

EXTENDICARE LIMITED PARTNERSHIP

NOTICE OF REDEMPTION OF CLASS B LIMITED PARTNERSHIP UNITS

TO: THE HOLDERS OF CLASS B LIMITED PARTNERSHIP UNITS OF EXTENDICARE LIMITED PARTNERSHIP

NOTICE IS HEREBY GIVEN THAT:

1. On November 10, 2011 (the “**Redemption Date**”), Extendicare Limited Partnership (“**Extendicare LP**”) will redeem all but not less than all its then outstanding Class B Limited Partnership Units (the “**Exchangeable LP Units**”) in accordance with the provisions of the Limited Partnership Agreement dated September 11, 2006 among Extendicare Holding General Partner Inc., Extendicare Trust and each person who is a party thereto by reason of ownership of Exchangeable LP Units.
2. The redemption price for each Exchangeable LP Unit (the “**Redemption Price**”) redeemed by Extendicare LP on the Redemption Date shall be an amount equal to the sum of: (a) the closing price of a trust unit of Extendicare Real Estate Investment Trust (a “**REIT Unit**”) on the Toronto Stock Exchange on November 9, 2011; and (b) the amount of all declared and unpaid distributions on such Exchangeable LP Unit as of the Redemption Date.
3. The Redemption Price will be satisfied by Extendicare LP causing to be delivered to each holder of Exchangeable LP Units a certificate or certificates representing one REIT Unit for each Exchangeable LP Unit held by such holder together with a cheque in respect of the remaining portion of the Redemption Price for each Exchangeable LP Unit held by such holder, less any applicable withholding taxes.
4. The aggregate Redemption Price to which a holder of Exchangeable LP Units is entitled shall be delivered on or after the Redemption Date only upon presentation and surrender to Computershare Investor Services Inc., of certificate(s) representing such holder’s redeemed Exchangeable LP Units together with a properly completed and duly executed Letter of Transmittal, in the form enclosed with this Notice of Redemption, and any other required documents.
5. On and after the Redemption Date, each holder of Exchangeable LP Units will thereafter cease to be a holder of such Exchangeable LP Units and will not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive the Redemption Price for each Exchangeable LP Unit held by such holder and redeemed by Extendicare LP, less any applicable withholding taxes.

Attached to this Notice of Redemption is a summary of the principal Canadian federal income tax considerations associated with the redemption of the Exchangeable LP Units. Holders of Exchangeable LP Units should consult their tax advisors regarding the tax consequences applicable in their particular circumstances.

Holders of Exchangeable LP Units are encouraged to complete the Letter of Transmittal in the form enclosed with this Notice of Redemption as soon as possible in accordance with the instructions contained therein and forward it together with the certificate or certificates representing their Exchangeable LP Units to the offices of Computershare Investor Services Inc. indicated on the enclosed Letter of Transmittal.

Dated the 13th day of October, 2011.

EXTENDICARE LIMITED PARTNERSHIP
by its General Partner,
**EXTENDICARE HOLDING GENERAL
PARTNER INC.**

By:



Name: Julian E. Fountain

Title: Corporate Secretary

EXTENDICARE LIMITED PARTNERSHIP

REDEMPTION OF CLASS B LIMITED PARTNERSHIP UNITS

SUMMARY OF PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the “**Tax Act**”) to holders of Exchangeable LP Units (“**Unitholders**”) whose Exchangeable LP Units are redeemed by Extendicare LP in accordance with the attached Notice of Redemption. This summary is applicable to Unitholders who, for purposes of the Tax Act, are resident in Canada and hold their Exchangeable LP Units as capital property. This summary is not applicable to a Unitholder that is a “financial institution” or a “specified financial institution”, or an interest in which is a “tax shelter investment” (all as defined in the Tax Act). Capitalized terms that are not defined in this summary shall have the meaning given to such terms in the attached Notice of Redemption.

This summary is not exhaustive of all possible Canadian federal income tax considerations associated with a redemption of Exchangeable LP Units. Unitholders who hold Exchangeable LP Units should consult their own legal or tax advisors for advice with respect to the tax consequences associated with the redemption of Exchangeable LP Units based on their particular circumstances.

