and 8067929 Canada Inc. and the holders of trust units of Extendicare REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to:

(a) the incorporation by reference in the above-mentioned circular of our report, dated February 29, 2012, to the unitholders of Extendicare REIT on the consolidated financial statements, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information; and

(b) the use in the above-mentioned circular of our report, dated April 2, 2012, to the Board of Directors of 8067929 Canada Inc. on the financial statements which comprise the statement of financial position as at April 2, 2012, the statement of changes in shareholder's equity and cash flows for the period from February 3, 2012, the date of incorporation, to April 2, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Toronto, Ontario
April 2, 2012

(Signed) "KPMG LLP"
Chartered Accountants, Licensed Public Accountants

APPENDIX A

ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the arrangement agreement (the "**Arrangement Agreement**") dated as of the 14th day of March, 2012 between Extendicare Real Estate Investment Trust (the "**REIT**"), Extendicare Trust, Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc. and 8067929 Canada Inc., attached as Appendix E to the management information and proxy circular (the "**Circular**") dated April 2, 2012 accompanying the notice of special meeting of unitholders of the REIT, as the same may have been or be amended, modified or supplemented pursuant to its terms, is hereby confirmed, ratified and approved;

2. the arrangement (the "**Arrangement**") proposed pursuant to Section 192 of the *Canada Business Corporations Act* (the "**Act**") as set out in the plan of arrangement (the "**Plan of Arrangement**") attached as Exhibit A to Appendix E to the Circular, as amended, modified or supplemented pursuant to its terms, is hereby authorized, approved and adopted;

3. the REIT be, and is hereby, authorized to apply for a final order from the Ontario Superior Court of Justice to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as the same may be or may have been amended, modified or supplemented) and as described in the Circular;

4. notwithstanding that this special resolution has been duly passed by the unitholders of the REIT or that the Arrangement has been approved by the Ontario Superior Court of Justice, the trustees of the REIT are hereby authorized and empowered, without further notice to, or approval of, the unitholders of REIT: (i) to amend the Arrangement Agreement and the Plan of Arrangement to the extent permitted by the Arrangement Agreement; and (ii) not to proceed with the Arrangement and revoke this special resolution at any time prior to the Arrangement becoming effective;

5. any trustee or officer of the REIT is hereby authorized, acting for, in the name of and on behalf of the REIT to determine the form of the documentation, required in respect of the Arrangement (including any supplements or amendments thereto) and to execute, and to deliver articles of arrangement, the final order of the Ontario Superior Court of Justice and such other documents as are necessary or desirable, to the Director under the Act in accordance with the Arrangement Agreement to effect the Arrangement; and

6. any trustee or officer of the REIT is hereby authorized, acting for, in the name of and on behalf of the REIT, to execute or cause to be executed, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such trustee or officer determines to be necessary or desirable in order to carry out the intention of the foregoing paragraphs of this special resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing.

APPENDIX B

SHAREHOLDER RIGHTS PLAN RESOLUTION

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The adoption by Extendicare Inc, the corporation continuing as a result of the amalgamation of 8067929 Canada Inc., Extendicare Holding GP Inc., 8120404 Canada Inc. and Extendicare Inc. pursuant to the Arrangement (as defined in the Management Information and Proxy Circular of Extendicare Real Estate Investment Trust dated April 2, 2012) (the "**Information Circular**")) of a shareholder rights plan (the "**Shareholder Rights Plan**"), the terms and conditions of which are described in the Information Circular, and the distribution of the rights to be distributed pursuant to the Shareholder Rights Plan, be and the same are hereby approved; and

2. Any director of officer of 8067929 Canada Inc. or Extendicare Inc., as the case may be, is hereby authorized, acting for, in the name of and on behalf of 8067929 Canada Inc. or Extendicare Inc., as the case may be, to execute or cause to be executed, under the corporate seal of 8067929 Canada Inc. or Extendicare Inc., as the case may be, or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or cause to be done all such other acts and things as such director or officer of 8067929 Canada Inc. or Extendicare Inc., as the case may be, determines to be necessary or desirable in order to carry out the intent of the foregoing paragraph of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing.

APPENDIX C
INTERIM ORDER

Court File No.: CV-12-9631-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 23RD
	)	
JUSTICE SPENCE	)	DAY OF MARCH, 2012

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

AND AN APPLICATION under Rule 14.05(2) and Rule 14.05(3) of the *Rules of Civil Procedure*

AND IN THE MATTER OF a proposed arrangement involving Extendicare Real Estate Investment Trust, Extendicare Trust, Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc., 8067929 Canada Inc. and the Unitholders of Extendicare Real Estate Investment Trust

INTERIM ORDER

THIS MOTION made by the Applicants, Extendicare Real Estate Investment Trust ("**Extendicare REIT**"), Extendicare Trust, Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc., and 8067929 Canada Inc., for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "**CBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Notice of Application issued on March 1, 2012 and the affidavit of Jillian E. Fountain sworn March 15, 2012, (the "**Fountain Affidavit**"), including the Plan of Arrangement, which is attached as Exhibit A to the

Arrangement Agreement attached as Appendix E to the draft notice and management information and proxy circular of Extendicare REIT (the "**Information Circular**"), which is attached as Exhibit "A" to the Fountain Affidavit, and on hearing the submissions of counsel for the Applicants and on being advised that the Director appointed under the CBCA (the "**Director**") does not consider it necessary to appear.

Definitions

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Information Circular or otherwise as specifically defined herein.

The Meeting

2. **THIS COURT ORDERS** that, in accordance with Article 13 of the Second Amended and Restated Deed of Trust of Extendicare REIT dated December 15, 2010 (the "**REIT Deed of Trust**"), Extendicare REIT is permitted to call, hold and conduct an annual and special meeting (the "**Meeting**") of the holders of trust units of Extendicare REIT (the "**Unitholders**") to be held at the Toronto Board of Trade, East Ballroom, 4th Floor, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario on May 8, 2012 at 2:30 p.m. (Toronto time) in order for the Unitholders to consider, and if determined advisable, pass the Arrangement Resolution.

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the notice of meeting of Unitholders, which accompanies the Information Circular (the "**Notice of Meeting**"), and the REIT Deed of Trust, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that, in accordance with section 13.8 of the REIT Deed of Trust, the record date (the "**Record Date**") for determination of the Unitholders entitled to notice of, and to vote at, the Meeting shall be March 13, 2012.

5. **THIS COURT ORDERS** that, subject to the terms of the REIT Deed of Trust, the only persons entitled to attend or speak at the Meeting shall be:

a) the Unitholders or their respective proxyholders;

b) the trustees, auditors and advisors of Extendicare REIT;

c) the Director; and

d) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that, subject to the terms of the REIT Deed of Trust, Extendicare REIT may transact such other business at the Meeting as is contemplated in the Information Circular, or as may otherwise properly come before the Meeting.

Quorum

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by Extendicare REIT and that, for the purposes of the Meeting and in accordance with section 13.3 of the REIT Deed of Trust, the quorum at the Meeting shall consist of two or more Unitholders present in person either holding personally or representing as proxies in aggregate not less than 5% of all votes entitled to be voted at the meeting.

Amendments to the Arrangement and Plan of Arrangement

8. **THIS COURT ORDERS** that Extendicare REIT is authorized to make, subject to the terms of the REIT Deed of Trust, the Arrangement Agreement, the Plan of Arrangement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement Agreement and the Plan of Arrangement as it may determine without any additional notice to the Unitholders, or others entitled to receive notice under paragraph 12 hereof and the Arrangement Agreement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement Agreement and Plan of Arrangement to be submitted to the Unitholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement Agreement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Unitholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as Extendicare REIT may determine.

Amendments to the Information Circular

10. **THIS COURT ORDERS** that, subject the terms of the REIT Deed of Trust, Extendicare REIT is authorized to make such amendments, revisions and/or supplements to the Information Circular as it may determine and the Information Circular, as so amended, revised

and/or supplemental, shall be the Information Circular to be distributed in accordance with paragraph 12, below.

Adjournments and Postponements

11. **THIS COURT ORDERS** that Extendicare REIT, if it deems advisable and subject to section 13.2 of the REIT Deed of Trust and the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Unitholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as Extendicare REIT may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting and in accordance with section 13.2 of the REIT Deed of Trust, Extendicare REIT shall send the Information Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, a form of proxy and letter of transmittal, along with such amendments or additional documents as Extendicare REIT may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

a) the registered Unitholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

i) by pre-paid ordinary or first class mail at the addresses of the Unitholders as they appear on the books and records of Extendicare REIT, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Secretary of Extendicare REIT;

ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or

iii) by facsimile or electronic transmission to any Unitholder, who is identified to the satisfaction of Extendicare REIT, who requests such transmission in writing and, if required by Extendicare REIT, who is prepared to pay the charges for such transmission;

b) non-registered Unitholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

c) the respective trustees and auditors of Extendicare REIT, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that, in accordance with section 13.2 of the REIT Deed of Trust, accidental failure or omission by Extendicare REIT to give notice of the meeting or to distribute the Meeting Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Extendicare REIT, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of Extendicare REIT, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. **THIS COURT ORDERS** that, subject to the terms of the REIT Deed of Trust, Extendicare REIT is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials, as Extendicare REIT may determine in accordance with the terms of the Arrangement Agreement and Plan of Arrangement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as Extendicare REIT may determine.

15. **THIS COURT ORDERS** that distribution of the Meeting Materials pursuant to paragraph 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraph 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or any portion thereof need be made, or notice given or

other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

Solicitation and Revocation of Proxies

16. **THIS COURT ORDERS** that, subject to the terms of the REIT Deed of Trust, Extendicare REIT is authorized to use a letter of transmittal and proxies substantially in the form of the drafts accompanying the Information Circular, with such amendments and additional information as Extendicare REIT may determine are necessary or desirable, subject to the terms of the Arrangement Agreement and Plan of Arrangement. Extendicare REIT is authorized, at its expense, to solicit proxies, directly or through its officers, trustees or employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. Extendicare REIT may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by Unitholders, if Extendicare REIT deems it advisable to do so.

17. **THIS COURT ORDERS** that, as approved by the Board of Trustees and in accordance with section 13.4 of the REIT Deed of Trust, Unitholders shall be entitled to revoke their proxies by delivering a written statement to that effect, executed by the Unitholder or by his or her attorney authorized in writing to do so, to the Secretary of Extendicare REIT at the head office of the REIT no later than 2:30 p.m. (Toronto time) on May 4, 2012 or to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

Voting

18. **THIS COURT ORDERS** that, subject to sections 13.4 and 13.8 of the REIT Deed of Trust, the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Unitholders who hold units of Extendicare REIT as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

19. **THIS COURT ORDERS** that, in accordance with sections 13.4 and 13.6 of the REIT Deed of Trust, votes shall be taken at the Meeting on the basis of one vote per REIT Unit and that, in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by an affirmative vote of not less than two-thirds ($66^2/_3\%$) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by the Unitholders. Such votes shall be sufficient to authorize Extendicare REIT to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the Unitholders, subject only to final approval of the Arrangement by this Honourable Court.

20. **THIS COURT ORDERS** that, in accordance with sections 3.1 and 13.4 of the REIT Deed of Trust, in respect of matters properly brought before the Meeting pertaining to items of business affecting Extendicare REIT (other than in respect of the Arrangement Resolution), each Unitholder is entitled to one vote for each unit held.

Hearing of Application for Approval of the Arrangement

21. **THIS COURT ORDERS** that, upon approval by the Unitholders of the Plan of Arrangement in the manner set forth in this Interim Order, the Applicants may apply to this Honourable Court for final approval of the Arrangement.

22. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 23.

23. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the lawyers for Extendicare REIT, as soon as reasonably practicable, and, in any event, no less than 7 days before the hearing of this Application at the following addresses:

Bennett Jones LLP,
Suite 3400, 1 First Canadian Place
Toronto, Ontario, M5X 1A4

Attention: Derek J. Bell / Michael J. Paris

24. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

i) the Applicants;

ii) the Director ; and

iii) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

25. **THIS COURT ORDERS** that any materials to be filed by the Applicants in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

26. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those persons who served and filed a Notice of Appearance in accordance with paragraph 23 shall be entitled to be given notice of the adjourned date.

Precedence

27. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the REIT Units or the REIT Deed of Trust, this Interim Order shall govern.

Extra-Territorial Assistance

28. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

29. **THIS COURT ORDERS** that Extendicare REIT shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:
MAR 23 2012

Giuseppe Dipietro
Registrar

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving Extendicare Real Estate Investment Trust et. al.

