



Annual Meeting May 6, 2010
The Gallery, TMX Broadcast Centre
Toronto, Ontario

NOTES FOR REMARKS*

BY

TIM LUKENDA

President and Chief Executive Officer

&

DOUG HARRIS

Senior Vice President and Chief Financial Officer

*...helping people
live better*

* check against delivery



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Non-GAAP Measures

Extendicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "continuing health care operations before undernoted", "continuing operations before undernoted", "Distributable Income", "Funds from Operations", "Adjusted Funds from Operations" and "Adjusted Gross Book Value". These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of the REIT to make cash distributions; or (ii) certain ongoing rights and obligations of the REIT may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from operations, net earnings (loss) for the period, cash flow, or other measures of financial performance and liquidity reported in accordance with Canadian GAAP. Reconciliations of these non-GAAP measures from net earnings and/or from cash provided by operations, where applicable, are provided in this press release. Detailed descriptions of these terms can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT's website at www.extendicare.com.

Forward-looking Statements

Information provided by Extendicare REIT from time to time, including these remarks, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to the 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", "project", "plan" or "objective" or other similar expressions or the negative thereof. Forward-looking statements reflect management's 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 guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the 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 the 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 the REIT's website at www.extendicare.com.



Tim Lukenda
President and CEO

Good afternoon. It is my pleasure to welcome you to the Annual Meeting of Extencicare Real Estate Investment Trust. We also welcome those listening via webcast.

Extencicare REIT had a very good year, and I am pleased to have the opportunity today to talk to you about your company and the year in review.

In 2009 we operated in an environment of challenge and uncertainty. The North American economy continued to be weighed down from the effects of an unprecedented financial market collapse. At the same time, the health care industry faced uncertainty in the form of a myriad of health care reform proposals under consideration by the United States Congress.

Despite the numerous challenges that characterized the year, Extencicare REIT was successful in navigating this difficult period through the steady execution of an operating plan focused on the provision of quality and cost-effective services to seniors throughout North America. We have emerged from 2009 in a position of strength, and are well-prepared to take a pro-active approach to the challenges that lie ahead.

Before I turn to an overview of our U.S. and Canadian operations and initiatives, let me briefly review our business and corporate structure.

Extencicare is the fifth largest provider of long-term and post-acute care services in North America. With over \$700 million in market capitalization, Extencicare REIT is a major player in the Canadian REIT Sector. Through our network of 258 owned and operated health care centers, we have the capacity to care for nearly 29,000 residents on a daily basis. In addition, we provide home health care services in Canada, outpatient services in the U.S., and information technology, management, consulting and purchasing services to other senior care operators.

Our workforce of approximately 38,000 qualified and experienced individuals is dedicated to *helping people live better* through the delivery of quality senior care services.

The prospects for our business are strong and gaining momentum. We operate in the senior care sector of the health care space, and the demographics of this sector are highly favourable: by 2040, the number of people over the age of 65 is expected to double. This is our target market, and as people age, they are more likely to require the kinds of services we specialize in. It is estimated that 2 out of every 5 people over 65 will require the services of a skilled nursing center in their lifetime.

In terms of our corporate structure, Extendicare REIT is a specified investment flow-through trust, or SIFT. Because we converted to a REIT in November 2006 following the October legislative change related to REITs and other flow-through structures, we have been subject to the SIFT tax since January 1, 2007. As such, the upcoming change in Canadian federal taxation for non-qualifying REITs in 2011 will have no impact on our distributable cash.

Now let's take a look at our U.S. and Canadian businesses and operating environments.

In the United States, we are primarily a skilled nursing and rehabilitation operator. Our operations consist of 176 skilled nursing and rehabilitation centers, with the capacity to care for over 17,000 residents. We are strategically clustered in 12 states with favourable operating environments. Each state is unique in terms of the competitive dynamics and political and regulatory environment.

Within the health care continuum, skilled nursing centers offer cost-effective care to individuals with significant clinical and rehabilitation needs. We provide an essential service to those who need more care than that which can be provided in their home with home health and yet, do not need to be in a higher-cost acute care setting.

Our strategic focus in the U.S. is on providing quality health care services and ensuring the ability to accommodate higher acuity residents for whom we provide extensive nursing services, including specialized clinical care and intensive rehabilitation. Such services are typically funded through Medicare and Managed Care payor sources at higher per diem rates.

While these services also require higher staffing levels and added costs, they represent our highest margin clients. Patients requiring short-term rehabilitative services in our skilled nursing centers typically come from hospitals after surgery or other inpatient stay. Last year, this segment accounted for approximately 80% of our admissions into our U.S. centers.

