



**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
DISTRIBUTION REINVESTMENT PLAN

Extendicare Real Estate Investment Trust ("Extendicare") is pleased to offer through its Distribution Reinvestment Plan (the "Plan") a convenient and economical way for Canadian resident trust unit holders ("Unitholders") and holders of Class B limited partnership units ("Class B Unitholders") of Extendicare Limited Partnership (the "Partnership") to increase their investment in Extendicare at a three percent discount to the average market price of the trust units on the Toronto Stock Exchange at the time of reinvestment, without paying any commissions, service charges or brokerage fees.

If you are an eligible Unitholder or Class B Unitholder, we invite you to consider participating in the Plan simply by completing the separate authorization form provided with this booklet, or notifying the bank or brokerage firm with whom you invest of your interest in the Plan. If you require further information about the Plan, please contact Computershare Trust Company of Canada at 1-800-564-6253, Extendicare or the Partnership at (905) 470-5534, or visit the investor info/unitholder info section of our website at [www.extendicare.com](http://www.extendicare.com).

Unitholders and Class B Unitholders should carefully review the Plan in the context of their own personal circumstances and consult their investment advisors before making an enrolment decision.

Sincerely,

A handwritten signature in black ink that reads "Philip W. Small". The signature is written in a cursive, flowing style.

Philip W. Small  
President and Chief Executive Officer





## **EXTENDICARE REAL ESTATE INVESTMENT TRUST**

### **DISTRIBUTION REINVESTMENT PLAN**

#### **QUESTIONS AND ANSWERS**

The following series of questions and answers explain some of the key features of the Distribution Reinvestment Plan (the "**Plan**") of Extencicare Real Estate Investment Trust ("Extencicare").

**The answers are, however, of a summary nature, and as such are designed only to give holders ("Trust Unitholders") of trust units ("Trust Units") of Extencicare and holders ("LP Unitholders", and together with Trust Unitholders collectively referred to as "Unitholders") of Class B limited partnership units ("LP Units") of Extencicare Limited Partnership ("Partnership") guidelines with respect to the Plan's operation.**

**For further information Unitholders should refer to the complete text of the Plan, which is included in this booklet.**

**Unitholders should carefully read the complete text of the Plan before making any decisions regarding participation in the Plan.**

#### **1. What is the Distribution Reinvestment Plan?**

The Plan represents a convenient and economical way in which Unitholders can reinvest all their monthly cash distributions to maximize their investment in Extencicare or the Partnership, as the case may be, without paying any commissions, service charges or brokerage fees. However, if you hold your Trust Units or LP Units through a nominee, you will be responsible for any fees charged by your nominee.

Under the Plan, rather than distributing your cash distributions, they are reinvested in additional Trust Units or LP Units, as the case may be, which are accumulated and held for your account under the Plan.

If you are an eligible Unitholder and elect to participate in the Plan, you are entitled to acquire additional Trust Units or LP Units, as the case may be, at a 3% discount to the Average Market Price (as defined under the Plan) through the reinvestment of cash distributions payable in respect of your Trust Units and LP Units. Eligible registered Unitholders may enrol in the Plan directly. Beneficial owners of Trust Units and LP

Units held through a broker, investment dealer, financial institution or other nominee must arrange for their nominee to enrol in the Plan on their behalf.

**You are not required to participate in the Plan. If you do not participate, then you will continue to receive your cash distributions in the normal manner.**

## **2. What are the advantages of the Plan?**

- Eligible Unitholders under the Plan may elect to reinvest their cash distributions in additional Trust Units or LP Units, as the case may be, on the distribution date, at a 3% discount to the Average Market Price (as defined under the Plan).
- No commissions, service charges or brokerage fees are payable by eligible Unitholders in connection with the purchase of additional Trust Units and LP Units under the Plan.
- Full investment of funds is possible because the Plan permits fractional interests in whole Trust Units and LP Units (to four decimal places) as well as whole Trust Units or LP Units, as the case may be, to be credited to your account under the Plan. Beneficial owners of Trust Units and LP Units held through a broker, investment dealer, financial institution or other nominee will not be entitled to accumulate fractional interests in Trust Units and LP Units.
- Until you elect to terminate your participation in the Plan, future cash distributions on Trust Units or LP Units, as the case may be, that are held on your behalf in the Plan will be automatically reinvested in new Trust Units or LP Units, respectively, which will be retained in your account.

## **3. Am I eligible to participate in the Plan?**

At present, all Canadian resident Unitholders may participate in the Plan regardless of the number of Trust Units or LP Units held.

**Unitholders resident in a jurisdiction outside of Canada are not entitled to enrol, directly or indirectly, in the Plan.**

The extent to which you may directly participate in the Plan will depend on the manner in which you hold your Trust Units or LP Units, as the case may be. If you are a registered owner you may directly enrol in the Plan. If you are a beneficial owner then in order to participate in the Plan, you must make arrangements through your broker, investment dealer, financial institution or other nominee who holds Trust Units or LP Units on your behalf.

## Registered Unitholders

You are a registered owner of Trust Units or LP Units if your Trust Units or LP Units are registered in your own name, that is, they are not held on your behalf by a broker, investment dealer, financial institution or other nominee. If you are a registered owner and wish to participate in the Plan then you may enrol directly with Computershare Trust Company of Canada, as plan agent (“**Computershare**”).