Court File No.: CV-12-9631-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INTERIM ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto ON M5X 1A4

Derek J. Bell (LSUC #43420J)
Tel: (416) 777-4638

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Tel: (416) 777-6251
Fax:(416) 863-1716

Lawyers for the Applicants /
Moving Parties

C-13

APPENDIX D
NOTICE OF APPLICATION

Court File No.: CV-12-9631-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

AND AN APPLICATION under Rule 14.05(2) and Rule 14.05(3) of the *Rules of Civil Procedure*

AND IN THE MATTER OF a proposed arrangement involving Extendicare Real Estate Investment Trust, Extendicare Trust, Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc., 8067929 Canada Inc. and the Unitholders of Extendicare Real Estate Investment Trust

EXTENDICARE REAL ESTATE INVESTMENT TRUST, EXTENDICARE TRUST, EXTENDICARE HOLDING GENERAL PARTNER INC., EXTENDICARE LIMITED PARTNERSHIP, 8120404 CANADA INC., EXTENDICARE INC., and 8067929 CANADA INC.

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on **Tuesday, May 15, 2012** or such later date as the Court may direct at 10:00 a.m., or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: March 1, 2012

Issued by 
Local Registrar

Address of court office: 330 University Avenue, 7th Floor
Toronto, Ontario M5G 1R7

TO: **THE DIRECTOR**
Canada Business Corporations Act
Industry Canada
Jean Edmonds Tower South
365 Laurier Avenue West, 9th Floor
Ottawa, ON K1A 0C8

AND TO: **ALL HOLDERS OF TRUST UNITS OF EXTENDICARE REAL ESTATE INVESTMENT TRUST**

APPLICATION

1. **THE APPLICANTS MAKE AN APPLICATION FOR:**

   (a) an interim order (the "**Interim Order**") for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), with respect to an arrangement (the "**Arrangement**") involving Extendicare Real Estate Investment Trust, Extendicare Trust ("**Extendicare REIT**"), Extendicare Holding General Partner Inc., Extendicare Limited Partnership, 8120404 Canada Inc., Extendicare Inc., 8067929 Canada Inc. and the holders of trust units of Extendicare REIT (the "**Unitholders**");

   (b) a final order approving the Arrangement pursuant to section 192 of the CBCA;

   (c) such further Orders or directions as are required for the administration of the Arrangement; and

   (d) such further and other relief as this Honourable Court may deem just.

2. **THE GROUNDS FOR THE APPLICATION ARE:**

   (a) it is not practicable for the Applicants to effect a fundamental change in the nature of the Arrangement under any other provision of the *CBCA*;

   (b) the Arrangement is in all the circumstances fair and reasonable to the Unitholders;

   (c) the relief sought in the Interim Order is within the scope of section 192 of the *CBCA* and will enable to court to consider the Arrangement on the return of this Application;

   (d) all Unitholders, some of whom reside outside of Ontario, are necessary or proper parties to this application;

   (e) section 192 of the *CBCA*;

   (f) rules 2.03, 3.02, 14.05(2), 14.05(3), 17.02(n), 17.02(o) and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194; and,

(g) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:**

(a) an Affidavit of a representative of Extendicare REIT, to be sworn, with exhibits thereto, outlining the basis for an interim order for advice and directions;

(b) the further Affidavit(s), with exhibits thereto, including an Affidavit outlining the basis for the final order approving the Arrangement, and reporting as to compliance with the Interim Order and the results of any meeting conducted pursuant to the Interim Order; and

(c) such further and other material as counsel may advise and this Honourable Court may permit.

March 1, 2012

BENNETT JONES LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Derek J. Bell / Michael J. Paris
LSUC No. 43420J / 57226K
Tel: (416) 777-6251
Fax: (416) 863-1716

Lawyers for the Applicants

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving Extendicare Real Estate Investment Trust et. al.

Court File No. CV-12-9631-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
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NOTICE OF APPLICATION

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Fax:(416) 863-1716

Lawyers for the Applicants

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APPENDIX E

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 14th day of March, 2012.

BETWEEN:

EXTENDICARE REAL ESTATE INVESTMENT TRUST, a trust established under the laws of the Province of Ontario ("**Extendicare REIT**")

- and -

EXTENDICARE TRUST, a trust established under the laws of the Province of Ontario ("**Extendicare Trust**")

- and -

EXTENDICARE HOLDING GENERAL PARTNER INC., a corporation existing under the laws of Canada ("**Holding GP**")

- and -

EXTENDICARE LIMITED PARTNERSHIP, a limited partnership existing under the laws of the Province of Ontario ("**Extendicare LP**")

- and -

8120404 CANADA INC., a corporation existing under the laws of Canada ("**ULC**")

- and -

EXTENDICARE INC., a corporation existing under the laws of Canada ("**EI**")

- and -

8067929 CANADA INC., a corporation existing under the laws of Canada ("**New Extendicare**")

WHEREAS:

(a) Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare wish to propose an arrangement involving the holders of REIT Units in order to reorganize the affairs of Extendicare REIT and carry out certain transactions on the basis hereinafter set forth;

(b) the Parties intend to carry out the transactions contemplated herein by way of an arrangement under the CBCA; and

(c) the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, the following terms have the following meanings:

"**2013 Debentures**" means the 7.25% convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2013, bearing interest at an annual rate of 7.25%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $92,000,000;

"**2014 Debentures**" means the 5.70% convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2014, bearing interest at an annual rate of 5.70%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $115,000,000;

"**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedule hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

"**Amalgamation**" has the meaning set forth in Section 3.1(j);

"**Amended Drip**" means the DRIP, as amended and restated pursuant to the Plan of Arrangement;

"**Arrangement**" means the proposed arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as amended, modified or supplemented;

"**Arrangement Resolution**" means the special resolution of the Unitholders approving the Arrangement;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, in the Province of Ontario, for the transaction of banking business;

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

"**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Director pursuant to Section 192(7) of the CBCA giving effect to the Arrangement;

"**Court**" means the Ontario Superior Court of Justice;

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

"**Debentures**" means, collectively, the 2013 Debentures and the 2014 Debentures;

"**Director**" means the director appointed under Section 260 of the CBCA;

"**DRIP**" means the Distribution Reinvestment Plan of Extendicare REIT;

"**Effective Date**" means the date the Arrangement is effective under the CBCA;

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in writing by New Extendicare;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 192(3) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**First Supplemental Indenture**" means the First Supplemental Indenture dated June 19, 2008 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2013 Debentures;

"**Indenture**" means, collectively, the Original Trust Indenture and the First Supplemental Indenture;

"**Information Circular**" means the management information circular of Extendicare REIT, together with all appendices thereto, to be distributed to Unitholders in connection with the Meeting;

"**Interim Order**" means an interim order of the Court pursuant to Section 192(4) of the CBCA containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Limited Partnership Agreement**" means the limited partnership agreement dated September 11, 2006, among Holding GP, Extendicare Trust and each Person who from time to time becomes or is deemed to become a party thereto;

"**Meeting**" means the annual and special meeting of Unitholders and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought advisable, approving the Arrangement Resolution and other matters set out in the Notice of Meeting accompanying the Information Circular;

"**New Extendicare Amalco**" means the corporation continuing upon the amalgamation of New Extendicare, Holding GP, ULC and EI pursuant to the Arrangement and to be known as "Extendicare Inc.";

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

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

"**Original Trust Indenture**" means the trust indenture dated June 21, 2007 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2014 Debentures;

"**Parties**" means, collectively, the parties to this Agreement and "**Party**" means any one of them;

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

"**Plan of Arrangement**" means the plan of arrangement attached hereto as Exhibit A, as amended, modified or supplemented from time to time in accordance with the terms thereof;

"**REIT Deed of Trust**" means the amended and restated deed of trust dated December 15, 2010, governing the REIT, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

"**REIT Unit**" means a trust unit of Extendicare REIT (other than a special voting unit of Extendicare REIT) authorized and issued under the REIT Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Rights Plan**" means the unitholder rights plan of Extendicare REIT dated December 15, 2010;

"**Trust Deed of Trust**" means the deed of trust dated September 11, 2006, governing Extendicare Trust, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

"**Trust Unit**" means a trust unit of Extendicare Trust authorized and issued under the Trust Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

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

"**Unitholders**" means the holders of REIT Units from time to time.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and exhibits and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 Article References

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and exhibits of this Agreement.

1.4 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 Entire Agreement

This Agreement, together with Exhibit A attached hereto, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof.

1.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable in Ontario and shall be treated in all respects as an Ontario contract.

1.7 Exhibit

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement

As soon as reasonably practicable, the Parties shall apply to the Court pursuant to Section 192 of the CBCA for an order approving the Arrangement and in connection with such application shall:

(a) forthwith file, proceed with and prosecute an application for an Interim Order under Section 192 of the CBCA providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if thought advisable, approving the Arrangement Resolution; and

(b) subject to obtaining all necessary approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order.

Subject to satisfaction or waiver of the conditions set forth herein, New Extendicare shall deliver to the Director Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, and the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

2.2 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

ARTICLE 3
COVENANTS

3.1 Covenants of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI

Each of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI covenants and agrees that it will:

(a) take all reasonable actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;

(b) use all reasonable efforts to obtain all necessary consents, exemptions, approvals, assignments, waivers and amendments to or terminations of any instruments considered necessary or desirable by the other Parties and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(c) to the extent applicable to it, solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments, modifications or supplements thereto as required by, and in compliance with, the Interim Order, applicable corporate and securities laws, and the REIT Deed of Trust and file and distribute the same to the Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;

(d) to the extent applicable to it, convene the Meeting as contemplated by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law;

(e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Effective Date;

(f) subject to the approval of the Arrangement Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, together with New Extendicare, for the Final Order;

(g) to the extent applicable to it, carry out the terms of the Final Order;

(h) to the extent applicable to it, upon issuance of the Final Order and subject to the conditions precedent in Article 5, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to Section 192(3) of the CBCA;

(i) subject to Section 8.4, not perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and

(j) in the case of Extendicare REIT, prior to the Effective Date, make application to list:

(i) the New Extendicare Common Shares to be issued to Unitholders pursuant to the Arrangement (which shall become New Extendicare Amalco Common Shares by virtue

of the amalgamation of New Extendicare, Holding GP, ULC and EI pursuant to the Arrangement (the "**Amalgamation**"));

(ii) the Debentures to be assumed by New Extendicare and for which New Extendicare Amalco will become liable by virtue of the Amalgamation;

(iii) the New Extendicare Amalco Common Shares issuable by New Extendicare Amalco upon the conversion, redemption or maturity of the Debentures; and

(iv) the New Extendicare Amalco Common Shares to be reserved and authorized for issuance under the Amended DRIP;

on the TSX on a substitutional listing basis.

3.2 Covenants of New Extendicare

New Extendicare covenants and agrees that it will:

(a) take all reasonable actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;

(b) use all reasonable efforts to obtain all consents, exemptions, approvals, assignments, waivers and amendments to or terminations of any instruments considered necessary or desirable by the other Parties and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(c) until the Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business or enter into any transaction without the prior written consent of Extendicare REIT;

(d) until the Effective Date, not issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities, except to Extendicare REIT;

(e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Effective Date;

(f) subject to approval of the Arrangement Resolution by the Unitholders as required by the Interim Order, submit the Arrangement to the Court and apply, together with Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI, for the Final Order;

(g) to the extent applicable to it, carry out the terms of the Final Order;

(h) upon issuance of the Final Order and subject to the conditions precedent in Article 5, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to Section 192(3) of the CBCA;

(i) reserve and authorize for issuance the Common Shares issuable pursuant to the Arrangement; and

(j) prior to the Effective Date, cooperate with Extendicare REIT in making the application to list:

(i) the New Extendicare Common Shares to be issued to Unitholders pursuant to the Arrangement (which shall become New Extendicare Amalco Common Shares by virtue of the Amalgamation);

(ii) the Debentures to be assumed by New Extendicare and for which New Extendicare Amalco will become liable by virtue of the Amalgamation;

(iii) the New Extendicare Amalco Common Shares issuable by New Extendicare Amalco upon the conversion, redemption or maturity of the Debentures; and

(iv) the New Extendicare Amalco Common Shares to be reserved and authorized for issuance under the Amended DRIP;

on the TSX on a substitutional listing basis.

3.3 Amendment of Agreements

The Parties agree that, pursuant to the Arrangement, the REIT Deed of Trust, the Trust Deed of Trust and the Limited Partnership Agreement will be amended in a manner satisfactory to Extendicare REIT and New Extendicare, in each case acting reasonably, if and as necessary to facilitate and implement the Arrangement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Extendicare REIT

Extendicare REIT represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) Extendicare REIT is a trust duly settled and validly existing under the laws of the Province of Ontario and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to the approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the REIT Deed of Trust;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the trustees of Extendicare REIT and this Agreement constitutes a valid and binding obligation of Extendicare REIT enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Extendicare REIT, contemplated or threatened against or affecting Extendicare REIT or its subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Extendicare REIT, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Extendicare REIT and its subsidiaries taken as a whole; and

(e) as at February 29, 2012, there were 84,417,528 REIT Units issued and outstanding and the only obligation, contractual or otherwise, of Extendicare REIT to issue any REIT Units or other securities is (i) under the terms of the Debentures, (ii) the Rights Plan, and (iii) the DRIP.