Turning to our key operating metrics in 2009, we experienced a 9.4% decline in our Medicare census, partially offset by a 6.8% increase in our Managed Care census for a 4.6% decline in our Skilled Mix census. We experienced a shift from Medicare to Managed Care as more eligible Medicare beneficiaries chose to opt out of Medicare in favour of managed care plans. In total, our census dropped by 1.5% during 2009. Both of the declines in Medicare and total census appear to be consistent with the experience of other long-term care providers in the U.S. and is a reflection of the continuing impact of the U.S. economy on individual's willingness to undergo corrective surgeries and the ability to pay required co-pays.

As part of our efforts to strengthen census levels in our U.S. skilled nursing centers, Extendicare has developed a series of programs which are designed to attract higher acuity patients in need of specialized services and further enhance relationships with our main referral sources (doctors and hospitals) in our communities. These programs are collectively known as Life Enhancement Strategies. The centers in which the programs are being implemented have been chosen based on a thorough analysis of the market in which they are located and the needs of the community, and aim to complement the specialized medical programs offered by local hospitals.

The Life Enhancement Strategies that have been developed to date include programs for Alzheimers and dementia, congestive heart failure, diabetes, and mental and behavioural health. In addition, for those requiring intensive short-term rehabilitation, we have developed a program that we refer to as Active Life Transition.

The Active Life Transition units provide patients with a personalized rehabilitation plan designed to return individuals home with strength and confidence. The program is geared towards providing short-term patients in need of extensive rehabilitation a more hospitality oriented environment with a greater proportion of private rooms and a wider array of amenities. To date, we have completed three projects and have five additional projects under development for a total investment of US\$7.2 million. We intend to approve an additional four projects in late 2010 and into 2011 for an additional US\$3.2 million.

We believe that in time, this strategy of targeting specialty programs and services to match the needs and opportunity of each of our markets is the way to optimize our Skilled Mix census and benefit from the higher per diem rates associated with these patients. Inherent in this strategy is a commitment to ensuring the competency of our caregivers through proper selection and training, as well as staffing levels, to ensure that the needs of our patients are met.

Now let's turn to a review of our U.S. per diem rates.

Our average daily Medicare Part A rate grew by 7.3% over 2008. More than half of this increase was due to the increase in the level of services provided to our patients. We achieved this increase in spite of a reduction in funding for Medicare of 1.1% in October. This result reinforces our principle that acuity mix of clients is just as important as volume in driving top line growth.

The average revenue rate for our Managed Care clientele increased by almost 7.0% in 2009 from 2008. We continue to pursue relationships and contracts with managed care organizations willing to pay appropriately for the level of services we provide and who understand the value proposition that we represent for their members.

Overall, revenue improvement driven by strong rates more than offsets the impact of softer occupancy levels.

Let me now turn to the topic of health care reform, a subject that garnered a lot of attention in the media and with the general public in 2009, and continues to do so in 2010.

On March 23 of this year, the *Patient Protection and Affordable Care Act* was signed into law by President Obama, with an estimated cost of US\$940 billion over 10 years. The legislation is highly complex and will likely require amendments before it is fully implemented in 2014.

Our current high-level analysis suggests that in its current form, the legislation imposes certain costs on us as an employer providing health care coverage, and as a health care provider, certain funding reductions and reallocations over a 10-year period.

Extendicare REIT – Annual Meeting, May 6, 2010

*Remarks by: Tim Lukenda, President and Chief Executive Officer &
Doug Harris, Senior Vice President and Chief Financial Officer*

We are proactively developing strategies to respond and adapt to the implications of health care reform. Our strong financial and operating foundation has equipped us with the confidence and resources to successfully mitigate the impact of such external developments. Similarly, our long history in the senior care sector has provided us with the knowledge and experience to overcome challenges that may arise while we navigate this uncharted territory.

As a leading low-cost provider of senior care services, we are confident that Extendicare REIT will remain an integral player in the U.S. health care arena. Our centers offer skilled medical and rehabilitative care in a cost-efficient setting, with lower associated costs. An interest in lower cost health care alternatives is growing with the aging population, and we expect to be part of the solution to true health care reform.

Now let's turn to our Canadian operations. I will begin with a brief discussion of our structure and operating environment in Canada.

We have been a leader in the Canadian senior care sector for more than 40 years. Our 82 senior care centers in four provinces provide care to over 11,500 individuals and have enjoyed a consistent reputation for providing quality care. This reputation has fostered an outstanding working relationship with health care regulators and provincial governments, and continues to allow Extendicare to play a valuable role in shaping the future of the long-term care industry in Canada. Our participation in the Government of Ontario's redevelopment program for the long-term care industry is indicative of our leadership in the sector.