## Beneficial Unitholders

You are a beneficial Unitholder if you hold your Trust Units or LP Units through a broker, investment dealer, financial institution or other nominee. If you are a beneficial Unitholder and wish to participate in the Plan, then you must determine whether your nominee allows participation in the Plan. Please note that not all nominees will allow, nor is any nominee required to allow, participation in the Plan. If you wish to participate and your nominee does not allow it, it is your responsibility to either transfer your Trust Units or LP Units to a different nominee allowing participation, or into your own name and enrol directly. If your nominee allows participation, you must arrange for your nominee to enrol in the Plan on your behalf. **If you choose to enrol in the Plan, unless otherwise instructed by you, your participation in the Plan will normally be continued by your nominee every distribution period.**

## Nominee Holders of Trust Units and LP Units

If you are a broker, investment dealer, financial institution or other nominee for one or more beneficial Unitholders who wish to participate in the Plan, then you must enrol on their behalf through CDS. **You will be required to elect to participate on behalf of such beneficial Unitholders every distribution period.**

### **4. How do I become a participant in the Plan?**

Eligible registered Unitholders may enrol in the Plan by delivering a duly completed and signed Authorization Form, by mail or facsimile, to Computershare, as follows:

Computershare Trust Company of Canada  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1

Attention: Dividend Reinvestment Department  
Fax: (416) 263-9394  
Toll Free: 1-800-564-6253

Unitholders may obtain an Authorization Form from Computershare or Extencicare Inc., as Administrator of the Plan, at any time upon request, or from Extencicare's website at [www.extencicare.com](http://www.extencicare.com). **Eligible beneficial owners whose Trust Units or LP Units are registered in the name of CDS or another nominee cannot directly enrol in the Plan using this form.**

Eligible beneficial Unitholders may participate in the Plan by arranging for the broker, investment dealer, financial institution or other nominee who holds their Trust Units or LP Units, as the case may be, to enrol in the Plan on their behalf, and should contact their nominee to provide instructions in this regard.

**5. When will my participation in the Plan become effective?**

Computershare must receive your initial Authorization Form prior to a distribution record date in order for the cash distribution to which such distribution record date relates to be reinvested under the Plan. If Computershare receives your initial Authorization Form later than 4:00 p.m. (Toronto time) on the fifth (5th) business day preceding a distribution record date, the distribution to which such distribution record date relates will not be reinvested under the Plan and your Authorization Form will be effective for purposes of subsequent distributions. Distribution record dates are usually about 15 days prior to the distribution payment dates.

**6. What will be the price of the additional Units purchased under the Plan?**

Additional Trust Units and LP Units will be purchased under the Plan at a price equal to 97% of the Average Market Price (as defined under the Plan).

**7. Are there restrictions on the purchase of Trust Units or LP Units under the Plan?**

The Administrator reserves the right to determine, for each distribution payment date, the maximum amount of Unitholders' equity, if any, that will be made available under the Plan on that date. No assurances can be made that additional equity will be made available on a regular basis, or at all, and participating Unitholders will receive their regular cash distribution to the extent that the cash distributions cannot be reinvested in additional Trust Units or LP Units, as the case may be, under the Plan.

**8. Can I make optional cash payments to purchase additional Trust Units or LP Units at a discount under the Plan?**

**No. Optional cash payments are not permitted under the Plan.**

**9. Can I enrol in the Plan with respect to less than 100% of the Trust Units or LP Units that I own?**

If you are the registered holder of your Trust Units or LP Units and enrol in the Plan, the cash distributions payable in respect of 100% of your Trust Units or LP Units, as the case may be, bearing the same registration will be reinvested under the Plan.

Extendicare understands that a number of brokers and financial institutions can accommodate elections for partial participation from their clients. Registered Unitholders who wish to participate in the Plan with respect to less than 100% of their Trust Units or LP Units, as the case may be, may therefore wish to consider transferring registration of their Trust Units or LP Units to a broker, investment dealer, financial

institution or other nominee who can accommodate partial participation arrangements. Unitholders should contact their broker or financial advisor for direction in this regard.

**10. How are Trust Units and LP Units purchased under the Plan and who will hold them?**

Trust Units and LP Units acquired on the reinvestment of cash distributions are purchased directly from the treasury of Extendicare or the Partnership, as the case may be, by Computershare, who acts on behalf of participating Unitholders. The Trust Units and LP Units so purchased will be held by Computershare under the Plan for the account of participants or, in the case of CDS, credited by Computershare to CDS, which will, in turn, credit the accounts of the appropriate CDS participants through the CDS depository system.

**11. How will I know how many Trust Units or LP Units I own under the Plan?**

For registered Unitholders, accounts will be maintained by Computershare with respect to purchases of Trust Units and LP Units made under the Plan for their account, and unaudited statements of account will be mailed on a monthly basis (usually within 2-3 weeks of a distribution payment date).

Beneficial Unitholders who participate indirectly in the Plan through their broker, investment dealer, financial institution or other nominee will not receive any such reports directly from Extendicare, the Partnership or Computershare, and should check with such nominee to determine what reports, if any, they can expect to receive from the nominee.