4.2 Representations and Warranties of Extendicare Trust

Extendicare Trust represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) Extendicare Trust is a trust duly settled and validly existing under the laws of the Province of Ontario and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to the approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the Trust Deed of Trust;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the trustees of Extendicare Trust and this Agreement constitutes a valid and binding obligation of Extendicare Trust enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Extendicare Trust, contemplated or threatened against or affecting Extendicare Trust in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Extendicare Trust, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Extendicare Trust; and

(e) as at the date hereof, all of the issued and outstanding Trust Units are held by Extendicare REIT and there is no obligation, contractual or otherwise, of Extendicare Trust to issue any Trust Units or other securities.

4.3 Representations and Warranties of Holding GP

Holding GP represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) Holding GP is a corporation existing under the laws of Canada and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of incorporation or by-laws of Holding GP;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the sole director of Holding GP, on its behalf, and this Agreement constitutes a valid and binding obligation of Holding GP enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Holding GP, contemplated or threatened against or affecting Holding GP in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Holding GP are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Holding GP; and

(e) as at the date hereof, all of the issued and outstanding common shares of Holding GP are held by Extendicare Trust and there is no obligation, contractual or otherwise, of Holding GP to issue any common shares or other securities.

4.4 Representations and Warranties of Extendicare LP

Extendicare LP represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) Extendicare LP is a limited partnership established under the laws of the Province of Ontario and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the Limited Partnership Agreement;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the director of Holding GP, the general partner of Extendicare LP, on behalf of Extendicare LP, and this Agreement constitutes a valid and binding obligation of Extendicare LP enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Holding GP, contemplated or threatened against or affecting Extendicare LP in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, or instrumentality of any kind, nor, to the knowledge of Holding GP, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Extendicare LP; and

(e) as at the date hereof, the general partnership interest of Extendicare LP is held by Holding GP, all of the issued and outstanding Class A Limited Partnership Units are held by Extendicare Trust and no Exchangeable LP Units are issued and outstanding and there is no obligation, contractual or otherwise, on Extendicare LP to issue any LP Units or other securities.

4.5 Representations and Warranties of ULC

ULC represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) ULC is a corporation existing under the laws of Canada and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of incorporation or by-laws of ULC;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the sole director of ULC and this Agreement constitutes a valid and binding obligation of ULC enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of ULC, contemplated or threatened against or affecting ULC in law or in equity before or by any domestic or foreign government

department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of ULC are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of ULC; and

(e) as at the date hereof, all of the issued and outstanding common shares of ULC are held by Extendicare LP and there is no obligation, contractual or otherwise, of ULC to issue any common shares or other securities.

4.6 Representations and Warranties of EI

EI represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) EI is a corporation existing under the laws of Canada and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of amalgamation or by-laws of EI;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the directors of EI and this Agreement constitutes a valid and binding obligation of EI enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of EI, contemplated or threatened against or affecting EI or its subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of EI are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of EI and its subsidiaries taken as a whole; and

(e) as at the date hereof, all of the issued and outstanding common shares of EI are held by ULC and there is no obligation, contractual or otherwise, of EI to issue any common shares or other securities.

4.7 Representations and Warranties of New Extendicare

New Extendicare represents and warrants to and in favour of the other Parties as follows, and acknowledges that the other Parties are relying upon such representations and warranties:

(a) New Extendicare is a corporation incorporated under the laws of Canada and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of incorporation of New Extendicare;

(c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the sole director of New Extendicare and this Agreement

constitutes a valid and binding obligation of New Extendicare enforceable against it in accordance with its terms;

(d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of New Extendicare, contemplated or threatened against or affecting New Extendicare in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of New Extendicare, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of New Extendicare; and

(e) as at the date hereof, all of the issued and outstanding Common Shares are held by Extendicare REIT and except as may be contemplated by this Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise, of New Extendicare to issue any Common Shares or other securities.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to complete the transactions contemplated by this Agreement shall be subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

(a) the Interim Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, not later than April 2, 2012 or such later date as the Parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to the Parties on appeal or otherwise;

(b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;

(c) the Final Order shall have been granted in form and substance satisfactory to the Parties acting reasonably, not later than June 30, 2012 or such later date as the Parties may agree, and the Final Order shall not have been set aside or modified in a manner unacceptable to the Parties acting reasonably, on appeal or otherwise;

(d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Parties acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with Section 192(6) of the CBCA;

(e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

(i) makes illegal or otherwise directly or indirectly restrains, enjoins, prohibits or materially adversely affects the Arrangement or any other transactions contemplated herein; or

(ii) results in, or could reasonably be expected to result in, a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;

(f) all material regulatory consents, exemptions and approvals considered necessary or desirable by the Parties with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, consents, exemptions and approvals from applicable securities regulatory authorities and under the rules or policies of the TSX; and

(g) the approval of the TSX to list:

(i) the New Extendicare Common Shares to be issued to Unitholders pursuant to the Arrangement (which shall become New Extendicare Amalco Common Shares by virtue of the Amalgamation);

(ii) the Debentures to be assumed by New Extendicare and for which New Extendicare Amalco will become liable by virtue of the Amalgamation;

(iii) the New Extendicare Amalco Common Shares issuable by New Extendicare Amalco upon the conversion, redemption or maturity of the Debentures; and

(iv) the New Extendicare Amalco Common Shares to be reserved and authorized for issuance under the Amended DRIP;

on the TSX on a substitutional listing basis shall have been obtained.

5.2 Additional Conditions to Obligations of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI

In addition to the conditions contained in Section 5.1, the obligation of each of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

(a) each of the covenants, acts and undertakings of New Extendicare to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with; and

(b) the board of trustees of Extendicare REIT shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders.

5.3 Additional Conditions to Obligations New Extendicare

In addition to the conditions contained in Section 5.1, the obligation of New Extendicare to complete the transactions contemplated by this Agreement is subject to the due performance of or compliance with each of the covenants, acts and undertakings of Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC and EI to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement, any of which may be waived by New Extendicare.

5.4 Notice and Effect of Failure to Comply with Conditions

If any of the conditions precedent set forth in sections 5.1, 5.2 or 5.3 hereof shall not be satisfied or waived by the Party or Parties for whose benefit such conditions are provided on or before the date required for the satisfaction thereof, then a Party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement; provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the Party intending to rely thereon has delivered a written notice to the other Parties, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non satisfaction of the applicable conditions precedent and the Party or Parties in breach shall have failed to cure

such breach within five Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a Party.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when Articles of Arrangement are filed under the CBCA to give effect to the Arrangement.

ARTICLE 6
AMENDMENT AND TERMINATION

6.1 Amendments

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the Parties without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the holders of the REIT Units pursuant to the Arrangement is brought to the attention of the Court and is subject to such requirements as may be ordered by the Court.

6.2 Termination

This Agreement shall be terminated in each of the following circumstances:

(a) the mutual agreement of the Parties;

(b) the Arrangement shall not have become effective on or before July 1, 2012 or such later date as may be agreed to by the Parties; and

(c) termination of this Agreement under Article 5 hereof.

ARTICLE 7
NOTICES

7.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally, and in the case of:

(a) Extendicare REIT

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(b) Extendicare Trust

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(c) Holding GP

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(d) Extendicare LP

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(e) ULC

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(f) EI

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

(g) New Extendicare

c/o Extendicare Inc.
3000 Steeles Avenue East
Suite 700
Markham, ON L3R 9W2

Attention: Corporate Secretary

ARTICLE 8
GENERAL

8.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of each of the Parties and their respective successors.

8.2 No Assignment

No Party may assign its rights or obligations under this Agreement.

8.3 Expenses

New Extendicare shall pay all expenses in connection with the preparation and execution of this Agreement and the completion of the transactions contemplated hereby or incidental hereto in the event of the implementation of the Arrangement pursuant to the terms of this Agreement.

8.4 Exclusivity

None of the covenants of Extendicare REIT contained herein shall prevent the board of trustees of Extendicare REIT from responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement, reorganization or similar transaction or any unsolicited acquisition proposal generally or make any disclosure to its securityholders with respect thereto which in the judgment of the board of trustees of Extendicare REIT, acting upon the advice of counsel, is required under applicable law.

8.5 Equitable Remedies

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.

8.6 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

(a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and

(b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

8.7 Further Assurances

Each Party shall, from time to time and at all times hereafter, at the request of another Party, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

8.8 Time of Essence

Time shall be of the essence of this Agreement.

8.9 Liability of Extendicare REIT

Each of the Parties, other than Extendicare REIT, acknowledge that the obligations of Extendicare REIT hereunder shall not be personally binding upon the trustees of Extendicare REIT or any registered or beneficial holder of trust units of Extendicare REIT or any beneficiary under a plan of which a holder of trust units acts as a trustee or carrier, and that resort shall not be had to, nor shall recourse be sought from, any of the foregoing or the private property of any of the foregoing in respect of any indebtedness, obligation or liability of Extendicare REIT arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including, without limitation, claims based on negligence or otherwise tortious behavior, and recourse shall be limited to, and satisfied only out of, the "Fund Assets" as defined in the REIT Deed of Trust.

8.10 Liability of Extendicare Trust

Each of the Parties, other than Extendicare Trust, acknowledge that the obligations of Extendicare Trust hereunder shall not be personally binding upon the trustees of Extendicare Trust or any registered or beneficial holder of trust units of Extendicare Trust or any beneficiary under a plan of which a holder of trust units acts as a trustee or carrier, and that resort shall not be had to, nor shall recourse be sought from, any of the foregoing or the private property of any of the foregoing in respect of any indebtedness, obligation or liability of Extendicare Trust arising hereunder or arising in connection herewith or form the matters to which this Agreement relates, if any, including, without limitation, claims based on negligence or otherwise tortious behavior, and recourse shall be limited to, and satisfied only out of, the "Fund Assets" as defined in the Trust Deed of Trust.

8.11 Counterparts

This Agreement may be executed in counterparts, in original, facsimile or electronic form, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed and delivered by the Parties as of the date first above written.

EXTENDICARE REAL ESTATE INVESTMENT TRUST

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

EXTENDICARE TRUST

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

EXTENDICARE HOLDING GENERAL PARTNER INC.

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

EXTENDICARE LIMITED PARTNERSHIP by its General Partner EXTENDICARE HOLDING GENERAL PARTNER INC.

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

8120404 CANADA INC.

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

EXTENDICARE INC.

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

8067929 CANADA INC.

Per: *(Signed) "Jillian E. Fountain"*
Name: Jillian E. Fountain
Title: Secretary

EXHIBIT A

PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE
CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1
INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

(a) "**2013 Debentures**" means the 7.25% convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2013, bearing interest at an annual rate of 7.25%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $92,000,000;

(b) "**2014 Debentures**" means the 5.70% convertible unsecured subordinated debentures of Extendicare REIT due on June 30, 2014, bearing interest at an annual rate of 5.70%, payable semi-annually in arrears on June 30th and December 31st in each year, in the original principal amount of $115,000,000;

(c) "**Amended DRIP**" means the Dividend Reinvestment Plan of New Extendicare Amalco, which will be an amended and restated version of the DRIP;

(d) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the proposed arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement and this Plan of Arrangement, respectively, together with those which may be made at the discretion of the Court in the Final Order;

(e) "**Arrangement Agreement**" means the Arrangement Agreement dated March 14, 2012 among Extendicare REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI and New Extendicare pursuant to which such parties have proposed to implement the Arrangement, as amended, supplemented or modified from time to time in accordance with the terms thereof;

(f) "**Arrangement Resolution**" means the special resolution of the Unitholders approving the Arrangement;

(g) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;

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

(i) "**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Director pursuant to Section 192(7) of the CBCA giving effect to the Arrangement;

(j) "**Court**" means the Ontario Superior Court of Justice;

(k) "**Debentures**" means, collectively, the 2013 Debentures and the 2014 Debentures;

(l) "**Debenture Trustee**" means Computershare Trust Company of Canada in its capacity as trustee under the Indenture;

(m) "**Depositary**" means Computershare Investor Services Inc. at its offices referred to in the Letter of Transmittal;

(n) "**Director**" means the director appointed under Section 260 of the CBCA;

(o) "**DRIP**" means the Distribution Reinvestment Plan of Extendicare REIT;

(p) "**DRS Advice**" means the document evidencing electronic registration of ownership of New Extendicare Amalco Shares under the Direct Registration System adopted by Computershare Investor Services Inc., the registrar and transfer agent of New Extendicare Amalco;