In addition to our nursing homes in Canada, we operate ParaMed Home Health Care, one of the largest for-profit home health agencies in the country. ParaMed generated 24% of our Canadian revenue in 2009.

In Canada, the provinces fund the health care component of the operator's costs and control the number of licensed beds in operation at any given time. As a result of the growing demand for long-term care services relative to the restricted government supply of long-term care beds, Extendicare operates at close to full capacity in Canada, with 98% occupancy in 2009. In Ontario, which accounts for 77% of our resident capacity in Canada, there are over 26,000 people on the waiting list, essentially ensuring close to full occupancy on an ongoing basis.

We were pleased to receive funding increases from both the Ontario and Alberta governments in 2009, which contributed to an increase in the average daily revenue rate of almost 5%, in response to incremental costs and new regulations that were implemented.

On the development front, our plans in Ontario represent an exciting new phase in our growth and will have a positive impact on our future projects across North America.

Extendicare REIT – Annual Meeting, May 6, 2010

*Remarks by: Tim Lukenda, President and Chief Executive Officer &
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The Ontario government has rolled out the first phase of an initiative to redevelop 35,000 long-term care beds in the province over 10 to 15 years, and we recently received approval under this initiative to redevelop 287 of our Class C beds in the cities of Timmins and Sault Ste. Marie. In connection with this award, we will add a further 149 long-term care beds to our portfolio. As a result, we intend to complete construction of a new 180-bed center in Timmins and a new 256-bed facility in Sault Ste. Marie by the end of 2012.

The new Ontario centers will act as prototypes for the remaining 21 centers that will need to be redeveloped as part of the government mandate. These centers will demonstrate leadership in design by promoting efficiency from both a space and cost standpoint, and will incorporate green principles. Core elements from these highly liveable centers will be adopted into all of our new and existing centers over time to enhance the level of quality care for our residents while allowing us to effectively manage costs.

Our focus on integrating features that promote efficiency and functionality in state-of-the-art homelike accommodations demonstrates leadership in design. This exciting step forward is an important part of our ongoing goal to ensure a high standard of living and working conditions for our residents and employees. We will continue to review our entire Ontario portfolio to prioritize future redevelopment opportunities.

To wrap up our review of Canadian operations, our focus in Canada – given that we operate at almost full capacity – is to maintain our solid operating performance through the delivery of quality care, advocate for appropriate programs, services and funding, exercise disciplined cost containment and pursue new revenue opportunities while beginning the process of redeveloping our Ontario “C” homes.

Now that we have reviewed the structure of our organization, the environments in which we operate and the attributes that make us unique, let’s have a look at our overall performance in 2009.

Extendicare REIT’s solid financial and operating results in 2009, which exceeded our expectations for the year, were achieved through the proactive and measured execution of our operating plan. Through disciplined cost controls, improved operating fundamentals and a continued focus on quality care and customer service, we were able to emerge from a difficult economic period in a position of strength.

We succeeded in solidifying our financial position during the year, and intend to exercise continued prudence in the management of our cash balances. As part of our plan to ensure our balance sheet remains strong, we will pursue a deleveraging strategy in the course of refinancing the majority of our U.S. long-term debt.

Our exceptional performance in 2009 reflects a firm commitment by the entire Extendicare team to achieve our company-wide goals and carry out our vision on a daily basis. Our solid results for the year underline the strength of our business and reflect our dedication to the delivery of quality resident care.

Extendicare REIT – Annual Meeting, May 6, 2010

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Doug Harris, Senior Vice President and Chief Financial Officer*

Despite the difficult economic environment of 2009, we successfully established a solid foundation for growth during the year and remain optimistic about our future opportunity. The market has recognized our progress, increasing our unit price during 2009 and returns to unitholders. Our total return to unitholders, including unit price and distributions, increased by 77% compared to the index return of 55%.

I'll now turn it over to Doug, who will review our financial results for 2009 and the first quarter of 2010, as well as our refinancing activity.

Doug Harris
Senior Vice President and CFO

Thank you Tim, and good afternoon.

In 2009, we significantly improved our earnings from operations and adjusted funds from operations, or AFFO. But more importantly, we strengthened Extendicare's balance sheet to prepare for the 2011/2012 refinancing.

For our operating results, I will begin by noting that the exchange rate between the U.S. and Canadian dollar impacts the comparability of our 2009 financial results relative to 2008. Although the Canadian dollar has recently reached parity with its U.S. counterpart, it was considerably weaker in 2009 compared to the previous year. This resulted in a favourable variance in our operating results between the two years, as the majority of our operations are based in the United States.

