

Extendicare Completes Acquisition of Tendercare

MARKHAM, ONTARIO (November 1, 2007) – Extendicare Real Estate Investment Trust (“Extendicare REIT,” “Extendicare” or the “REIT”) (TSX: EXE.UN) today announced that its wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (“EHSI”), has completed the acquisition of private nursing home operator Tendercare (Michigan) Inc. and affiliated entities (collectively “Tendercare”). The acquisition will add 30 senior care facilities to Extendicare’s portfolio, increasing its resident capacity by approximately 12%, to approximately 30,200 beds, and establishing Extendicare as a significant long-term care provider in the state of Michigan.

Total consideration for the transaction is US\$232.3 million (excluding transaction costs), comprised of US\$196.0 million for Tendercare’s 30 operating senior care facilities, US\$6.0 million for two skilled nursing facilities under development and US\$30.3 million for existing working capital (including approximately US\$20 million of cash). The consideration includes the assumption of existing debt of US\$76.6 million with a weighted average interest rate of 6.85%, the issuance of US\$26.4 million of 7.5% seller notes, and US\$129.3 million in cash. Seller notes of US\$16.0 million are paid commencing on the third anniversary date at US\$4.0 million per annum until maturity in 2013; whereas the balance of the notes of US\$10.4 million is paid based upon certain factors being met but have a term of no longer than 18 months.

Based on the historic performance of Tendercare’s facilities, the transaction is expected to contribute approximately US\$220 million of revenue, US\$22 million of EBITDA (earnings before interest, income taxes, depreciation and amortization) and between \$0.05 and \$0.06 per diluted unit of AFFO (adjusted funds from operations) to Extendicare’s annual consolidated financial results.

Phil Small, President and CEO of Extendicare REIT, commented: “The Tendercare transaction is an important step in our growth strategy, which includes both attractive acquisitions where we can enhance overall value by applying our operating expertise, and organic growth as the long-term care market expands. In addition to the financial contribution from Tendercare’s current operations, we are encouraged by the opportunity to enhance profitability and funds generation through completion of Tendercare’s growth projects and by working to increase occupancy and Medicare census and rates to Extendicare’s levels.”

The 30 senior care facilities involved in the transaction include 29 skilled nursing facilities and one rehabilitation hospital, in aggregate representing approximately 3,300 operational beds. As well, two skilled nursing facilities currently under development will add 177 beds over the next year. EHSI will also manage an assisted living facility (51 units), which will continue to be owned by the shareholders of Tendercare. During the first six months of 2007, Tendercare’s overall nursing home occupancy was 82.5%, Medicare census as a percent of total ADC (average daily census) was 15.0% and the average Medicare Part A rate was US\$377.14 per day. By comparison, over the same period, EHSI’s occupancy rate was 90.1%, Medicare census was 19.1% and the average Medicare Part A rate was US\$388.44 per day.

With the acquisition of Tendercare completed, Extendicare, through its subsidiaries, now operates 267 long-term care and assisted living facilities across North America, with capacity for approximately 30,200 residents. As well, Extendicare's subsidiaries offer medical specialty services such as subacute care and rehabilitative therapy services in the United States, and home health care services in Canada, and employ approximately 37,800 people in North America.

Summary of Benefits – Tendercare Acquisition

1. Transaction adds valuable scale to Extendicare's business portfolio, with the number of senior care facilities increasing by approximately 13% and resident bed capacity by 12% based on Tendercare's 30 senior care facilities currently in operation.
2. Positive financial contribution, with Tendercare's current operations expected to add approximately US\$220 million of revenue, US\$22 million of EBITDA and between \$0.05 to \$0.06 of AFFO per diluted unit to Extendicare's annual consolidated financial performance.
3. Significant potential to increase profitability and funds generated from Tendercare's existing operations by bringing performance up to EHSI's levels in a number of key areas (based on first six months of 2007).

	<u>Tendercare</u>	<u>EHSI</u>
Occupancy	82.5%	90.1%
Medicare as % of total ADC	15.0%	19.1%
Medicare Part A rate per day	US\$377.14	US\$388.44

4. Tendercare's two skilled nursing facilities under development will add another 177 beds, 77 beds during the fourth quarter of 2007 and 100 beds expected during the third quarter of 2008.
5. Transaction establishes Extendicare as a significant long-term care provider in the state of Michigan, well positioned for further growth in the region.

Forward-looking Statements

Information provided by Extendicare REIT from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare REIT and its subsidiaries, 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", "plan" or "objective" or other similar expressions. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and Extendicare REIT assumes no obligation to update any forward-looking statement. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extendicare REIT to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare REIT's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on Extendicare REIT's website at www.extendicare.com.

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