(q) "**Effective Date**" means the date the Arrangement is effective under the CBCA;

(r) "**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in writing by New Extendicare;

(s) "**EI**" means Extendicare Inc., a corporation amalgamated under the laws of Canada and a subsidiary of ULC;

(t) "**EI Shares**" means the common shares in the capital of EI;

(u) "**Encumbrance**" means any encumbrance, lien, charge, security interest, option, privilege or other restriction or right of any kind or nature, and any right or privilege capable of becoming any of the foregoing;

(v) "**Extendicare LP**" means Extendicare Limited Partnership, a limited partnership formed under the laws of the Province of Ontario and a subsidiary of Extendicare Trust;

(w) "**Extendicare Trust**" means Extendicare Trust, an unincorporated, open-ended limited purpose trust established under the laws of Ontario pursuant to the Trust Deed of Trust and a subsidiary of the REIT;

(x) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 192(3) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(y) "**First Supplemental Indenture**" means the First Supplemental Indenture dated June 19, 2008 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2013 Debentures;

(z) "**Grant Agreement**" means a written agreement between the REIT (or Extendicare REIT and another member of the REIT Group) and a participant in the UARP pursuant to which such participant has been granted UARs;

(aa) "**Holding GP**" means Extendicare Holding General Partner Inc., a corporation incorporated under the laws of Canada, the general partner of Extendicare LP and a subsidiary of Extendicare Trust;

(bb) "**Holding GP Shares**" means the common shares in the capital of Holding GP;

(cc) "**Indenture**" means, collectively, the Original Trust Indenture and the First Supplemental Indenture;

(dd) "**Information Circular**" means the management information circular of Extendicare REIT, together with all appendices thereto, to be distributed to Unitholders in connection with the Meeting;

(ee) "**Letter of Transmittal**" means the letter of transmittal accompanying the Information Circular sent to registered Unitholders pursuant to which a registered Unitholder is required to deliver certificates representing REIT Units in order to receive, on completion of the Arrangement, a DRS Advice representing New Extendicare Amalco Common Shares;

(ff) "**Limited Partnership Agreement**" means the limited partnership agreement dated September 11, 2006, among Holding GP, Extendicare Trust and each person who from time to time becomes or is deemed to become a party thereto;

(gg) "**Meeting**" means the annual and special meeting of Unitholders and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought advisable, approving the Arrangement Resolution and other matters set out in the Notice of Meeting accompanying the Information Circular;

(hh) "**New Extendicare**" means 8067929 Canada Inc., a corporation incorporated under the laws of Canada and a subsidiary of the REIT;

(ii) "**New Extendicare Amalco**" means the corporation continuing upon the amalgamation of New Extendicare, Holding GP, ULC, and EI pursuant to the Arrangement and to be known as "Extendicare Inc.";

(jj) "**New Extendicare Amalco Common Shares**" means the common shares in the capital of New Extendicare Amalco;

(kk) "**New Extendicare Amalco Supplemental Indenture**" means the supplemental indenture dated the Effective Date to be entered into between New Extendicare Amalco and the Debenture Trustee pursuant to the Indenture and pursuant to which New Extendicare Amalco will acknowledge, confirm and agree that, as of the Effective Date, New Extendicare Amalco is liable for all of the covenants and obligations of the REIT under the Indenture in respect of the Debentures;

(ll) "**New Extendicare Board**" means the board of directors of New Extendicare;

(mm) "**New Extendicare Common Shares**" means the common shares in the capital of New Extendicare;

(nn) "**Original Trust Indenture**" means the Trust Indenture dated June 21, 2007 between Extendicare REIT and Computershare Trust Company of Canada pursuant to which Extendicare REIT issued the 2014 Debentures;

(oo) "**Parties**" means, collectively, the parties to the Arrangement Agreement and "**Party**" means any one of them;

(pp) "**Plan of Arrangement**" means this plan of arrangement, as amended, modified or supplemented from time to time in accordance with the terms hereof;

(qq) "**REIT**" or "**Extendicare REIT**" means Extendicare Real Estate Investment Trust, an unincorporated, open-ended limited purpose trust established under the laws of Ontario pursuant to the REIT Deed of Trust;

(rr) "**REIT Assets**" has the meaning ascribed to the term "Fund Assets" in Section 1.1 of the REIT Deed of Trust;

(ss) "**REIT Deed of Trust**" means the amended and restated deed of trust dated December 15, 2010, governing the REIT, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

(tt) "**REIT Group**" means, collectively, the REIT and all of its subsidiaries;

(uu) "**REIT Unit**" means a trust unit of the REIT (other than a Special Voting Unit) authorized and issued under the REIT Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

(vv) "**Trust Assets**" has the meaning ascribed thereto in Section 1.1 of the Trust Deed of Trust;

(ww) "**Trust Deed of Trust**" means the deed of trust dated September 11, 2006, governing Extendicare Trust, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

(xx) "**Trust Unit**" means a trust unit of Extendicare Trust authorized and issued under the Trust Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

(yy) "**UARs**" means the unit appreciation rights granted to a trustee, director or employee of any member of the REIT Group to whom UARs have been granted pursuant to one or more Grant Agreements;

(zz) "**UARP**" means the Extendicare Real Estate Investment Trust Total Return Unit Appreciation Rights Plan;

(aaa) "**ULC**" means 8120404 Canada Inc., a corporation incorporated under the laws of the Province of Alberta on September 11, 2006 as an unlimited liability corporation and formerly known as "Extendicare ULC", which was continued as a limited liability corporation under the CBCA on February 29, 2012, with the name "8120404 Canada Inc.", in contemplation of the Arrangement, and a subsidiary of Extendicare LP;

(bbb) "**ULC Shares**" means the common shares in the capital of ULC;

(ccc) "**Unitholder Rights**" means the rights to purchase REIT Units on the terms and subject to the conditions set out in the Unitholder Rights Plan;

(ddd) "**Unitholder Rights Plan**" means the unitholder rights plan of the REIT dated December 15, 2010 between Extendicare REIT and Computershare Trust Company of Canada, as rights agent, which was approved, ratified and confirmed by the Unitholders and holders of special voting units of the REIT (none of which are issued and outstanding) at the Annual and Special Meeting of the REIT held on Tuesday, June 7, 2011; and

(eee) "**Unitholders**" means the holders of REIT Units from time to time.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant to, and is subject to the provisions of, and forms part of, the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on and after, the Effective Time on the REIT, Extendicare Trust, Holding GP, Extendicare LP, ULC, EI, New Extendicare, and the Unitholders.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

2.4 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any Party or person until the Effective Time. Furthermore, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in said Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

ARTICLE 3
ARRANGEMENT

3.1 On the Effective Date, each of the events set out below shall occur and shall be deemed to occur at the Effective Time in the order set forth below, without any further act or formality:

Amendment of the REIT Deed of Trust, the Trust Deed of Trust and the Limited Partnership Agreement

(a) the REIT Deed of Trust, the Trust Deed of Trust and the Limited Partnership Agreement shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated herein;

Termination of Unitholders Rights Plan

(b) all of the issued and outstanding Unitholder Rights shall be cancelled without any payment or other consideration to the Unitholders, and the Unitholder Rights Plan shall terminate and cease to have any further force and effect;

Exchange of REIT Units for New Extendicare Common Shares

(c) all of the issued and outstanding REIT Units shall be assigned, transferred and conveyed to New Extendicare (free and clear of any Encumbrances) in exchange for New Extendicare Common Shares on the basis of one New Extendicare Common Share for each REIT Unit so transferred;

Cancellation of the Initial Common Share of New Extendicare

(d) the one New Extendicare Common Share issued to the REIT in connection with the organization of New Extendicare shall be purchased for cancellation by New Extendicare for $1.00 and shall be cancelled;

Dissolution of Extendicare LP

(e) all of the property of Extendicare LP shall be assigned, transferred and conveyed to Extendicare Trust, as to a 99.99% undivided interest in each such property, and Holding GP, as to a 0.01% undivided interest in each such property, in satisfaction of their partnership interests in Extendicare LP, all of the liabilities and obligations of Extendicare LP shall be assumed by

Extendicare Trust, as to a 99.99% undivided interest, and Holding GP, as to a 0.01% undivided interest, and Extendicare LP shall be dissolved and thereafter cease to exist;

Dissolution of Extendicare Trust

(f) all of the Trust Assets (including, for the avoidance of doubt, any property acquired by Extendicare Trust upon the dissolution of Extendicare LP pursuant to Section 3.1(e)) shall be assigned, transferred and conveyed to Extendicare REIT in satisfaction of Extendicare REIT's interest in the Trust Units, Extendicare REIT shall assume all of the liabilities and obligations of Extendicare Trust, and Extendicare Trust shall be dissolved and thereafter cease to exist and the Trust Units shall be cancelled;

Dissolution of the REIT

(g) all of the REIT Assets (including, for the avoidance of doubt, any property acquired by Extendicare REIT upon the dissolution of Extendicare Trust pursuant to Section 3.1(f)) shall be assigned, transferred and conveyed to New Extendicare in satisfaction of New Extendicare's interest in the REIT Units, New Extendicare shall assume all of the liabilities and obligations of the REIT (including the liabilities and obligations of the REIT in respect of any declared but unpaid distributions on the REIT Units as of the Effective Date and all of the covenants and obligations of the REIT under the Indenture in respect of the Debentures, including, for the avoidance of doubt, the obligation to pay the amounts payable to the holders thereof), and the REIT shall be dissolved and thereafter cease to exist and the REIT Units shall be cancelled;

Amalgamation of New Extendicare, Holding GP, ULC and EI

(h) the stated capital of the Holding GP Shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to New Extendicare, the sole shareholder of Holding GP;

(i) the stated capital of the ULC Shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to Holding GP and New Extendicare, the shareholders of ULC;

(j) the stated capital of the EI Shares shall be reduced to $1.00, in the aggregate, without any payment or distribution to ULC, the sole shareholder of EI;

(k) New Extendicare, Holding GP, ULC and EI shall be amalgamated and continue as New Extendicare Amalco as follows:

(i) each Holding GP Share shall be cancelled without any repayment of capital in respect thereof;

(ii) each ULC Share shall be cancelled without any repayment of capital in respect thereof;

(iii) each EI Share shall be cancelled without any repayment of capital in respect thereof;

(iv) no securities shall be issued by New Extendicare Amalco in connection with the amalgamation, such that the New Extendicare Common Shares shall become New Extendicare Amalco Common Shares by virtue of the amalgamation, and the stated capital of New Extendicare Amalco shall be the same as the stated capital of New Extendicare;

(v) the name of New Extendicare Amalco shall be "Extendicare Inc.";

(vi) the registered office of New Extendicare Amalco shall be located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2;

(vii) the articles of New Extendicare Amalco shall be the same as the Articles of Incorporation of New Extendicare, with the articles being set out in Schedule A hereto;

(viii) the first directors of New Extendicare Amalco shall be those persons who are the trustees of Extendicare REIT on the Effective Date, and such directors shall hold office until the first annual meeting of New Extendicare Amalco or until their successors are duly elected or appointed;

(ix) the first officers of New Extendicare Amalco shall be those persons who are the officers of the REIT and/or EI on the Effective Date;

(x) the by-laws of New Extendicare Amalco, until repealed, amended or altered, shall be the by-laws of New Extendicare;

(xi) the property of each of the amalgamating corporations (other than the Holding GP Shares, the ULC Shares and the EI Shares that are cancelled without any repayment of capital in respect thereof in accordance with the events set out in Sections 3.1(k)(i) to (iii), inclusive,) shall continue to be the property of New Extendicare Amalco;

(xii) New Extendicare Amalco shall continue to be liable for the obligations of each of the amalgamating corporations (including, for the avoidance of doubt, the liabilities and obligations of the REIT in respect of any declared but unpaid distributions on the REIT Units as of the Effective Date and all of the covenants and obligations of the REIT under the Indenture in respect of the Debentures, in each case assumed by New Extendicare pursuant to Section 3.1(g));

(xiii) any existing cause of action, claim or liability to prosecution of any of the amalgamating corporations shall be unaffected;

(xiv) any civil, criminal or administrative action or proceeding pending by or against any of the amalgamating corporations may be continued to be prosecuted by or against New Extendicare Amalco;

(xv) a conviction against, or ruling, order or judgment in favour of or against, any of the amalgamating corporations may be enforced by or against New Extendicare Amalco; and

(xvi) the first auditors of New Extendicare Amalco shall be KPMG LLP and KPMG LLP shall hold office until the first annual meeting of New Extendicare Amalco following the amalgamation or until their successors are elected or appointed;

New Extendicare Amalco Supplemental Indenture

(l) New Extendicare Amalco and the Debenture Trustee shall enter into the New Extendicare Amalco Supplemental Indenture;

Amended DRIP

(m) the DRIP shall be amended and restated such that: (i) eligible holders of New Extendicare Amalco Common Shares may direct that cash dividends on their New Extendicare Amalco Common Shares be reinvested in additional New Extendicare Amalco Common Shares issued from treasury at a price equal to 97% of the average market price, as defined in the Amended DRIP, on the applicable dividend payment date; and (ii) all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part, and eligible holders of New Extendicare Amalco Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by New Extendicare Amalco on the New Extendicare Amalco Common Shares; and

Amended UARs and UARP

(n) the outstanding UARs issued under the UARP, the related Grant Agreements and the UARP shall be amended and restated to replace the references to the REIT and the REIT Units to New Extendicare Amalco and New Extendicare Amalco Common Shares, respectively.