**12. Will certificates be issued for new Trust Units and LP Units purchased?**

Registered Unitholders

Trust Units and LP Units purchased and held under the Plan will be registered in the name of Computershare or its nominee, or recorded in accounts designated by it, for the account of participating registered Unitholders. Certificates for whole Trust Units and whole LP Units so registered or recorded will only be issued if the Plan is terminated, if the participant's enrolment is terminated, or if a participant withdraws all or some of the whole Trust Units or LP Units held by Computershare for its account under the Plan.

A participating registered Unitholder may withdraw all or some of the whole Trust Units or LP Units held by Computershare for the participant's account and have a certificate issued for the Trust Units and LP Units that are withdrawn by duly completing the withdrawal portion of the voucher located on the reverse side of the statement of amount and sending it to Computershare. Certificates will normally be issued within three weeks of receipt by Computershare of the participant's withdrawal request.

## Beneficial Unitholders

Certificates will not normally be issued for new Trust Units or LP Units that are purchased and held by your broker, investment dealer, financial institution or other nominee, through CDS, on your behalf under the Plan. Instead such Trust Units or LP Units will be held by CDS on behalf of your nominee. If you require a Trust Unit certificate or LP Unit certificate and do not wish to terminate your participation in the Plan you may instruct your nominee to withdraw all or any of your Trust Units or LP Units from their aggregate holdings and request from Computershare a certificate in your name in respect of such Trust Units or LP Units. That is, in order to obtain a certificate for all or any of your Trust Units or LP Units, you must first become a registered Unitholder by transferring such Trust Units or LP Units into your own name or into the name of your nominee. You should contact your nominee for assistance in this regard.

### **13. Can I sell the Trust Units or LP Units held for my account under the Plan?**

If you are a registered Unitholder, any Trust Units or LP Units held by Computershare for your account under the Plan cannot be sold, pledged or otherwise disposed of while so held. In order for any Trust Units or LP Units enrolled in the Plan to be sold, pledged or otherwise disposed of, you must first request that such units be transferred into your name or into the name of your broker, investment dealer, financial institution or other nominee by requesting a certificate representing such Trust Units or LP Units. See Question #12 above.

### **14. How can I terminate my participation in the Plan?**

If you are a registered Unitholder enrolled in the Plan, your participation in the Plan continues automatically until your enrolment in the Plan is terminated.

If you are a participating registered Unitholder, you may voluntarily terminate your enrolment in the Plan by delivering to Computershare the termination portion of the voucher located in the reverse side of the statement of account signed by you.

If you are a beneficial Unitholder, your broker, investment dealer, financial institution or other nominee must elect to participate on your behalf every distribution period. However, unless otherwise instructed by you, your participation in the Plan will normally be continued by your nominee every distribution period. You should confirm with your nominee its particular practice in this regard.

If you are a beneficial Unitholder, you may voluntarily terminate your participation in the Plan by contacting your nominee and advising your nominee to terminate your participation in the Plan. Your nominee must then make appropriate arrangements with CDS (which may simply include not enrolling you in the Plan for that distribution period) to ensure that you are no longer enrolled under the Plan. See "*Termination of Participation*" in the full Plan text.

On the termination becoming effective, Computershare will, within three weeks thereafter, send a certificate for all whole Trust Units and LP Units held for your account under the Plan and a cheque in payment for the value of any fractional interest remaining in your account, based on the last Average Market Price.

If a notice of termination is not received by Computershare before 4:00 p.m. (Toronto time) on the fifth (5th) business day preceding a distribution record date, your account will not be closed, and enrolment will not be terminated, until after the distribution payment date to which that record date relates.

**15. What are the income tax consequences of participation in the Plan?**

The fact that cash distributions payable on Trust Units or LP Units are reinvested under the terms of the Plan does not relieve you of any liability for Canadian income taxes that may be payable on the distribution. Participants in the Plan are urged to consult their own tax advisors as to their particular tax position.

The statements of account mailed to registered participating Unitholders are a continuing record of purchases of Trust Units or LP Units, as the case may be, made for such participants' account under the Plan and should be retained for income tax purposes. Computershare will also send annually to each such registered participant certain tax forms for tax reporting purposes. Adjusted cost base calculations for tax reporting purposes are the responsibility of each participant, as certain averaging rules may apply and such calculations may depend on the cost of other Trust Units or LP Units held by the participant, among other things.

**16. Where can I get the necessary authorization forms and further information about the Plan?**

Authorization, withdrawal and termination forms may be obtained from Computershare or Extencicare at any time upon request, or from Extencicare's website at [www.extencicare.com](http://www.extencicare.com). If you have any questions regarding the Plan, please direct them to the Plan Agent or Extencicare.

Contact information for the Plan Agent is as follows:

Computershare Trust Company of Canada  
100 University Avenue, 9th Floor Toronto Ontario M5J 2Y1

Attention: Dividend Reinvestment Department  
Toll Free: 1-800-564-6253  
Fax: (416) 263-9394

Contact information for Extendicare is as follows:

Extendicare Inc.  
3000 Steeles Avenue East, Suite 700  
Markham, Ontario L3R 9W2

Attention: Corporate Secretary  
Fax: 905-470-4003  
Telephone: 905-470-5534

A beneficial owner whose Trust Units or LP Units, as the case may be, are held through a broker, investment dealer, financial institution or other nominee should contact their representative directly.