Excluding the impact of the weaker Canadian dollar, consolidated revenue grew by \$79 million, or 4%, in 2009 compared to 2008. This increase was primarily a result of growth in same-facility operations due to funding improvements, partially offset by lower U.S. census levels.

Consolidated EBITDA grew by \$50 million, or 25%, in 2009, primarily due to growth from same-facility operations in both the U.S. and Canada. Our EBITDA margin improved 210 basis points to 12.3% in 2009 from 10.2% in 2008.

This higher margin was driven by a focus on controlling our operating expenses, enhancing efficiencies in our administrative processes, and increasing our revenue per diem rates. We have also succeeded in reducing bad debt provisions through improved collection techniques. As well, through the implementation of new programs, we reduced workers' compensation claims and health plan costs.

Due to the growth in EBITDA and lower current income taxes, which I will discuss in moment, AFFO from continuing operations increased by 84% to \$141 million. This was partially offset by higher financing costs and facility maintenance capital expenditures.

As previously disclosed, favourable current tax items of approximately \$38 million reduced our current taxes in 2009 by \$17 million despite the increase in earnings, which contributed to the increase in AFFO for 2009. Exclusive of the impact of foreign exchange and those unique tax items, AFFO grew by 34%.

Based upon our monthly distribution of 7 cents per unit, our 2009 distribution to AFFO payout ratio was 43% as compared to 111% in 2008. Adjusting for the unique tax items discussed earlier of 52 cents per unit, our payout ratio for the year was still a conservative 59%. We believe that our current monthly distribution is appropriate and sustainable given the current market conditions and our company outlook. And as Tim noted earlier, we will not be impacted by the impending SIFT tax that other REITs may face in 2011.

Turning now to our balance sheet, during the year, we successfully refinanced our U.S. line of credit and secured financing for all of our Canadian development projects under way. We funded and completed all of our U.S. development projects and have injected close to 100% of our required equity into our Alberta development projects. Despite these cash outlays, we completed the year with \$134 million in cash.

In February 2010, we completed a bought equity offering that yielded net proceeds of approximately \$82 million. Hence, as of March 31, 2010, we currently have \$216 million in cash and US\$43 million available through our U.S. line of credit. We have no significant debt maturities until 2011 when the majority of our U.S. debt matures. However, we have already initiated the process of refinancing this debt.

Though we await approval as a corporate borrower from the U.S. Department of Housing and Urban Development, or HUD, they have given us the approval to commence submission of our finance applications. By early June we will have submitted 18 skilled nursing center applications and anticipate these centers to be refinanced by December 2010.

We plan to refinance the balance of our U.S. maturing debt through the HUD program during 2011, yet will continue to leave open other financing options. With the liquidity currently on our balance sheet, we are confident that we have the financial flexibility to refinance all of our maturing debt, use surplus cash to delever our balance sheet, fund our planned growth and maintain our distributions.

Now let's turn to our Q1 2010 results, which we announced this afternoon. The news release is posted on our website and we have copies available for you here today.

In Q1 2010 we continued to improve our financial performance. In the quarter, we reported EBITDA of \$59.8 million, representing a 7.7% increase over Q1 2009, excluding the impact of the stronger Canadian dollar. Our EBITDA margin for the first quarter was 11.7% as compared to 11.2% in Q1 2009.

AFFO for Q1 2010 was \$24.3 million, or 31.2 cents per basic unit, compared to \$23.2 million, or 31.8 cents per basic unit, in the first quarter of 2009. Excluding the negative impact of the stronger Canadian dollar, AFFO from continuing operations improved by \$5.1 million between quarters. A full analysis of our Q1 results will be discussed in our conference call at 10:00 a.m. tomorrow morning.

And now I'll turn you back to Tim.

***Tim Lukenda
President and CEO***

We are pleased with our performance and progress in 2009, and look forward to continuing to build on the strong foundation established during the year. We are off to a good start with our solid results in the first quarter. For the balance of 2010 and beyond, we will continue to grow our business through improvements in our core operations to promote efficiency and enhance cash flows as well as through selective development activity.

As demand for long-term care continues to grow and expectations of our customers evolve, we remain focused on expanding and adapting our operating environments to accommodate those in need of the types of services we provide.

In 2009, construction continued on three development projects in Alberta, which are scheduled to open in 2010 and 2011. The Alberta projects will cost a total of approximately \$74 million, and we have secured CMHC-insured financing for approximately 88% of the estimated construction costs.