3.2 Upon the exchange of REIT Units for New Extendicare Common Shares pursuant to Section 3.1:

(a) each former holder of REIT Units shall cease to be the holder of the REIT Units so exchanged, and the name of each such former holder of REIT Units shall be removed from the register of REIT Units and New Extendicare shall become the sole holder of all of the issued and outstanding REIT Units and shall be added to the register of REIT Units as the sole owner of the REIT Units;

(b) each such holder of REIT Units shall become the holder of New Extendicare Common Shares exchanged for REIT Units by such holder, and shall be added to the register of holders of New Extendicare Common Shares and, following the amalgamation of New Extendicare, Holding GP, ULC and EI, the register of holders of New Extendicare Amalco Common Shares.

ARTICLE 4
OUTSTANDING CERTIFICATES

4.1 From and after the Effective Time, certificates formerly representing REIT Units shall represent only the right to receive New Extendicare Amalco Common Shares in respect thereof as provided in this Plan of Arrangement.

4.2 New Extendicare Amalco shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Unitholder of a duly completed Letter of Transmittal and certificates representing REIT Units and such additional documents as the Depository may reasonably require, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Unitholder at the address specified in the Letter of Transmittal; or

(b) if requested by such Unitholder in the Letter of Transmittal, make available or cause to be made available at the Depository for pick up by such Unitholder,

a DRS Advice representing the number of New Extendicare Amalco Common Shares to which such holder is entitled to receive upon completion of this Plan of Arrangement.

4.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding REIT Units that were exchanged pursuant to Section 3.1(c) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depository will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the person is entitled pursuant to the Arrangement (and any distributions with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, provide a bond to New Extendicare Amalco and its transfer agent, which bond is in form and substance satisfactory to New Extendicare Amalco and its transfer agent, or shall otherwise indemnify New Extendicare Amalco and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.4 All dividends or other distributions made with respect to any New Extendicare Amalco Common Share with a record date after the Effective Time but for which a DRS Advice has not been issued shall be paid or delivered to the Depository to be held by the Depository for the registered holder thereof. Subject to Section 4.5, the Depository shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depository in such form as the Depository may reasonably require, such dividends and distributions to which such holder is entitled, net of

applicable withholding and other taxes, upon delivery of a DRS Advice representing New Extendicare Amalco Common Shares issued to such holder in accordance with Section 4.2.

4.5 Subject to any applicable legislation relating to unclaimed personal property, any certificate formerly representing REIT Units that is not deposited with all other documents as required by this Plan of Arrangement on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such REIT Units to receive New Extendicare Amalco Common Shares. New Extendicare Common Shares issued pursuant to Section 3.1(c), which shall become New Extendicare Amalco Common Shares by virtue of the amalgamation of New Extendicare, Holding GP, ULC and EI, shall be deemed to be surrendered to New Extendicare Amalco, together with all distributions thereon held for such holder and such New Extendicare Amalco Common Shares shall be cancelled.

ARTICLE 5
AMENDMENTS

5.1 The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) filed with the Court and, if made following the Meeting, approved by the Court; and (iii) communicated to holders of REIT Units, if and as required by the Court.

5.2 Any amendment of, modification or supplement to this Plan of Arrangement may be proposed by the REIT at any time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Unitholders at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

5.3 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by New Extendicare Amalco, provided that it concerns a matter which, in the reasonable opinion of New Extendicare Amalco, is of an administrative nature or required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of New Extendicare Amalco or any former Unitholder.

ARTICLE 6
FURTHER ASSURANCES

6.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

SCHEDULE A

NEW EXTENDICARE AMALCO ARTICLE PROVISIONS

1. **Name of the Corporation**

   Extendicare Inc.

2. **The province or territory in Canada where the registered office is situated**

   Ontario

3. **The classes and any maximum number of shares that the corporation is authorized to issue**

   See annexed Schedule 1.

4. **Restrictions, if any, on share transfers**

   None

5. **Minimum and maximum number of directors**

   Minimum: 1 Maximum: 20

6. **Restrictions, if any, on business the corporation may carry on**

   None

7. **Other provisions, if any**

   See annexed Schedule 2.

SCHEDULE 1

1. The authorized capital of the Corporation shall consist of:

   (a) an unlimited number of Common Shares; and

   (b) that number of Preferred Shares, issuable in series, determined in accordance with Section 3(b) below.

COMMON SHARES

2. The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

   (a) **Voting Rights**. The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to one (1) vote in respect of each Common Share held at all such meetings (except meetings at which only holders of another specified class or series of shares are entitled to vote, pursuant to the provisions of the *Canada Business Corporations Act* (the "CBCA")).

   (b) **Dividends**. Subject to the prior rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive dividends, if, as and when declared by the board of directors of the Corporation (the "Board") out of assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the Board may determine.

   (c) **Liquidation, etc**. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive the remaining property of the Corporation.

PREFERRED SHARES

3. The Preferred Shares shall, as a class, have attached thereto the following rights, privileges, restrictions and conditions:

   (a) **Series**. The Preferred Shares may at any time and from time to time be issued in one or more series. The Board shall, subject to the provisions of Section 3(b) and Section 3(c) and subject to the CBCA and any conditions attaching to any outstanding series of Preferred Shares, by resolution, duly passed before the issuance of the Preferred Shares of each series, fix the number of the Preferred Shares in such series and determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of such series, including, but without in anyway limiting or restricting the generality of the foregoing, the rate or rates, amount or method or methods of calculation of preferential dividends, whether cumulative or non-cumulative or partially cumulative, and whether such rate(s), amount or method(s) of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the redemption price and terms and conditions of redemption (if any), the rights of retraction (if any), and the prices and other terms and conditions of any rights of retraction, voting rights (if any) and conversion or exchange rights (if any) and any sinking fund, purchase fund or other provisions attaching thereto, the whole subject to filing with the Director under the CBCA (or successor legislation thereto) of articles of amendment setting forth the number, designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series and the issuance of a certificate of amendment in respect thereof.

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

(c) **Ranking of Preferred Shares**. The Preferred Shares of each series shall rank on parity with the Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment in satisfaction of claims in respect of dividends.

SCHEDULE 2

The directors may, between annual meetings of shareholders, appoint one or more additional directors of the Corporation to serve until the next annual meeting of shareholders, but the number of additional directors shall not at any time exceed one-third of the number of directors who held office at the expiration of the last meeting of the shareholders of the Corporation.

APPENDIX F

INFORMATION CONCERNING NEW EXTENDICARE

NOTICE TO READER

Unless the context otherwise requires, the disclosure in this Appendix F has been prepared assuming that the Arrangement has been effected. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "Glossary of Terms" in the Information Circular.

FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. Reference is made to "Introduction — Forward-Looking Statements" in the Information Circular for information and cautionary statements relating to forward-looking statements. The forward-looking statements contained in this Appendix are qualified in their entirety by such information and cautionary statements. The forward-looking statements included in this Appendix are made as of the date of the Information Circular and New Extendicare assumes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or circumstances, except as required under applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

New Extendicare was incorporated on February 3, 2012 pursuant to the provisions of the CBCA for the sole purpose of participating in the Arrangement. The registered and principal office of New Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada L3R 9W2.

Intercorporate Relationships

As at March 30, 2012, New Extendicare does not have any subsidiaries. A list of the material direct and indirect subsidiaries of New Extendicare after giving effect to the Arrangement is set out under the heading "Corporate Structure — Subsidiaries" in the 2011 Annual Information Form.

Organizational Structure of New Extendicare

As at the date hereof, New Extendicare is a wholly-owned subsidiary of the REIT. A diagram illustrating the organizational structure of New Extendicare after giving effect to the Arrangement is set out in the Information Circular under the heading "The Arrangement — Post-Arrangement Structure".

Shareholders' Meetings and Directors' Meetings - Quorum

New Extendicare's by-law relating to the conduct of the business and affairs of New Extendicare ("**By-Law No. 1**") provides that at any meeting of Shareholders, two persons present and holding or representing by proxy at least 25% of the shares entitled to vote at the meeting shall be a quorum.

By-Law No. 1 also provides that a majority of the number of directors and questions arising at any meeting of directors shall be decided by a majority of votes. In the case of equality of votes, the chairman of the meeting shall not have a second or casting vote in addition to his or her original vote.

GENERAL DEVELOPMENT OF THE BUSINESS

New Extendicare has not carried on any active business. The Arrangement will result in the conversion of the REIT from an income trust structure to a corporate structure and New Extendicare will continue to carry on the business of Extendicare that is currently indirectly carried on by the REIT. For a detailed description of the historical

development of the business of the REIT, see "General Development of the Business — Three Year History" in the 2011 Annual Information Form.

New Extendicare will become a reporting issuer in each of the provinces of Canada and will become subject to the informational reporting requirements under the securities laws of each of the provinces of Canada.

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion, redemption or maturity of the Debentures to be assumed by New Extendicare pursuant to the Arrangement) under the trading symbol "EXE" and the substitutional listing of the 2014 Debentures and the 2013 Debentures under the trading symbols "EXE.DB" and "EXE.DB.A, respectively, which approvals are subject to New Extendicare fulfilling the requirements of the TSX. See "The Arrangement — Approvals — Stock Exchange Approvals" in the Information Circular.

DESCRIPTION OF THE BUSINESS

A detailed description of the business of Extendicare, which will continue to be carried on by New Extendicare after the Effective Date of the Arrangement, is set out in the 2011 Annual Information Form under the heading "Description of the Business of Extendicare".

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at the date of this Information Circular, New Extendicare has not conducted any business or operations, other than to execute the Arrangement Agreement. After giving effect to the Arrangement, New Extendicare will continue to carry on the business of Extendicare. New Extendicare's financial position, risks and outlook after giving effect to the Arrangement will be substantially the same as those outlined in the 2011 Management Discussion and Analysis.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of New Extendicare consists of an unlimited number of Common Shares and that number of preferred shares, issuable in series, equal to 50% of the number of Common Shares issued and outstanding at the time of the issuance of any series of preferred shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of New Extendicare which will, upon completion of the Arrangement, comprise the share capital of New Extendicare.

Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of New Extendicare and to one vote in respect of each Common Share held at all such meetings (except meetings at which only holders of another specified class or series of shares are entitled to vote, pursuant to the provisions of the CBCA. Subject to the prior rights, privileges, restrictions and conditions attaching to the preferred shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive dividends, if, as and when declared by the New Extendicare Board out of assets of New Extendicare properly applicable to the payment of dividends in such amounts and payable in such manner as the Board may determine. In the event of the liquidation, dissolution or winding-up of New Extendicare, whether voluntary or involuntary, or any other distribution of assets of New Extendicare among its shareholders for the purpose of winding-up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the preferred shares and to any other class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive the remaining property of New Extendicare. As at March 30, 2012, there were 84,574,703 REIT Units issued and outstanding. Under the Conversion, Unitholders will exchange their REIT Units for Common Shares on the basis of one Common Share for each REIT Unit.

Preferred Shares

The Preferred Shares may at any time and from time to time be issued in one or more series. The New Extendicare Board shall, by resolution, duly passed before the issuance of the Preferred Shares of each series, fix the number of the Preferred Shares in such series and determine the designation, rights, privileges, restrictions and

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

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

The purpose for the creation of the Preferred Shares is not to defeat a hostile take-over bid. There is no current intention to issue Preferred Shares for the purposes of defeating a hostile take-over bid; however, in such a circumstance, the New Extendicare Board will perform its legal duties in the best interests of New Extendicare.

Shareholder Rights Plan

The Shareholder Rights Plan will be considered by the Unitholders for approval at the Meeting. See "The Shareholder Rights Plan" in the Information Circular. The complete text of the Shareholder Rights Plan is available under the REIT's profile on www.sedar.com.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited *pro forma* consolidated capitalization of New Extendicare as at December 31, 2011, both before and after giving effect to the Arrangement. This table should be read in conjunction with the audited balance sheet of New Extendicare forming part of this Appendix F and the unaudited pro forma consolidated financial statements of New Extendicare, including the related notes thereto, attached as Appendix G to this Information Circular.