**ADDITIONAL INFORMATION:**

**Extendicare, in conjunction with Computershare Trust Company of Canada, may from time to time adopt rules and regulations to facilitate the administration of the Plan. Extendicare Inc., as administrator of the Plan, also reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.**

**The information contained in these FAQs is in summary form and does not address all terms and conditions of the Plan. Readers are referred to the complete text of the Plan, which is included in this booklet.**

# EXTENDICARE

## **EXTENDICARE REAL ESTATE INVESTMENT TRUST DISTRIBUTION REINVESTMENT PLAN**

**November 7, 2006**



## EXTENDICARE REAL ESTATE INVESTMENT TRUST

### DISTRIBUTION REINVESTMENT PLAN

#### Purpose

The Extendicare Real Estate Investment Trust Distribution Reinvestment Plan ("**Plan**") provides eligible holders ("**Trust Unitholders**") of trust units ("**Trust Units**") of Extendicare Real Estate Investment Trust ("**Extendicare**") and eligible holders ("**LP Unitholders**", and together with Trust Unitholders collectively referred to as "**Unitholders**") of Class B limited partnership units ("**LP Units**") of Extendicare Limited Partnership ("**Partnership**") with the opportunity to reinvest cash distributions declared and payable to them in additional Trust Units or LP Units, as the case may be, at a price equal to 97% of the Average Market Price (as defined below).

#### Definitions

Wherever used in this Plan, the following words and terms have the respective meanings set out below unless the context otherwise requires:

**"Administrator"** means Extendicare Inc., in its capacity as the Administrator of Extendicare;

**"Authorization Form"** means the authorization form for Trust Unitholders or the authorization form for LP Unitholders delivered by the Plan Agent to Trust Unitholders and LP Unitholders, respectively, with the Plan or otherwise, or any other authorization form acceptable to the Administrator, the Plan Agent or the relevant CDS Participant for purposes of a Unitholder communicating to the Administrator, Plan Agent or CDS Participant, as applicable, his or her intention to participate in the Plan;

**"Average Market Price"** in respect of a particular Distribution Payment Date, means the volume weighted average trading price of the Trust Units (calculated to four decimal places) on the Toronto Stock Exchange for the five (5) Normal Trading Days immediately preceding the corresponding Distribution Payment Date, appropriately adjusted for capital changes as set forth under the heading "Distribution Reinvestment" below;

**"Beneficial Unitholder"** means a beneficial owner of Trust Units or LP Units that are registered in the name of CDS or a broker, investment dealer, financial institution or other Nominee;

**"Business Day"** means any day on which the offices of the Plan Agent in Toronto, Ontario are generally open for the transaction of commercial business, but does not, in any event, include a Saturday, Sunday or civic or statutory holiday in Ontario or a day on which the Toronto Stock Exchange does not publicly trade;

**"CDS"** means The Canadian Depository for Securities Limited, which acts as nominee for a number of Canadian brokers, investment dealers, financial institutions and other Nominees, or its nominee or successor, as applicable;

**"CDS Participant"** means a broker, investment dealer, financial institution or other Nominee, in its capacity as a participant in the CDS depository service, who holds Trust Units or LP Units, as the case may be, registered in the name of CDS on behalf of or for the account of eligible Beneficial Unitholders and who is acting on behalf of such Beneficial Unitholders hereunder;

**"Distribution"** means a cash distribution declared payable by Extendicare and the Partnership for any particular month;

**"Distribution Payment Date"** means the payment date declared by Extendicare or the Partnership, as the case may be, for a Distribution to be paid;

**"Distribution Record Date"** means the record date declared by Extendicare or the Partnership, as the case may be, in respect of a Distribution, for the purpose of determining Unitholders entitled to receive such Distribution on its Distribution Payment Date;

**"Nominee"** means a broker, investment dealer, financial institution or other nominee holder of Trust Units and/or LP Units who holds Trust Units and/or LP Units registered in its own name on behalf of eligible Beneficial Unitholders;

**"Normal Trading Day"** means a day on which: (i) the Toronto Stock Exchange is open for trading in the ordinary course of business; and (ii) at least one board lot of Trust Units is traded;

**"Participant"** means the holder of at least one Trust Unit or LP Unit who, on the applicable Distribution Record Date, is eligible to participate in the Plan and has elected to do so by, in the case of a registered Unitholder, completing and delivering to the Plan Agent, or in the case of a Beneficial Unitholder, having its Nominee complete and deliver to the Plan Agent (through CDS, if applicable), an Authorization Form, as more particularly described in the Plan;

**"Plan Agent"** means Computershare Trust Company of Canada, its successors or assigns or such other qualified trust company as is designated by Extendicare from time to time to act as plan agent under the Plan; and

**"Trustee"** means, at any time, an individual who is a trustee of Extendicare.

Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

### **Interpretation**

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined by the Administrator.

## **Plan Administration**

Computershare Trust Company of Canada currently acts as Plan Agent under the Plan for and on behalf of the Participants. If Computershare Trust Company of Canada ceases to act as Plan Agent for any reason, another qualified trust company will be designated by Extencare to act as Plan Agent and Participants (or their Nominees) will be promptly notified of the change by press release.

## **Participation**

Except as specifically provided herein, all Unitholders who are residents of Canada for the purposes of the *Income Tax Act* (Canada) are eligible for enrolment in the Plan at any time. Unitholders who are non-residents of Canada for the purposes of the *Income Tax Act* (Canada) are not entitled to enrol, directly or indirectly, in the Plan.

