



Annual and Special Meeting

June 7, 2011

The Gallery, TMX Broadcast Centre
Toronto, Ontario

EXCERPT FROM THE CHAIRMAN'S REMARKS*

MEL RHINELANDER

Chairman

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* check against delivery



Mel Rhineland
Chairman

Excerpt from Chairman Remarks at the Annual and Special Meeting, June 7, 2011

Before we turn to Tim's remarks concerning our 2010 performance and our outlook from an operations perspective, I would like to mention that the Board, with assistance from management and advisors, completed a review of our organizational structure and the tax implications of a variety of options that might result in a beneficial transaction or a repositioning of the company that might lead to a value creation opportunity.

We have spent considerable resources in again reviewing our tax status with respect to structure and potential tax. I should add that over the past few years, we have spent about \$400,000 in looking at ways to simplify our cross border structure and minimize the tax associated with transactions or restructurings. And I can assure you that on behalf of the unitholders we will continue to do so.

I would like to add that I believe Extendicare over the years has a solid record of monitoring and executing opportunities for value creation for our unitholders, while at the same time, providing a high focus and value on the care of our patients and residents, and our employees. We have positioned ourselves effectively to avoid undue risk as part of our strategy and believe that ownership of our facilities has served our unitholders well.

Specifically, I would briefly like to comment on recent transactions that have occurred in the U.S. health care sector and whether or not they offer value creation opportunities for our unitholders. With that background let me provide an overview of recent restructurings and transactions that have occurred in the U.S.

A number of U.S. long-term care companies have restructured into what is commonly referred to as OpCO/PropCo. This involves the separation of the operations management from the real estate, most commonly by way of a sale of the facilities and real estate to a U.S. REIT and a leaseback to the operator. The values of the real estate had been escalating in part by because of an increased demand by health care REITs for product, as well as, leaseback provisions that provide for rent increases of 3.0% to 3.5% over the next 10 to 15 years.

The result of a significant amount of work has lead to a conclusion by the Board that this type of reorganization at this time is not prudent for Extendicare for a variety of reasons including: 1) our cross border corporate structure and tax basis in our assets that would result in a significant tax cost to the company and our unitholders that would negate the potential benefit of such a transaction; 2) uncertainty regarding changes in future funding levels in the U.S. caused by proposed changes announced by the U.S. federal government agency, CMS, in 2011 have created caution for the sector; 3) transactions in the U.S. health care industry have diminished significantly since the CMS funding announcement; and 4) the long-term potential financial risk of certain commercial provisions, including the 3.0% to 3.5% rent escalators inherent in these transactions that may appear to be problematic at this time in the U.S. economy.

As part of the process, we also entertained exploratory discussions with operators that in the past had expressed interest in our facilities as to whether there may be mutual benefit in engaging in an OpCO/PropCo type of transaction.

In addition, we continue to believe that being an owner operator of our facilities has been and may be a significant strategic advantage in the near term.

Tim Lukenda, President and CEO, in his remarks will comment on our operating strategy going forward and the strength of our organization and positioning to minimize potential operational and regulatory risks. However in closing, I want to assure our unitholders that the Board will continue to be diligent in our responsibility to assess opportunities for value creation for our unitholders.