	As at December 31, 2011 *(Canadian dollars)*		
Designation	**Before giving effect to the Arrangement**	**After giving effect to the Arrangement**	**Note Ref.**
		(amounts in thousands)	
Cash and short-term investments	$1	$80,018	(1)
Long-term debt, including current maturities			
Debentures (face value $205.7 million)	–	$193,216	(2)
Other long-term debt	–	$920,131	
Common Shares (unlimited)	$1	$453,150	(3)
	(1 share)	(84,121,488 shares)	(3) (4)
Preferred shares	–	–	
Equity portion of convertible debentures	–	$21,093	(2)

Notes:

(1) Assumes that New Extendicare was incorporated and organized as of December 31, 2011.

(2) On the Effective Date, New Extendicare will assume all of the covenants and obligations of the REIT under the Indenture, which governs the terms and conditions of the Convertible Debentures. See "Background and Reasons for the Arrangement — Effect of Arrangement — Effect on Debentureholders".

(3) The one Common Share of New Extendicare held by the REIT will be purchased for cancellation pursuant to the Arrangement.

(4) Assumes that the same number of REIT Units (84,121,488 units) are outstanding on the Effective Date as were outstanding on December 31, 2011. There have not been any material changes in the consolidated capitalization of the REIT since December 31, 2011.

DIVIDEND RECORD AND POLICY

New Extendicare has not declared or paid any dividends since its incorporation and will not declare any dividends prior to completion of the Arrangement. The REIT is a specified investment flow-through trust, or SIFT, and since 2007 has been subject to tax in respect of certain income that is distributed to Unitholders at tax rates that are comparable to the general corporate tax rate applicable to Canadian corporations. Therefore, the Conversion itself will not impact the funds available for distribution by New Extendicare to its shareholders. The declaration and payment of dividends will be subject to the discretion of the New Extendicare Board, as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the Board of Trustees, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the New Extendicare Board. The Board of Trustees currently anticipates that the New Extendicare Board will declare its first monthly dividend in respect of the month of July, 2012.

PRIOR SALES

On February 3, 2012, New Extendicare issued one Common Share to the REIT at a price of $1.00 per share in connection with its organization.

Common Shares will be issued to Unitholders on the Effective Date in consideration for the transfer of their REIT Units to New Extendicare as part of the Arrangement, on the basis of one Common Share for each REIT Unit so transferred. See "Effect of the Arrangement — Effect on Unitholders" in the Information Circular.

PRINCIPAL SHAREHOLDERS

As of the date of the Information Circular, the REIT is the sole shareholder of New Extendicare. To the best of the knowledge of the REIT, no person or company will, after giving effect to the Arrangement, beneficially own, directly or indirectly, or exercise control and direction over, more than 10% of the voting rights attached to the outstanding Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

After giving effect to the Arrangement, it is anticipated that the New Extendicare Board will initially be comprised of the current members of the board of trustees of the REIT, namely: Mel Rhinelander; John F. Angus; Margery O. Cunningham; Governor Howard Dean, MD; Dr. Seth B. Goldsmith; Benjamin J. Hutzel; Michael J. L. Kirby; Alvin G. Libin; Timothy L. Lukenda; and J. Thomas MacQuarrie, Q.C. The senior management of New Extendicare will be comprised of the current members of senior management of the REIT and/or EI, namely: Timothy L. Lukenda, President and Chief Executive Officer; Douglas J. Harris, Senior Vice President and Chief Financial Officer; Paul Tuttle, President of Canadian Operations; Elaine Everson, Vice President and Controller and Jillian E. Fountain, Corporate Secretary. See "Trustees, Directors and Officers" in the 2011 Annual Information Form and "Annual Business of the Meeting — Election of Trustees" in the Information Circular for additional information concerning the directors and senior management of New Extendicare. The directors of New Extendicare will hold office until the first annual meeting of shareholders of New Extendicare or until their respective successors have been duly elected or appointed.

Employees

As at March 30, 2012, New Extendicare had no employees. As at December 31, 2011, Extendicare employed approximately 38,100 people, including approximately: 5,800 registered and licensed practical nurses; 14,700 nursing assistants; 2,900 therapists; 6,600 dietary, domestic, maintenance and other staff; 5,500 Canadian home care professionals and other staff; and 2,600 administrative employees who work at corporate and regional offices and centers.

Corporate Cease Trade Orders or Bankruptcies

To the best of the knowledge of the REIT, except as set forth under the heading "Election of Trustees — Corporate Orders and Bankruptcies" in the Information Circular, none of the persons anticipated to be directors or executive officers of New Extendicare are, as at the date of the Information Circular, or have been, within the 10 years before the date of the Information Circular, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) are, as at the date of the Information Circular, or have been within 10 years before the date of the Information Circular, a director or executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) have, within the 10 years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

Penalties or Sanctions

To the best of the knowledge of the REIT, none of the persons anticipated to be directors or executive officers of New Extendicare has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

To date, New Extendicare has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by New Extendicare to its directors or officers and none will be paid until after the Arrangement is completed. The compensation policies of New Extendicare, including the compensation of the directors and officers of New Extendicare, are expected to be structured on the same basis as the current compensation policy of the REIT. See the section entitled "Compensation Discussion and Analysis" in the Information Circular.

CORPORATE GOVERNANCE

Upon completion of the Arrangement, the New Extendicare Board will have the same four committees that the board of trustees of the REIT and/or board of directors of EI had prior to the Arrangement, namely the Audit Committee, the Buyback Committee, the Human Resources, Governance and Nominating Committee and the Quality and Compliance Committee. It is anticipated that the four committees of the New Extendicare Board will be initially composed of the same individuals that are currently members of the four committees of the board of trustees of the REIT and/or the board of directors of Extendicare. It is anticipated that New Extendicare will adopt the Audit Committee Charter and the governance practices of the REIT, with the necessary changes to reflect the conversion of the REIT from an income trust structure to a corporate structure. For a description of the approach of the REIT to governance matters, see "Governance Disclosure" in the Information Circular. For additional information relating to the joint audit committee of the REIT and Extendicare, see "Audit Committee Information" in the 2011 Annual Information Form.

CONFLICTS OF INTEREST

Except as disclosed in the Information Circular, none of the persons anticipated to be directors or officers of New Extendicare has any existing or potential material conflict of interest with New Extendicare or any of its subsidiaries.

RISK FACTORS

Risk factors related to the business of the REIT Group will continue to apply to New Extendicare after the Effective Date. If the Arrangement is completed, the business and operations of, and investment in New Extendicare will be subject to various risk factors set forth in this Information Circular, the 2011 Annual Information Form and the 2011 Management Discussion and Analysis.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the proceedings relating to the approval of the Arrangement, and other than as disclosed under "Legal Proceedings and Regulatory Actions" in the 2011 Annual Information Form, to the best of the knowledge of the REIT, there are no legal proceedings to which New Extendicare or any of the members of the REIT Group is a party or to which any of their assets are subject, which are material to New Extendicare or the REIT Group, and New Extendicare is not aware of any such proceedings that are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Information Circular, none of the persons anticipated to be directors or executive officers of New Extendicare, or any person or company that will be the direct or indirect owner of, or will exercise control or direction over, more than 10% of any class or series of New Extendicare's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction during the three years preceding the date of the Information Circular or any proposed transaction that is materially affected or is reasonably expected to materially affect New Extendicare.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of New Extendicare are KPMG LLP, Chartered Accountants, Toronto, Ontario.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares will be Computershare Trust Company of Canada, at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into by New Extendicare since incorporation that materially affect New Extendicare, or to which New Extendicare will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in Common Shares, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Arrangement Agreement;

(b) the Shareholder Rights Plan;

(c) the Indenture; and

(d) the New Extendicare Supplemental Indenture.

For a description of the material contracts of the REIT Group, see "Material Contracts" in the 2011 Annual Information Form.

AUDITORS' REPORT

To: The Directors of 8067929 Canada Inc.

We have audited the accompanying financial statements of 8067929 Canada Inc., which comprise the statement of financial position as at April 2, 2012, statement of changes in shareholder's equity and statement of cash flows for the period from February 3, 2012, the date of incorporation, to April 2, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of 8067929 Canada Inc. as at April 2, 2012 and its financial performance and its cash flows for the period from February 3, 2012, the date of incorporation, to April 2, 2012 in accordance with International Financial Reporting Standards.

(Signed) *KPMG LLP*
Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 2, 2012

8067929 CANADA INC.

Statement of Financial Position

As at April 2, 2012

(In Canadian dollars)

Assets	
Cash	$1
Shareholder's equity	
Share capital (note 2)	$1

See the accompanying notes to the financial statements.

On behalf of the Board:

(Signed) Jillian E. Fountain
Director

Statement of Changes in Shareholder's Equity

For the period from February 3, 2012, the date of incorporation, to April 2, 2012

(In Canadian dollars)

Issuance of shares on formation	$1
Comprehensive Income	-
Shareholder's equity, end of period	$1

See the accompanying notes to the financial statements

Statement of Cash Flows

For the period from February 3, 2012, the date of incorporation, to April 2, 2012

(In Canadian dollars)

Financing Activities	
Issuance of Shares	$1
Increase in cash	$1
Cash, beginning of period	-
Cash, end of period	$1

See the accompanying notes to the financial statements

8067929 CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

As at April 2, 2012 and for the period from February 3, 2012, the date of incorporation, to April 2, 2012

1. INCORPORATION AND BASIS OF PRESENTATION

8067929 Canada Inc. (the "**Corporation**") was incorporated pursuant to the laws of Canada on February 3, 2012, for the purpose of participating in a plan of arrangement, described below. The statement of financial position as at April 2, 2012, and the statements of changes in shareholders' equity and cash flows for the period from February 3, 2012, the date of incorporation, to April 2, 2012 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The registered office of the Corporation is located at 3000 Steeles Avenue East, Markham, Ontario, Canada, L3R 9W2.

These financial statements have been approved by the board of directors of the Corporation on April 2, 2012.

2. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares and that number of preferred shares, issuable in series, equal to 50% of the number of common shares issued and outstanding at the time of the issuance of any series of preferred shares. The Corporation issued one common share on February 3, 2012 to Extendicare Real Estate Investment Trust for cash proceeds of $1.

3. PROPOSED PLAN OF ARRANGEMENT

On November 10, 2011, the Board of Trustees of Extendicare Real Estate Investment Trust (the "**REIT**") approved a transaction providing for the conversion of the REIT from an income trust structure to a corporate structure pursuant to a plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement"). Under the Arrangement, holders of trust units of the REIT ("Unitholders") will exchange their trust units for common shares of the Corporation on the basis of one common share of the Corporation for each trust unit.

A notice of meeting and management information circular and proxy dated April 2, 2012 relating to the Arrangement has been filed by the REIT with the securities commissions of each of the provinces. The Arrangement is subject to regulatory and court approval and the approval of the Unitholders and is anticipated to be effective on July 1, 2012.