Beneficial Unitholders whose Trust Units or LP Units are registered in the name of a Nominee may not directly enrol in the Plan and may only participate in the Plan if they (i) transfer their Trust Units or LP Units into their own name and then enrol in the Plan directly, or (ii) arrange for their Nominee to enrol in the Plan on their behalf.

Beneficial Unitholders should contact their Nominee directly to provide instructions on how they would like to participate in the Plan. Not all Nominees will allow, nor are required to allow, participation in the Plan. Unitholders interested in participating in the Plan who hold their Trust Units or LP Units through a Nominee that does not allow participation are responsible for either transferring their Trust Units or LP Units, as applicable, to a different Nominee or into their own name in order to participate.

The Administrator will have the right to deny participation in the Plan to, and to not accept an Authorization Form from any person (or the agent of such person) who appears to be, or who the Administrator has reason to believe is, a non-resident of Canada for the purposes of the *Income Tax Act* (Canada). The Administrator will further have the right to terminate the enrolment of any Unitholder that is enrolled in the Plan if the Administrator or the Plan Agent has reason to believe that such Unitholder is resident in, or is enrolled in the Plan on behalf of a Beneficial Unitholder who is resident in, a jurisdiction outside of Canada. In such circumstances, the Administrator or the Plan Agent may require, as a condition to continued enrolment, that the Unitholder provide a declaration satisfactory to the Administrator that the person is not a non-resident of Canada.

Subject to applicable law and regulatory policy, the Administrator reserves the right to determine, from time to time, a minimum number of Trust Units or LP Units, as the case may be, that a Participant must hold in order to be eligible to enrol in, or to remain enrolled in, the Plan. The Administrator further reserves the right to refuse enrolment in the Plan to, or terminate the enrolment of, any person who, in the opinion of the Administrator, is participating in the Plan primarily with a view to arbitrage trading.

An eligible Unitholder becomes a Participant by completing and delivering to the Plan Agent, or by having such Participant's Nominee complete and deliver to the Plan Agent (through CDS, if applicable) on its behalf, a duly completed Authorization Form. If required, an Authorization Form may be obtained from the Plan Agent at any time upon request or from Extencare's website at [www.extencare.com](http://www.extencare.com).

By enrolling in the Plan, a Participant is deemed to have directed Extendicare to forward to the Plan Agent all Distributions in respect of Trust Units, and to have directed the Partnership to forward to the Plan Agent all Distributions in respect of LP Units, held by the Participant or its Nominee, and to have directed the Plan Agent to reinvest such Distributions in additional Trust Units or LP Units, as the case may be, in accordance with the Plan.

Where a registered Unitholder wishes to participate in the Plan with respect to Trust Units or LP Units, an initial Authorization Form must be received by the Plan Agent no later than 4:00 p.m. (Toronto time) on the fifth (5<sup>th</sup>) Business Day immediately preceding a Distribution Record Date in order for the Distribution to which such Distribution Record Date relates to be reinvested under the Plan.

Where a Beneficial Unitholder wishes to participate in the Plan with respect to Trust Units or LP Units registered through a Nominee, the Nominee must enrol on behalf of the Beneficial Unitholder through CDS and the Beneficial Unitholder must advise its Nominee of its intention to participate in the Plan no later than 2:00 p.m. (Toronto time) on the fifth (5<sup>th</sup>) Business Day immediately preceding a Distribution Record Date (or such other deadline as the Participant's nominee may set from time to time). The Nominee must then provide an Authorization Form to CDS no later than 2:00 p.m. (Toronto time) on the Business Day immediately preceding a Distribution Record Date in order for the Distribution to which such Distribution Record Date relates to be reinvested under the Plan. CDS will, in turn, be required to provide such notice to Computershare no later than 2:00 p.m. (Toronto time) on the Distribution Record Date.

If an initial Authorization Form is not received by the Plan Agent from a registered Unitholder, or by CDS from a Participant's Nominee in the case of a Beneficial Unitholder, on or before such deadlines, the Distribution to which such Distribution Record Date relates will not be reinvested under the Plan and a Participant's enrolment in the Plan will only be effective for purposes of subsequent Distributions.

**Beneficial Unitholders who wish to participate in the Plan will need their Nominee to elect to participate on their behalf in respect of each Distribution Record Date. A failure to so elect will result in the withdrawal of participation in respect of such Distribution Payment Date. Some Nominees will automatically continue a Beneficial Unitholder's participation in the Plan unless otherwise instructed by the Beneficial Unitholder. A Beneficial Unitholder should confirm with its Nominee its particular practice in this regard.**

A Participant (other than CDS) that has enrolled in the Plan will remain enrolled in and will automatically continue to participate in the Plan until such time as the Plan is terminated by the Administrator or until the Participant's enrolment is terminated by the Participant or by the Administrator. All Distributions payable in respect of the Participant's Trust Units and LP Units, subject to the terms hereof, will be automatically reinvested, on the Distribution Payment Date, in additional Trust Units or LP Units, as the case may be, on the Participant's behalf. The Distributions to be reinvested are those payable in respect of Trust Units and LP Units that are registered to the Participant, as well as Trust Units and LP Units that have been previously purchased with reinvested Distributions and are held by the Plan Agent for a Participant's account under the Plan.

