

EXTENDICARE INC.

NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting (the "**Meeting**") of the holders (the "**Shareholders**") of multiple voting shares and subordinate voting shares (collectively, the "**Extendicare Shares**") of Extendicare Inc. (the "**Corporation**") will be held on Monday, October 16, 2006 at 2:00 p.m. (Toronto time), at the Toronto Stock Exchange Broadcast and Conference Centre, Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2, for the following purposes:

1. to consider, pursuant to an interim order of the Ontario Superior Court of Justice dated September 13, 2006 (the "**Interim Order**") and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") to approve an arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving the Corporation and its Shareholders, providing for the distribution of Assisted Living Concepts, Inc. ("**ALC**") to the holders of Extendicare Shares and the conversion of the Corporation into Extendicare Real Estate Investment Trust (the "**REIT**"), all as more particularly described in the accompanying management proxy circular of the Corporation (the "**Circular**");
2. if the Arrangement Resolution is passed, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Rights Plan Resolution**") authorizing and approving the adoption of a unitholder rights plan (the "**Rights Plan**") for the REIT; and
3. to transact such further or other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors of the Corporation, as authorized by the Interim Order, has fixed the close of business on September 6, 2006 as the record date for determining holders of record of Extendicare Shares who are entitled to receive notice of the Meeting and to attend and vote at the Meeting, or any adjournment(s) or postponement(s) thereof.

The Arrangement, the Arrangement Resolution, the Rights Plan and the Rights Plan Resolution are described in the Circular and the full text of the Arrangement Resolution and the Rights Plan Resolution are set out in Appendix A and Appendix B to the Circular, respectively. The Circular, the amended Information Statement filed by ALC with the United States Securities and Exchange Commission on September 11, 2006, forms of proxy and forms of Letter of Transmittal and Election accompany this Notice of Meeting. Reference is made to the Circular for details of matters to be considered at the Meeting.

The Arrangement Resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast by the holders of multiple voting shares of the Corporation ("**Extendicare Multiple Voting Shares**") and the affirmative vote of not less than two-thirds of the votes cast by the holders of subordinate voting shares of the Corporation ("**Extendicare Subordinate Voting Shares**") present in person or represented by proxy at the Meeting, with the Extendicare Multiple Voting Shares and the Extendicare Subordinate Voting Shares each being entitled to vote separately as a class. The Arrangement is also subject to the approval of the Ontario Superior Court of Justice (Commercial List). The Rights Plan Resolution must be approved by the affirmative vote of not less than a majority of the votes cast by the holders of Extendicare Multiple Voting Shares and Extendicare Subordinate Voting Shares present in person or represented by proxy at the Meeting voting together.

Registered Shareholders unable to attend the Meeting in person are requested to complete, date, sign and return (in the envelope provided for that purpose) the appropriate form of proxy for use at the Meeting. To be used at the Meeting, proxies must be received by the Corporation's transfer agent, Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) before 5:00 p.m. (Toronto time) on Thursday, October 12, 2006 or, in the case of any adjournment or postponement of the Meeting, no later than 5:00 p.m. (Toronto time) on the business day before the date of the reconvened Meeting. Non-registered beneficial Shareholders must seek instructions on how to complete their form of proxy and vote their Extendicare Shares from their broker, trustee, financial institution or other nominee.

Pursuant to the Interim Order and Section 190 of the CBCA (and as modified by the Interim Order), registered Shareholders have the right to dissent in respect of the Arrangement Resolution and to be paid an amount equal to the fair value of their Extencicare Shares. This right of dissent is described in the Circular. **Failure to strictly comply with the dissent procedures set out in the Circular may result in the loss or unavailability of any right to dissent.** See the section entitled "Dissenting Shareholders' Rights" in the Circular and Appendix H to the Circular. Beneficial owners of Extencicare Shares registered in the name of a broker, trustee, financial institution or other nominee who wish to dissent should be aware that **only registered owners of Extencicare Shares are entitled to dissent.**

Dated at Markham, Ontario on September 13, 2006.

By Order of the Board of Directors,

(signed) Jillian Fountain

Jillian E. Fountain
Corporate Secretary