APPENDIX G

PRO FORMA FINANCIAL STATEMENTS OF NEW EXTENDICARE

Extendicare Inc.
Pro Forma Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
As at December 31, 2011
(Unaudited)

	Extendicare REIT	Arrangement Adjustments	Note Ref.	Pro Forma Extendicare Inc.
Assets				
Current assets				
Cash and short-term investments	80,018			80,018
Restricted cash	16,848			16,848
Accounts receivable	222,707			222,707
Income taxes recoverable	8,223			8,223
Other current assets	32,279			32,279
Total current assets	360,075			360,075
Non-current assets				
Property and equipment	1,192,913			1,192,913
Goodwill and other intangible assets	87,269			87,269
Other assets	154,695			154,695
Deferred tax assets	35,752	200	2(c)	35,645
		(307)	2(e)	
Total non-current assets	1,470,629	(107)		1,470,522
Total assets	**1,830,704**	**(107)**		**1,830,597**
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	266,934	940	2(c)	267,874
Income taxes payable	10,519			10,519
Current portion of long-term debt	192,698			192,698
Current portion of provisions	24,408			24,408
Total current liabilities	494,559	940		495,499
Non-current liabilities				
Long-term debt	941,742	(21,093)	2(d)	920,649
Provisions	81,120			81,120
Other long-term liabilities	49,638			49,638
Deferred tax liabilities	215,326			215,326
Total non-current liabilities	1,287,826	(21,093)		1,266,733
Total liabilities	**1,782,385**	**(20,153)**		**1,762,232**
Unit capital	453,150	(453,150)	2(a)	–
Common shares	–	453,150	2(a)	453,150
Contributed surplus	81			81
Equity component of convertible debentures	–	21,093	2(d)	21,093
Accumulated deficit	(386,174)	(740)	2(c)	(387,221)
		(307)	2(e)	
Accumulated other comprehensive loss	(18,738)			(18,738)
Unitholders'/Shareholders' equity	**48,319**	**20,046**		**68,365**
Total liabilities and equity	**1,830,704**	**(107)**		**1,830,597**

PRO FORMA FINANCIAL STATEMENTS OF
NEW EXTENDICARE

Extendicare Inc.
Pro Forma Consolidated Statement of Loss
Year ended December 31, 2011
(In thousands of Canadian dollars)
(Unaudited)

	Extendicare REIT	Arrangement Adjustments	Note Ref.	Pro Forma Extendicare Inc.
Revenue	**2,094,082**			**2,094,082**
Operating expenses	1,813,792			1,813,792
Administrative costs	69,155			69,155
Lease costs	10,999			10,999
Total expenses	**1,893,946**			**1,893,946**
Earnings before depreciation and amortization, loss from asset impairment, disposals and other items	**200,136**			**200,136**
Depreciation and amortization	76,577			76,577
Loss from asset impairment, disposals and other items	62,496	940	2(c)	63,436
Results from operating activities	**61,063**	**(940)**		**60,123**
Net interest and accretion	87,341			87,341
Distributions on Exchangeable LP Units	2,179	(2,179)	2(b)(i)	–
Fair value adjustments on Exchangeable LP Units	(6,600)	6,600	2(b)(ii)	–
Fair value adjustments on Convertible Debentures	577	(4,500)	2(d)	(3,923)
Gain on foreign exchange and financial instruments	(553)			(553)
Net finance costs	**82,944**	**(79)**		**82,865**
Loss before income taxes	**(21,881)**	**(861)**		**(22,742)**
Income tax expense	13,442	(200)	2(c)	13,549
		307	2(e)	
Loss from continuing operations	**(35,323)**	**(968)**		**(36,291)**
Discontinued operations	4,927			4,927
Net loss	**(30,396)**	**(968)**		**(31,364)**

NEW EXTENDICARE
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at and for the year ended December 31, 2011
(Unaudited)

1. Basis of Presentation

On November 8, 2011, Extendicare Real Estate Investment Trust (the "REIT") announced its plan to convert from an income trust structure to a corporate structure (the "Conversion") under a corporation to be named "Extendicare Inc." ("New Extendicare"), governed by the *Canada Business Corporations Act*, that will carry on the same business as previously carried on indirectly by the REIT. Under the Conversion, the holders of trust units of the REIT (the "Unitholders") will receive one common share of New Extendicare for each trust unit of the REIT ("REIT Unit").

The accompanying unaudited pro forma consolidated financial statements have been prepared based on the audited consolidated financial statements of the REIT for the year ending December 31, 2011 in accordance with International Financial Reporting Standards ("IFRS"). The Conversion has been accounted for as a continuity of interests, and accordingly, the unaudited pro forma consolidated financial statements of New Extendicare are reflective as if New Extendicare had always carried on the business previously carried on indirectly by the REIT.

These unaudited pro forma consolidated financial statements are prepared for illustrative purposes only and are based on the assumptions set forth in the notes to such statements. The unaudited pro forma consolidated financial statements may not be indicative of the financial position that actually would have occurred if the events reflected herein had been in effect on the date indicated or of the results that may be obtained in the future. Actual future results may differ materially from those assumed or described. Completion of the transactions contemplated by the Conversion is subject to certain conditions, including regulatory and Unitholder approval. As a result, there is no assurance that the Conversion will be completed.

The unaudited pro forma consolidated financial statements should be read in conjunction with the accompanying management information and proxy circular of the REIT (the "Information Circular"), the opening consolidated balance sheet of 8067929 Canada Inc. and with the audited financial statements of the REIT for the year ended December 31, 2011, which are incorporated by reference in the Information Circular. In the opinion of management, the unaudited pro forma consolidated financial statements include all significant adjustments necessary for fair presentation.

2. Pro Forma Consolidated Financial Statements Assumptions and Adjustments

The unaudited pro forma consolidated statement of financial position gives effect to the following transactions and adjustments as if they occurred on December 31, 2011. The unaudited pro forma consolidated statement of loss for the year ended December 31, 2011 gives effect to the following transactions and adjustments effective January 1, 2011.

(a) Completion of the Conversion, to be implemented by a plan of arrangement (the "Arrangement"), whereby the Unitholders will receive one common share of New Extendicare for each REIT Unit.

(b) During 2011, Extendicare Limited Partnership had Class B limited partnership units ("Exchangeable LP Units") issued and outstanding that were exchangeable for REIT Units on a one-for-one basis at the option of the holder. In accordance with Extendicare LP's Limited Partnership Agreement, on November 10, 2011, Extendicare LP redeemed all of its then issued and outstanding Exchangeable LP Units. Consequently, all of the Exchangeable LP Units were fully exchanged for REIT Units by November 10, 2011.

Under IFRS, prior to their redemption, the Exchangeable LP Units were designated as financial liabilities valued at fair value, with changes in fair value, recognized in net earnings as part of finance costs, as were distributions on the Exchangeable LP Units made during the year. Had the Arrangement taken effect on January 1, 2011, the Exchangeable LP Units then outstanding would have been exchanged for one common share of New Extendicare for each Exchangeable LP Unit, and would therefore have been designated as equity.

To reflect the impact of the Arrangement on the Exchangeable LP Units, the unaudited pro forma consolidated financial statements include adjustments relating to:

(i) the reclassification of distributions in 2011 on the Exchangeable LP Units in the amount of $2.2 million from finance costs to accumulated deficit representing a dividend on common shares of New Extendicare; and

(ii) the elimination of the $6.6 million gain in 2011 resulting from the fair value adjustment of the Exchangeable LP Units.

(c) Costs in connection with the Arrangement, including legal, advisory and other costs and fees are estimated to total $1.3 million ($1.1 million net of tax). A portion of these transaction costs ($0.4 million) were incurred in 2011 and have been reflected in the audited consolidated financial statements. The unaudited pro forma consolidated financial statements include an adjustment for the remaining estimated costs to be incurred of $0.9 million reported in "accounts payable and accrued liabilities" on the balance sheet and as part of the "loss from asset impairment, disposals and other items" on the statement of earnings, along with an adjustment for the income tax effect of $0.2 million.

(d) The REIT's 5.70% and 7.25% convertible unsecured subordinated debentures (collectively, the "Convertible Debentures") are, prior to the Conversion, convertible into REIT Units at the option of the holder. As the REIT Units are considered puttable instruments because they are redeemable at the option of the Unitholder, the Convertible Debentures, including the debt and equity components, were designated as financial liabilities valued at fair value, with changes in fair value recognized in net earnings as part of net finance costs. As a result of the Conversion, the debt and equity components of the Convertible Debentures are now required to be bifurcated as the common shares of New Extendicare do not include a puttable attribute. The liability component will continue to be designated as financial liabilities valued at fair value through net earnings. The equity component will be recorded as part of shareholders' equity.

At December 31, 2011, the Convertible Debentures had a full fair value of $214.3 million which was comprised of $193.2 million attributed to the fair value of the financial liability based on the valuation prepared for the year ended December 31, 2011, and $21.1 million attributed to the fair value of the equity conversion option. The fair value of $21.1 million attributed to the equity conversion option has been reclassified from "Long-term debt" to "Equity component of convertible debentures". The fair value adjustments on the Convertible Debentures for the year ended December 31, 2011 was a gain of $3.9 million, resulting in a pro forma adjustment of a gain of $4.5 million.

(e) The Conversion will not result in the loss of tax pools. However, it would result in a change in the effective tax rates applied to the REIT's tax pools, such that the balance of the deferred income tax assets would decline by $0.3 million with a corresponding increase in the deferred income tax provision.

APPENDIX H

EXTENDICARE REAL ESTATE INVESTMENT TRUST - STATEMENT OF GOVERNANCE PRACTICES

The board of trustees (the "Board of Trustees") of Extendicare Real Estate Investment Trust (the "REIT") has overall responsibility and full power and authority to supervise the activities and manage the investments and affairs of the REIT and to manage the assets of the REIT. The Board of Trustees has delegated responsibility for the management and general administration of the REIT to Extendicare Inc. ("Extendicare") pursuant to an agreement made as of November 10, 2006, (the "Administration Agreement") between the REIT, Extendicare Trust, Extendicare Holding General Partner Inc. and Extendicare.

The board of directors of Extendicare (the "Board of Directors") is responsible for the stewardship of the business and affairs of Extendicare.

The members of the Board of Trustees and the Board of Directors operate under Charters that clearly define their roles and responsibilities.

Independence of Trustees and Directors: Independence of the Board of Trustees is essential to fulfilling its role in overseeing the investments and affairs of the REIT. Pursuant to a resolution of the Board of Trustees, the number of trustees of the REIT to be elected at the May 8, 2012 annual and special meeting of unitholders of the REIT has been fixed at 10. Information relating to each of the 10 nominees proposed for election as trustees of the REIT and directors of Extendicare is set out in the "Election of Trustees" section of the Management Information and Proxy Circular relating to such meeting. The Board of Trustees and 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 five years ago, it is the view of the Board of Trustees and the Board of Directors that a sufficient amount of time has elapsed for Mr. Rhinelander to have distanced himself from the operations of the REIT and its subsidiaries and that Mr. Rhinelander does not have any other interests or relationships with the REIT or any of its subsidiaries, that could reasonably be expected to interfere with the exercise by Mr. Rhinelander of independent judgment. By virtue of Mr. Lukenda's current role as President and Chief Executive Officer, he is a non-independent trustee and director of the REIT and Extendicare, respectively.

Details of other reporting issuers on which the REIT's trustees and Extendicare's directors also sit as board members are disclosed under the heading "Election of Trustees" in the Management Information and Proxy Circular.

The roles of the REIT's and Extendicare's Chief Executive Officer ("CEO") and Board Chairman are separate. Each board meeting excludes the CEO and management from a portion of the meeting to enable open and frank discussion.

The "Election of Trustees" section of the Management Information and Proxy Circular includes the attendance record of the members of the Board of Trustees and Board of Directors at board meetings held by the REIT and Extendicare, as applicable, during 2011. The Board of Trustees met seven times during 2011, at which attendance averaged 99% and the Board of Directors met 14 times during 2011, at which attendance averaged 99%. The Board of Trustees and Board of Directors met without management at all of their regular meetings, but not at all of their board meetings.

Board Mandate: The mandates of the Board of Trustees and Board of Directors are attached as Appendix I and Appendix J, respectively, to the Management Information and Proxy Circular.

Position Descriptions: Each of the Board of Trustees and the Board of Directors has developed a written position description for its Chairman. The Board of Trustees 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 Trustees, 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 monthly mailings. Management from the main operating divisions are invited to Board of Trustees and Board of Directors meetings to provide the trustees and directors with an overview of the current issues and business strategies. In addition, meetings are periodically combined with tours of the facilities of Extendicare so that the trustees and directors can gain greater insight into the business operations.

Ethical Business Conduct: The REIT and Extendicare maintain an approved Business Conduct Policy for their trustees, 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 the REIT's website at www.extendicare.com/investors/governance.

In circumstances in which the Board of Trustees or the Board of Directors must consider transactions and agreements in respect of which a trustee, 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 Trustees: The REIT and Extendicare have a joint Human Resources, Governance and Nominating Committee (the "HR/GN Committee"), which is composed of three members who are all independent trustees of the REIT and independent directors of Extendicare. On issues relating to the nomination of trustees and directors to the boards, the HR/GN Committee makes recommendations as to the size and composition of the boards; reviews qualifications of potential candidates for election to the boards; recommends for the approval of the Board of Trustees the nominees for the Board of Trustees for presentation to the annual unitholders' meeting; and makes recommendations with respect to the membership of committees. The HR/GN Committee assesses the effectiveness of the boards, the committees and the contributions of individual trustees and 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 boards consist of individuals with strengths in a number of different areas required to meet the REIT's and Extendicare's needs.

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

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 the Management Information and Proxy Circular.

The HR/GN Committee is also responsible for determining and recommending to the Board of Trustees for its approval the compensation of the trustees. In arriving at its recommendations the HR/GN Committee reviews

external surveys to compare the compensation paid by the REIT with compensation paid to trustees in other organizations.

Say on Pay: At the REIT's annual meeting in 2012, holders of trust units of the REIT (the "Unitholders") will be participating in their second annual non-binding advisory vote on the REIT's approach to executive compensation, commonly known as "Say on Pay", which gives Unitholders the opportunity to endorse or not endorse the REIT's approach to its executive compensation program.