CDS will provide instructions to the Plan Agent regarding the extent of its participation in the Plan, on behalf of eligible Beneficial Unitholders, in respect of every Distribution Payment Date on which Distributions otherwise payable to CDS, as Unitholder of record, are to be reinvested under the Plan.

### **Distribution Reinvestment**

The Plan Agent acts for and on behalf of the Participants. On each Distribution Payment Date, Extencicare will pay to the Plan Agent all Distributions in respect of Trust Units, and the Partnership will pay to the Plan Agent all Distributions in respect of LP Units, registered in the name of, or held under the Plan for the account of, Participants who have enrolled under the Plan.

The Plan Agent will use such funds to purchase additional Trust Units directly from Extencicare and additional LP Units directly from the Partnership, as applicable, in each case at a 3% discount to the Average Market Price, and such additional Trust Units or LP Units will be credited to the Participant's (or the applicable Nominee's) account. In no event will interest be paid to Participants on any funds held for reinvestment under the Plan.

Subject to prorating as described below, the number of Trust Units or LP Units (or fractional interests therein to four decimal places) acquired under the Plan for the account of each Participant on any Distribution Payment Date will be equal to the Distribution payable in respect of the Participant's Trust Units or LP Units, as applicable, on such date divided by 97% of the Average Market Price. Extencicare will advise the Plan Agent of the Average Market Price and the applicable purchase price on or before each Distribution Payment Date on which Distributions are to be reinvested under the Plan.

The Average Market Price will be appropriately adjusted for any subdivision, consolidation or similar pro rata change in the number of outstanding Trust Units into a greater or lesser number of Trust Units, any reclassification of Trust Units into other securities of Extencicare, or any issue of Trust Units or other securities or assets of Extencicare (other than distributions in the ordinary course) to the holders of all or substantially all of the then outstanding Trust Units, the effective date of which or the record date for which falls within the 5-day period over which the Average Market Price is calculated.

If the Administrator determines that no Trust Units or LP Units, as the case may be, or only a limited amount of Unitholders' equity will be available under the Plan for a particular Distribution Payment Date, the Distributions payable on that date (or any portion thereof) that cannot be reinvested under the Plan will be paid to Participants in the ordinary course. See "Prorating" below.

### **Prorating**

Extencicare and the Partnership will each reserve the right to determine, for each Distribution Payment Date, the maximum amount of Unitholders' equity, if any, that will be made available under the Plan on that date. If, in respect of any Distribution Payment Date, fulfilling all of the Participants' entitlements under the Plan would result in Extencicare or the Partnership exceeding the limit on new equity set by Extencicare or the Partnership, then purchases of Trust Units or LP Units, as the case may be, on the applicable Distribution Payment Date will be prorated among all Participants. If Extencicare or the Partnership determine not to issue any equity through the Plan on a particular Distribution Payment Date, then Participants will receive from Extencicare or the Partnership the Distributions to which they would otherwise be entitled on such date and which are not reinvested as a result of such determination or proration.

### **Costs**

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Trust Units or LP Units from treasury under the Plan, and Extendicare and/or the Partnership will pay all administrative costs of operating the Plan.

**Beneficial Unitholders who wish to participate in the Plan through the Nominee who holds their Trust Units or LP Units should consult that Nominee to confirm what fees, if any, the Nominee may charge to enrol in the Plan on their behalf or whether the Nominee's policies might result in any costs otherwise becoming payable by Beneficial Unitholders. Any such costs will be the sole responsibility of the Beneficial Unitholder and neither Extendicare nor the Partnership shall have any responsibility or liability therefore.**

### **Fractional Interests**

Although Extendicare and the Partnership are not permitted to issue fractions of Trust Units and LP Units, respectively, full reinvestment is possible under the Plan as the Plan Agent will credit to the account of each registered Participant, on each reinvestment made under the Plan, a fractional interest in a whole Trust Unit or LP Unit (to four decimal places), as the case may be, for any amount that cannot be reinvested in whole Trust Units or LP Units. Extendicare and the Partnership will from time to time issue to the Plan Agent such number of whole Trust Units and LP Units as are necessary or desirable to accommodate the fractional interests of all Participants.

Beneficial owners of Trust Units and LP Units held through a broker, investment dealer, financial institution or other nominee will not be entitled to accumulate fractional interests in Trust Units and LP Units, as the case may be, but instead will receive the balance of the Distribution in cash.

In certain events described herein, a Participant or its legal representative will be entitled to receive a cheque in payment of the value of any fractional Trust Unit or LP Unit interest remaining in the Participant's account based on the Average Market Price for the most recent Distribution Payment Date prior to the applicable event. Upon such payment being sent to the Participant or its legal representative, the Participant's fractional interest will be deemed to be cancelled.

### **Reports to Participants**

An account will be maintained by the Plan Agent for each Participant with respect to purchases of Trust Units or LP Units, as the case may be, made under the Plan for the Participant's account. The Plan Agent will, on a monthly basis, mail an unaudited statement of account to each Participant. These statements are a Participant's continuing record of purchases of Trust Units or LP Units, as the case may be, made for their account under the Plan and should be retained for income tax purposes.

Beneficial Unitholders who participate in the Plan indirectly through a Nominee will not receive any such reports directly from Extendicare, the Partnership, the Administrator or the Plan Agent and should check with such Nominee to determine what reports, if any, they can expect to receive from the Nominee.

