

Extendicare REIT Announces Requisite Approvals Received for Completion of Conversion to Corporate Structure effective July 1, 2012 and Declares June 2012 Distribution

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or the “REIT”) (TSX: EXE.UN) today announced that it has received all of the required approvals relating to its plan of arrangement (the “Arrangement”) to convert from an income trust structure to a corporate structure under a corporation to be named “Extendicare Inc.” (“New Extendicare”), which will become effective, as scheduled, on July 1, 2012.

Under the Arrangement holders of Extendicare REIT units (“REIT Units”) will have their REIT Units exchanged for common shares of New Extendicare (the “Common Shares”) on the basis of one Common Share for each REIT Unit. In addition, New Extendicare will assume all of the obligations of Extendicare REIT in respect of its outstanding 5.70% convertible unsecured subordinated debentures due June 30, 2014 and 7.25% convertible unsecured subordinated debentures due June 30, 2013 (collectively, the “Convertible Debentures”). As a result, following the completion of the Arrangement, holders of the Convertible Debentures will be entitled to receive Common Shares of New Extendicare on the same basis as REIT Units were previously issuable on the conversion thereof. The Toronto Stock Exchange (the “TSX”) has conditionally approved the substitutional listings on the TSX of the Common Shares, under the trading symbol “EXE”, and the Convertible Debentures due June 30, 2014 and June 30, 2013, under the trading symbols “EXE.DB” and “EXE.DB.A”, respectively.

It is important that registered holders of REIT Units complete, execute and deliver a Letter of Transmittal, in the form sent with Extendicare REIT's Management Information and Proxy Circular dated April 2, 2012, together with the certificates representing their REIT Units, to Computershare Investor Services Inc. (the “Depository”), in the manner specified therein. In the case of unitholders whose REIT Units are registered in the name of a broker or other nominee, such nominee will assist in arranging for the exchange of REIT Units and the completion of the required documentation. Unitholders will not receive a DRS Advice evidencing their ownership of Common Shares (or any dividends declared on the Common Shares following completion of the Arrangement) until they submit the certificates for their REIT Units to the Depository along with a duly completed Letter of Transmittal. A copy of the Letter of Transmittal is available on Extendicare's website at www.extendicare.com.

Declaration of June 2012 Distribution

In addition, Extendicare REIT today announced that it has declared a cash distribution of C\$0.07 per REIT Unit for the month of June 2012, which is payable to unitholders of record at the close of business on June 29, 2012. As a result of the Arrangement, the obligation of the REIT to pay the June 2012 distribution will be assumed by New Extendicare and will be paid by New Extendicare on behalf of the REIT on July 16, 2012.

Management estimates that approximately 70% of the distributions made by the REIT for the six-month period ended June 30, 2012, will be characterized as tax-deferred returns of capital for Canadian residents. To the extent that the remaining 30% of the distributions of the REIT made in 2012 are taxed as dividends, those paid to Canadian residents will be eligible dividends under the *Income Tax Act* (Canada). After the completion of the Arrangement, any distributions made by New Extendicare to its shareholders will be paid as dividends.

The REIT has a Distribution Reinvestment Plan (the “DRIP”), which provides Canadian resident holders of REIT Units with the opportunity to increase their respective investments at a 3% discount to the volume weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the distribution payment date. A copy of the Plan package is available under the investors section of the REIT’s website. Under the Arrangement, the DRIP will be amended and restated (the “Amended Drip”) such that: (i) holders of Common Shares who are residents of Canada may direct that their cash dividends on their Common Shares be reinvested in additional Common Shares issued from treasury at a 3% discount to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the applicable dividend payment date; and (ii) all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part. Eligible holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by New Extendicare on the Common Shares.

About Us

Extendicare is a leading North American provider of post-acute and long-term senior care services. Through our network of owned and operated health care centers, our qualified and experienced workforce of 37,900 individuals is dedicated to helping people live better through a commitment to quality service that includes skilled nursing care, rehabilitative therapies and home health care services. Our 263 senior care centers in North America have capacity to care for approximately 28,200 residents.

Forward-looking Statements

Information provided by Extendicare REIT from time to time, including this release, 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.

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