At the REIT's annual meeting held in 2011, nearly 97% of the Unitholders voted in favour of the REIT's approach to executive compensation. In response to comments received following last year's annual meeting, the Board of Trustees has adopted a formal clawback policy with regards to incentive compensation in the event of material fraud or misconduct, or actions resulting in the restatement of the REIT's and/or its subsidiaries' financial statements that would have reduced the amount of incentive compensation had the financial results been properly reported.

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

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

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

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

In writing:
Chair of the Board
c/o The Secretary of the REIT
3000 Steeles Ave. East, Suite 700
Markham, Ontario L3R 9W2

By email: governance_matters@extendicare.com

The REIT will answer correspondence received and will disclose to its Unitholders 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 Unitholders and the changes to the compensation plans made or to be made by the Board of Trustees (or why no changes will be made).

Other Board Committees: In addition to the HR/GN Committee described above, the REIT and Extendicare currently have a joint Audit Committee. In addition, Extendicare has a Quality and Compliance Committee, and the REIT has a Buyback Committee. Copies of each of the committee's mandates may be found on the REIT's website at www.extendicare.com/investors/governance.

Information on the Audit Committee, required by Multilateral Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed on pages 98 to 99, inclusive, and in Appendix A of the Annual Information Form of the REIT dated March 30, 2012.

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 four times during 2011, at which attendance averaged 92%.

Buyback Committee: The primary purpose of the Buyback Committee is to consider the advisability of the REIT implementing normal course issuer bids for its securities and to execute purchases on behalf of the REIT of such securities pursuant to a normal course issuer bid which has been authorized by the Board of Trustees of the REIT, subject to any limitations and any other parameters or restrictions imposed by the Board of Trustees. The Buyback Committee did not meet during 2011.

APPENDIX I

EXTENDICARE REAL ESTATE INVESTMENT TRUST - MANDATE OF THE BOARD OF TRUSTEES

Extendicare Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended trust established under and governed by the laws of Ontario and created pursuant to a deed of trust dated September 11, 2006, as amended and restated on December 15, 2010 (as so amended and restated, the "Deed of Trust").

The board of trustees of the REIT (the "Board") has overall responsibility and full power and authority to supervise the activities and manage the investments and affairs of the REIT and to manage the assets of the REIT. The Board has delegated responsibility for the management and general administration of the REIT to Extendicare Inc. ("Extendicare") pursuant to an agreement (the "Administration Agreement") made as of November 10, 2006 between the REIT, Extendicare Trust, Extendicare Holding General Partner Inc. and Extendicare.

The following points outline the key principles or guidelines governing how the Board will operate to carry out its overall stewardship responsibility. The responsibilities of the Board described herein are pursuant to, and subject to, the Deed of Trust and do not impose any additional responsibilities or liabilities on the trustees of the REIT (the "Trustees") at law or otherwise.

Number of Trustees: The REIT will have a minimum of three Trustees and a maximum of twenty Trustees, with the number of Trustees from time to time with such range being fixed by resolution of the Trustees. A majority of the Trustees shall be Residents (as defined in the Deed of Trust).

The joint human resources, governance and nominating committee of the Board and the board of directors of Extendicare (the "Human Resources, Governance and Nominating 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 REIT. The Board should have an appropriate mix of skills, knowledge and experience in the business and an understanding of the industry in which the REIT has investments. Trustees are required to commit the requisite time for all of the business of the Board and to demonstrate integrity, accountability and informed judgment. At least a majority of the Board will be comprised of Trustees who are determined to be "independent", as defined in applicable securities laws and the rules or guidelines of any stock exchange upon which the units or other securities of the REIT are listed for trading.

Trustee Nomination: The Human Resources, Governance and Nominating Committee shall be responsible for recommending to the Board suitable candidates for nominees for election as Trustees.

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

Vacancy: No vacancy among the Trustees shall operate to annul the Deed of Trust or affect the continuity of the REIT. Until vacancies are filled, the remaining Trustees (even if less than a quorum) may exercise the powers of the Trustees under the Deed of Trust. A quorum of Trustees may fill a vacancy among the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure to elect the minimum number of Trustees fixed by or pursuant to the Deed of Trust. If there is not a quorum of Trustees, or if there has been a failure to elect the minimum number of Trustees required by or pursuant to the Deed of Trust, the Trustees then in office shall forthwith call a special meeting of unitholders to fill the vacancy and, if they fail to call a meeting or if there are no Trustees then in office, the meeting may be called by any unitholder. A Trustee appointed to fill a vacancy shall hold office, subject to the Deed of Trust, until the close of the next annual meeting of the unitholders.

Removal of Trustees: The unitholders may remove any Trustee or Trustees from office, by resolution approved by a majority of the votes cast at a meeting of unitholders called for that purpose or by the written consent of the unitholders holding in the aggregate not less than a majority of the outstanding units entitled to vote thereon.

Any Trustee or Trustees may be removed from office for cause by resolution passed by not less than two-thirds of the remaining Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution, and any Trustee so removed shall be notified by the chair or another officer of the REIT forthwith following such removal.

Review of Independence of Outside Trustees: The Human Resources, Governance and Nominating Committee will review on an annual basis any relationship between outside Trustees and the REIT which might be construed in any way to compromise the designation of any Trustee as being independent or unrelated to the REIT. 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 Trustees are independent and unrelated and that where relationships exist, the Trustee is acting appropriately. A Trustee should bring to the attention of the Chair and the Human Resources, Governance and Nominating Committee any potential conflicts of interest as they arise.

Trustees shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the Trustee has a conflict of interest. In addition, a Trustee should excuse himself or herself from any discussion or decision on any matter in which the Trustee 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 Trustees shall be called and held at such time and at such place in Canada as the Trustees, the chairman of the Trustees or any two Trustees may determine, and any one Trustee or officer of the REIT may give notice of meetings when directed or authorized by such persons. Notice of each meeting of the Trustees shall be given to each Trustee not less than 24 hours before the time when the meeting is to be held, provided that if a quorum of Trustees is present, the Trustees may, without notice, hold a meeting immediately following an annual meeting of unitholders. A Trustee may waive notice and the presence of a Trustee at a meeting shall be deemed to be a waiver of the notice requirement by that Trustee except where the Trustee attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened. Notice of a meeting of the Trustees may be given verbally, in writing or by telephone, fax, email or other means of communication. A notice of a meeting of Trustees need not specify the purpose of or the business to be transacted at the meeting.

A Trustee may participate in a meeting of the Trustees or of a committee of the Trustees by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A Trustee participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

The quorum for the transaction of business at any meeting of the Trustees shall consist of a majority of Trustees and, notwithstanding any vacancy among the number of Trustees, a quorum of Trustees may exercise all of the powers of the Trustees, provided that the Trustees shall not transact business at a meeting of Trustees unless a majority of the Trustees present are Residents.

The Board may invite any of the REIT's or 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 Trustees only.

Committees: The Trustees may appoint from their number one or more committees of Trustees and may grant or delegate to the committees such authority and such powers as the Trustees may in their sole discretion deem necessary or desirable to effect the administration of duties of the Trustees under the Deed of Trust, without regard to whether such authority is normally granted or delegated by Trustees, provided that a majority of the Trustees comprising any such committee shall be Residents. Unless otherwise determined by the Trustees, 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 Trustees and, in any event, only so long as he or she shall be a Trustee.

The Board shall appoint from among the Trustees a joint audit committee of the Board and the board of directors of Extendicare (the "Audit Committee") to consist of not less than three members. The composition of the

Audit Committee shall comply with applicable securities laws, including Multilateral Instrument 52-110 – Audit Committees.

Board and Committee Meeting Agendas and Information: The Chair and the Chief Executive Officer ("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 Trustees 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 Trustee shall have the authority to retain outside counsel and any other external advisors as appropriate with the approval of the Human Resources, Governance and Nominating 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 Trustees shall have open access to senior management of the REIT and Extendicare. It is expected that Trustees will exercise judgment to ensure that such contact is not disruptive to the operations of Extendicare. Written communications from Trustees to members of management shall be copied to the Chair and CEO of the REIT.

Board/Committee Assessment: The Board, through the Human Resources, Governance and Nominating Committee, shall establish and conduct orientation and education programs for new Trustees through which the performance expectations for members of the Board shall be communicated. This Committee shall implement a process for assessing the effectiveness of the Board as a whole, the committees and the contributions of individual Trustees, 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 REIT and its subsidiaries and shall require the Human Resources, Governance and Nominating Committee to make recommendations with respect to such matters. This Committee shall monitor, review and provide guidance in respect of executive management training, development and succession planning.

Trustees' and Senior Management Compensation: The Human Resources, Governance and Nominating Committee shall be responsible for making recommendations to the Board concerning the compensation of Trustees, the CEO and senior officers of the REIT and its subsidiaries, including the adequacy and form of compensation, including the use of incentive programs and awards made pursuant thereto. The Committee shall review senior management's performance against the objective of maximizing unitholder value, measuring their contribution to that objective, and overseeing compensation policies.

Oversight Responsibilities: The Board shall monitor the corporate performance of Extendicare, including overseeing the operating results of Extendicare on a regular basis to evaluate whether Extendicare is being properly managed.

Communications Policy: The Board shall approve the REIT's core public disclosure documents disseminated to unitholders 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, as administrator of the REIT, make accurate, timely and effective communication to unitholders and the investment community.

The Board shall have responsibility for reviewing the REIT'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 REIT 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 REIT's policies relating to communication and disclosure on an annual basis.

Generally, communications from unitholders 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 Chair or to other individual Trustees, 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 REIT's and Extendicare'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.

Governance Policy: The REIT shall make full and complete disclosure of its system of governance on an annual basis in its annual unitholder documents and/or securities commission filings where required, and on its website. The Board, through the Human Resources, Governance and Nominating Committee, shall have the responsibility for developing the REIT's approach to governance issues, including the responsibility for this disclosure.

APPENDIX J

EXTENDICARE INC. -
MANDATE OF THE BOARD

The Board of Directors (the "Board") of Extendicare Inc. (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 ensure that the Company meets its obligations on an ongoing basis and to ensure that the Company operates in a reliable and safe manner. In performing its functions, the Board should consider the legitimate interests 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 ("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:

Size of the Board: The articles of the Company provide that the Board may have a minimum of one director and a maximum of twenty directors. The ideal size of the Board will provide a diversity of expertise and opinion, as well as efficient operation and decision-making.

Election and Term: The joint human resources, governance and nominating committee of the Board and the board of trustees of the REIT (the "Human Resources, Governance and Nominating Committee") will recommend to the Board of Trustees of the REIT the candidates for election as directors of the Company. This process shall include a determination of the competencies, skills and personal quality required of new directors in light of opportunities and risks facing the Company. The Board of Trustees will cause its final choice of candidates to be elected or appointed as directors of the Company to hold office until the next annual meeting of the unitholders of the REIT or until their successors are elected or appointed.

Review of Independence of Outside Directors: The Human Resources, Governance and Nominating 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 Chair and the Human Resources, Governance and Nominating 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: The Board shall hold regular meetings at least once in each fiscal quarter, with additional meetings held as and when necessary. Notice of the time and place of each meeting of the Board shall be given to each director. Notices sent by delivery or electronic means shall be sent no later than 24 hours before the time of the meeting. The Board shall meet periodically without management present to ensure that the Board functions independently of management.

A director may, if all the directors consent either by specific or general consent, participate in a meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to hear each other.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Management attendees will be excused for any agenda items that are reserved for discussion among directors only.

Committees: The Board may elect or appoint committees composed of directors and/or other persons, which may exercise such powers as the Board may delegate to them and shall have such other functions as the Board may determine. Subject to any restrictions imposed by the Board, each committee shall have the power to fix its quorum, to elect its chairman and to regulate its procedure.

Board and Committee Meeting Agendas and Information: The Chair and the Chief Executive Officer, in consultation with the Corporate 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: 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 the Company's senior management. It is expected that directors will exercise judgment to ensure that such contact does not distract management from the Company's business operations. Written communications from directors to members of management will be copied to the CEO.

Board/Committee Assessment: The Human Resources, Governance and Nominating Committee shall establish and conduct orientation and education programs for new recruits to the Board, through which the performance expectations for Board members shall be communicated. This 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.

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 Company.

Administration Agreement: The Board of Directors is responsible for reviewing the performance of the Company under the Administration Agreement entered into by the REIT, Extendicare Trust, Extendicare Holding General Partner and the Company dated November 10, 2006, pursuant to which the Company has agreed to oversee and manage all general and administrative affairs of each of the REIT, Extendicare Trust and Extendicare Limited Partnership in accordance with the provisions thereof.

Corporate Governance Policy: The Company shall make full and complete disclosure of its system of corporate governance on an annual basis in the annual unitholder documents and/or securities commission filings of the REIT where required, and on the REIT's website.


EXTENDICARE
REAL ESTATE INVESTMENT TRUST