All Unitholders are responsible for calculating and monitoring their own adjusted cost base in Trust Units or LP Units, as the case may be, for income tax purposes, as certain averaging rules may apply and such calculations may depend on the cost of other Trust Units or LP Units held by the Unitholder.

Statements reflecting the Trust Units or LP Units in the Plan will generally be delivered two to three weeks following each Distribution Payment Date.

### **Certificates for Trust Units or LP Units Held Under the Plan**

Trust Units or LP Units purchased and held under the Plan will be registered in the name of the Plan Agent or its nominee as agent for the Participants, and certificates for such Trust Units or LP Units will not normally be issued to Participants unless specifically requested in writing. However, a Participant which is a registered holder of Trust Units or LP Units that does want certificates but does not wish to terminate his, her or its participation in this Plan, may obtain same by duly completing the withdrawal portion of the voucher located on the reverse of the statement of account and sending it to the Plan Agent. A Withdrawal Request Form may also be obtained from the Plan Agent at the address set out under "Notices" below. The Plan Agent will generally issue certificates to a Participant within three weeks of receipt of the Withdrawal Request Form. Certificates will not be issued for fractions of a Unit. Any remaining whole Trust Units or LP Units and any fractional Trust Units or LP Units will continue to be held by the Plan Agent for the Participant's account under the Plan.

Trust Units and LP Units held by the Plan Agent for the account of a Participant under the Plan cannot be sold, pledged or otherwise disposed of by the Participant while so held. Participants who wish to sell, pledge or otherwise dispose of any Trust Units or LP Units held by the Plan Agent for their account under the Plan will be required to request that the Trust Units or LP Units, as applicable, be withdrawn from under the Plan and a certificate representing such Trust Units or LP Units be issued in the Participant's own name.

Plan accounts will be maintained in the names in which certificates were registered with Extendicare or the Partnership at the time the Participant enrolled in this Plan. Consequently, certificates for whole Trust Units or LP Units withdrawn from the Plan will be registered in exactly the same manner when issued.

### **Termination of Participation**

A Participant may voluntarily terminate participation in the Plan by delivering to the Plan Agent, or by having such Participant's Nominee in the case of a Beneficial Unitholder, deliver to the Plan Agent (through CDS, if applicable) on its behalf, the termination portion of the voucher located on the reverse side of the statement of account signed by such Participant (or by such Participant's Nominee, as applicable) stating that such Participant wishes to withdraw its participation in the Plan. On the termination becoming effective, the Plan Agent will, within three weeks thereafter, send to the Participant (or the Participant's Nominee) a certificate representing all whole Trust Units or LP Units held by the Plan Agent in such Participant's (or the applicable Nominee's) account and a cheque in payment of the value of any fractional Trust Unit or LP Unit interest remaining in the Participant's account, based on the Average Market Price for the most recent Distribution Payment Date prior to the termination becoming effective.

A deceased individual Participant's enrolment in the Plan will be terminated automatically following receipt by the Plan Agent of instructions to terminate from any person reasonably believed by the Plan Agent to be acting in a representative or fiduciary capacity for the deceased Participant. On the termination becoming effective, the Participant's account will be closed and the Plan Agent will, within three weeks thereafter, issue a certificate representing all whole Trust Units and LP Units held for the Participant's account under the Plan together with a cheque in payment of the value of any fractional Trust Unit or LP Unit interest remaining in the Participant's account, based on the Average Market Price for the most recent Distribution Payment Date prior to the termination becoming effective. The certificate and cheque will be issued in the name of the deceased Participant or his or her estate, as applicable.

If a notice of termination is not received by the Plan Agent before 4:00 p.m. (Toronto time) on the fifth (5th) Business Day immediately preceding a Distribution Record Date, the Participant's account will not be closed, and the Participant's enrolment in the Plan will not be terminated, until after the Distribution Payment Date to which that Distribution Record Date relates.

On a Participant's enrolment in the Plan being terminated by the Administrator in the circumstances described above under the heading, "Participation", the Plan Agent will send to the Participant a certificate representing all whole Trust Units and LP Units held for the Participant's account under the Plan and a cheque in payment of the value of any fractional Trust Unit and LP Unit interest remaining in the Participant's account, based on the Average Market Price for the most recent Distribution Payment Date prior to the effective date on which the Administrator terminated the Participant's enrolment.

### **Subdivisions and Consolidations**

In the event of a subdivision, consolidation or similar pro rata change in the number of outstanding Trust Units or LP Units, as the case may be, into a greater or lesser number of Trust Units or LP Units, the Plan Agent will proportionately credit or debit the account of each Participant maintained under the Plan according to the number of Trust Units or LP Units, as applicable, held for the account of that Participant prior to the effective time of the subdivision, consolidation or similar change.

### **Rights Offering**

In the event that Extencicare makes available to its Trust Unitholders rights to subscribe for additional Trust Units or other securities, rights will be issued by Extencicare in respect of whole Trust Units held in a Participant's (or Nominee's) account under the Plan on the record date for such rights issue and rights will be issued by the Partnership in respect of the whole LP Units held in a Participant's (or Nominee's) account under the Plan on the record date for such rights issue. No rights will be issuable on a fraction of a Trust Unit or LP Unit held in a Participant's account.