Similar to the new centers slated for construction in Ontario, all of our recently completed and in-progress centers in both Canada and the U.S. will offer the latest in comfort, care and technology, and will ensure a positive and productive environment for both residents and employees. To meet the changing demands of our customers, we are creating more private suites and home-like accommodations that include greater amenities in the new centers.

In the U.S., our new and existing centers have been equipped with leading-edge technologies and life safety systems over the past few years, which have contributed to our ability to increase our revenue rates and reduce costs while improving patient care and safety. For example, an improved tracking system in our U.S. centers enables staff to more effectively monitor the daily needs of each

Extendicare REIT – Annual Meeting, May 6, 2010

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patient and keep track of the care and services provided. This improved ability has resulted in higher per diem reimbursement rates and higher revenues.

Our rehabilitation patients have benefited significantly from new, state-of-the-art equipment that allows for a more efficient healing process, while developments in medical equipment have increased the safety and comfort of our patients.

Technology enhancements have also been implemented across our back-office operations over the last two years to streamline administrative processes and manage costs across our business.

We continue to pursue improvements in technologies at all levels of the organization to optimize resources and achieve the best in living and working standards for our residents and employees alike.

At this time, I am proud to announce the release of Extendicare's first Annual Quality and Social Responsibility Report. This report demonstrates our organization-wide commitment to quality care, and is our response to the Quality First program adopted in 2002 by the professional health care associations to which we belong in the U.S.

The Quality First program is a public pledge to improve quality care for residents, promote a progressive workplace for employees in the long-term care sector, support the development of measures to improve quality care in centers, and publicly disclose the results of quality performance.

Provider organizations such as Extendicare supported and promoted the use of Quality First as a framework for developing, implementing and reporting on quality in their centers. By developing and producing Extendicare's first annual report on Quality and Social Responsibility, Extendicare REIT has affirmed its dedication to providing quality care and its commitment to transparency in its activities.

Our organization-wide commitment to quality received independent recognition in 2009 when the American Healthcare Association awarded the Step I Quality Award to 33 of our U.S. skilled nursing centers. We are proud that the dedication and shared values of our employees led to this prestigious honour.

In Canada, Extendicare centers across the country have received numerous awards and recognitions for their dedication to quality care. For example, our Kingston center was recognized by Accreditation Canada in 2009 for excellence in patient safety, while our Hillcrest Place center in Brandon, Manitoba won the Recreation Therapy Service Award from the Long-term and Continuing Care Association of Manitoba.

The awards and recognitions achieved by our centers across North America underscore our company-wide commitment to delivering quality care in a cost efficient setting, and demonstrate our leadership position in the long-term care sector.

Extendicare has also been a leader in ensuring resident safety through its pro-active and voluntary investment of over \$14 million since 2004 to ensure that all of our owned centers in Canada and the U.S. are equipped with fire sprinklers systems throughout.

Before I conclude, I would like to address the recent receipt of subpoenas by our U.S. subsidiary and eight of our centers from the U.S. Department of Health and Human Services, Office of the Inspector General.

While we do not question the authority of the federal oversight agency to initiate its investigation, we believe that this is indicative of the political and regulatory health care environment that presently exists in the U.S. We have no reason to believe that individuals in our organization have intentionally violated any laws and we believe that we are in material compliance with the rules of participation in the Medicare and Medicaid programs.

We intend to cooperate fully with the federal oversight agency and hope for an early resolution of this matter. Having said that, we caution that the timing and outcome of the investigation is uncertain and difficult to predict. In the meantime, we intend to live by the adage that the character of an individual (and an organization) is not demonstrated by whether they face adversity, but rather by how they respond to it.

And so, going forward, our agenda remains focused on those things we can control.

Our priorities for the balance of 2010 and beyond include:

- Continued improvement in our core business fundamentals including cost controls and volume and rate growth;
- Investing in new and existing centers across North America to grow our business and ensure a high level of living and working standards for our residents and employees;
- Maintaining our balance sheet strength as we proceed with the refinancing of our U.S. debt which matures in 2011; and of course,
- Ensuring that we are providing the highest quality of care possible throughout our organization.

Our strong results and continued growth in 2009 are testament to the efforts and dedication of the entire Extendicare team. At this time, I would like to thank our employees for their dedication and skill, our Board of Trustees for their advice and expertise, our customers for their loyalty and trust, and our unitholders for their confidence and support.

Our exceptional performance in 2009 was a direct result of the collective efforts of this team, and we look forward to working with all of you to produce another exciting and successful year in 2010.

We remain committed to our goal of “helping people live better,” and will continue to demonstrate this commitment at all levels of our business.

Thank you. That concludes our formal presentation and at this time I would like to turn things back over to our Chairman.