A Unitholder whose Exchangeable LP Units are redeemed by Extendicare LP in accordance with the attached Notice of Redemption will be considered to have disposed of such Exchangeable LP Units on the Redemption Date for proceeds of disposition equal to the aggregate Redemption Price for such Exchangeable LP Units. The Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder’s proceeds of disposition exceed (or are less than) the aggregate of the Unitholder’s adjusted cost base of the Exchangeable LP Units immediately prior to the redemption on the Redemption Date and any reasonable costs of disposition. The amount by which a Unitholder’s adjusted cost base is negative immediately before the time of the redemption will be included in computing the Unitholder’s capital gain.

The adjusted cost base of Exchangeable LP Units to a Unitholder will equal the cost of the Exchangeable LP Units to the Unitholder, plus or minus certain adjustments as required by the Tax Act (some of which are described below). The cost to a Unitholder of Exchangeable LP Units acquired pursuant to the November 10, 2006 plan of arrangement involving Extendicare Inc. (the “**Arrangement**”) in respect of which the Unitholder and Extendicare LP filed a valid tax election pursuant to subsection 97(2) of the Tax Act (the “**Tax Election**”) will, subject to certain limitations contained in the Tax Act, equal the agreed amount in such Tax Election. A Unitholder who acquired Exchangeable LP Units pursuant to the Arrangement in respect of which no Tax Election was filed will be considered to have acquired such Exchangeable LP Units at a cost equal to the fair market value, on the effective date of the Arrangement, of the Extendicare Common Shares transferred by such Unitholder to Extendicare LP pursuant to the Arrangement. A Unitholder who acquired Exchangeable LP Units pursuant to Extendicare LP’s Distribution Reinvestment Plan (the “**DRIP**”) will be considered to have acquired such

Exchangeable LP Units at a cost equal to the amount paid for such Exchangeable LP Units. A Unitholder who acquired Exchangeable LP Units at different times (for example, pursuant to the Arrangement and the DRIP) will be required to compute the cost of his, her or its Exchangeable LP Units in accordance with certain cost-averaging rules contained in the Tax Act. Such Unitholders should consult their own legal or tax advisors for advice with respect to the application of the cost-averaging rules to their particular circumstances.

In computing a Unitholder's adjusted cost base of Exchangeable LP Units immediately prior to the redemption, a Unitholder will be entitled to add the amount of any income and capital gains allocated to the Unitholder in respect of such Exchangeable LP Units for fiscal periods of Extencicare LP ending before that time. Under proposed amendments to the Tax Act, Extencicare LP will, for the purposes of computing a Unitholder's adjusted cost base of Exchangeable LP Units, be deemed to have a fiscal period that ends immediately before the time that is immediately before the time the Unitholder ceases to be a member of Extencicare LP. Assuming the proposed amendments are enacted as proposed, a Unitholder should, for purposes of computing the Unitholder's adjusted cost base of Exchangeable LP Units that are redeemed, be entitled to add the amount of any income and capital gains from Extencicare LP's 2011 fiscal year that are allocated by Extencicare LP to the Unitholder in respect of such Exchangeable LP Units.

In computing a Unitholder's adjusted cost base of Exchangeable LP Units immediately prior to the redemption, a Unitholder will be required to deduct amounts received by the Unitholder before that time as, on or account of or in satisfaction of a distribution of Extencicare LP's profits or capital. A Unitholder's adjusted cost base of Exchangeable LP Units should not be reduced by the portion of the aggregate Redemption Price equal to the aggregate amount of all declared and unpaid distributions on such units as of the Redemption Date (anticipated to be in the amount of \$0.07 per Exchangeable LP Unit).

Unitholders should consult their own legal or tax advisors for advice with respect to the relevant adjustments in computing the adjusted cost base of their Exchangeable LP Units.

One-half of any capital gain realized by a Unitholder on the disposition of Exchangeable LP Units will generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs. Unitholders that are Canadian-controlled private corporations (as defined in the Tax Act) will also be liable for an additional refundable $6^{2/3}$ % tax in respect of any taxable capital gains realized on the disposition of Exchangeable LP Units.

One-half of any capital loss realized by a Unitholder on the disposition of Exchangeable LP Units may generally be deducted only from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act. The capital loss, if any, otherwise realized on the disposition of Exchangeable LP Units by a Unitholder that is a corporation or trust may be reduced to the extent of any dividends previously received by the Unitholder from Extencicare LP.