### **Unitholder Voting**

Whole Trust Units or Special Voting Units attached to LP Units of a Participant enrolled in the Plan on the record date for a vote of Trust Unitholders will be voted in accordance with the Participant's voting instructions given on a form to be furnished to the Participant by the Plan Agent. Trust Units or Special Voting Units attached to LP Units for which voting instructions are not received will not be voted on the Participant's behalf. No voting rights will attach to any fraction of a Trust Unit or Special Voting Units attached to LP Unit held in a Participant's account.

### **Amendment, Suspension or Termination of the Plan**

The Administrator reserves the right to direct that the Plan be amended, suspended, terminated or replaced at any time, but any such action will not have any retroactive effect that is prejudicial to Participants.

If the Plan is amended, no notice thereof will be sent to Participants unless the amendment is, in the opinion of the Administrator, materially prejudicial to Participants. Generally, no notice will be given to Participants regarding any amendments to the Plan that are intended to cure, correct or rectify any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions. Where required, amendments to the Plan will be subject to the prior approval of the Toronto Stock Exchange.

If the Plan is terminated, each Participant will be sent notice thereof and the Plan Agent will send to each Participant a certificate representing all whole Trust Units and whole LP Units held for the Participant's account under the Plan together with a cheque in payment of the value of any fractional Trust Unit and LP Unit interest remaining in the Participant's account, based on the Average Market Price for the most recent Distribution Payment Date prior to the termination date. No reinvestment of distributions will be made under the Plan on the Distribution Payment Date following the effective date of the Plan's termination. Any Distributions payable after the termination date that would, but for the termination, have been reinvested under the Plan will be paid to Participants in the ordinary course.

### **Limitation of Liability**

None of Extencicare, the Partnership, the Administrator or the Plan Agent, nor any of their respective trustees, directors, officers, employees, unitholders, shareholders or representatives, shall be liable to any registered Unitholder or Beneficial Unitholders, or to CDS or any CDS Participant (or any other Nominee) for any act or for any omission to act in connection with the administration or operation of the Plan, including without limitation any claims for liability:

- (a) relating to the prices and times at which Trust Units or LP Units are purchased under the Plan for the account of a Participant;
- (b) relating to any decision made by or on behalf Extencicare or the Partnership not to make any Unitholders' equity available under the Plan, or to limit the amount of equity available under the Plan, for any Distribution Payment Date;
- (c) arising out of a prorating, for any reason, of the number of Trust Units or LP Units that may be acquired by a Participant under the Plan, in the circumstances described herein;

- (d) relating to any decision to amend, suspend, terminate or replace the Plan in accordance with the terms hereof;
- (e) arising out of the involuntary termination of a Unitholder's enrolment in the Plan in the circumstances described herein;
- (f) arising out of any failure to terminate an individual Participant's enrolment in the Plan upon such Participant's death before instructions to terminate; or
- (g) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the Plan.

For greater certainty, by participating in this Plan, Participants acknowledge and agree that the obligations of Extendicare and the Partnership hereunder shall not be personally binding upon any Trustee of Extendicare or any partner of the Partnership, any registered or beneficial holder of Trust Units or LP Units, or any beneficiary under a plan of which a registered or beneficial holder of Trust Units acts as trustee or carrier, or any LP Unitholder, 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 or the Partnership arising hereunder or arising in connection herewith or from the matters to which this Plan relates, if any, including, without limitation, claims based on negligence or otherwise tortious behaviour, and recourse shall be limited to, and satisfied only out of, the "Fund Assets" as defined in the Deed of Trust of Extendicare dated as of September 11, 2006, as amended from time to time or the property of the Partnership, as the case may be.

**Participants are cautioned that none of Extendicare, the Partnership, the Administrator or the Plan Agent can assure Participants a profit or protect them against loss with respect to any Trust Units or LP Units acquired under the Plan for their account.**

### **Tax Considerations**

None of Extendicare, the Partnership, the Administrator or the Plan Agent assume or accept any responsibility for the income or other tax consequences to a Participant of enrolling in and acquiring beneficial ownership of Trust Units or LP Units, as the case may be, issued pursuant to the Plan. Unitholders interested in enrolling in the Plan are advised to consult with their own tax advisors as to the consequences of doing so in their particular circumstances.

### **Interpretation**

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined by the Administrator.

### **Governing Law**

This Plan shall be governed by, and administered and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**Notices**

*To Unitholders:*

All notices or other documents to be given to Participants pursuant to or in connection with the Plan, including Trust Unit or LP Unit certificates and cheques, will be mailed to Participants at the addresses as shown on the records of the Plan Agent.

*To the Plan Agent:*

Any notices or forms to be sent to the *Plan Agent*, including any Authorization Forms, shall be sent

to:

Computershare Trust Company of Canada  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1

Attention: Dividend Reinvestment Department  
Fax: (416) 263-9394  
Telephone: 1-800-564-6253

*To Extendicare, the Partnership or to the Administrator:*

Any notices or forms to be sent to Extendicare, the Partnership or the Administrator shall be sent to:

Extendicare Inc.  
3000 Steeles Avenue East, Suite 700  
Markham, Ontario L3R 9W2

Attention: Corporate Secretary  
Fax: (905) 470-4003  
Telephone: (905) 470-5534

**Effective Date**

The effective date of the Plan is November 7, 2006.

# EXTENDICARE