

**EXTENDICARE REAL ESTATE INVESTMENT TRUST**

**and**

**COMPUTERSHARE TRUST COMPANY OF CANADA**

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**FIRST SUPPLEMENTAL INDENTURE**

**Dated as of June 19, 2008**

**Providing for the issue of \$92,000,000 Principal Amount of  
Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures**

**Due June 30, 2013**

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## **FIRST SUPPLEMENTAL INDENTURE**

THIS FIRST SUPPLEMENTAL INDENTURE is made as of the 19<sup>th</sup> day of June, 2008.

BETWEEN:

**EXTENDICARE REAL ESTATE INVESTMENT TRUST**,  
a trust established under the laws of the Province of Ontario  
  
(hereinafter called the "**REIT**")

-and-

**COMPUTERSHARE TRUST COMPANY OF CANADA**,  
a trust company existing under the laws of Canada  
  
(hereinafter called the "**Trustee**")

### **WHEREAS:**

- A. The REIT has entered into a trust indenture (as amended, supplemented or restated from time to time the "**Trust Indenture**") dated as of the 21<sup>st</sup> day of June, 2007 between the REIT and the Trustee;
- B. The Trust Indenture provides for the issuance of Additional Debentures by way of supplemental indentures;
- C. This first supplemental indenture (the "**First Supplemental Indenture**") is entered into for the purpose of providing for the issuance of up to \$92,000,000 aggregate principal amount of Debentures designated as "Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures" (the "**Series 2008-1 Debentures**") under the Trust Indenture and establishing the terms, provisions and conditions of the Series 2008-1 Debentures;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the REIT and not by the Trustee;

**NOW THEREFORE THIS FIRST SUPPLEMENTAL INDENTURE WITNESSES** and it is hereby covenanted, agreed and declared as follows:

## **ARTICLE 1** **INTERPRETATION**

### **1.1 Supplemental Indenture**

This First Supplemental Indenture is a "supplemental indenture" within the meaning of the Trust Indenture. The Trust Indenture and this First Supplemental Indenture will be read

together and have effect so far as practicable as though all of the provisions of both indentures were contained in one instrument.

## 1.2 First Supplemental Indenture

The terms "**this First Supplemental Indenture**", "**this Indenture**", "**herein**", "**hereof**", "**hereby**", "**hereunder**", and similar expressions, unless the context otherwise specifies or requires, refer to the Trust Indenture as supplemented by this First Supplemental Indenture and not to any particular Article, section or other portion, and include every instrument supplemental or ancillary to this First Supplemental Indenture.

## 1.3 Definitions

All terms used but not defined in this First Supplemental Indenture and in the Series 2008-1 Debentures have the meanings ascribed to them in the Trust Indenture, as such meanings may be amended by this First Supplemental Indenture. In the event of any inconsistency between the terms in the Trust Indenture and this First Supplemental Indenture, the terms in this First Supplemental Indenture prevail.

Subject to the foregoing, in this First Supplemental Indenture and in the Series 2008-1 Debentures, the following terms have the following meanings:

"**90% Redemption Right**" has the meaning ascribed thereto in Section 2.2(j)(iv);

"**Change of Control Notice**" has the meaning ascribed thereto in Section 2.2(j)(ii)

"**Maturity Date**" has the meaning ascribed thereto in Section 2.2(c);

"**Maturity Notice**" has the meaning ascribed thereto in Section 2.2(g);

"**Put Date**" has the meaning ascribed thereto in Section 2.2(j)(i);

"**Put Price**" has the meaning ascribed thereto in Section 2.2(j)(i);

"**Put Right**" has the meaning ascribed thereto in Section 2.2(j)(i);

"**Redemption Date**" has the meaning ascribed thereto in Section 4.3 of the Trust Indenture;

"**Redemption Notice**" has the meaning ascribed thereto in Section 4.3 of the Trust Indenture;

"**Redemption Price**" means, in respect of a Series 2008-1 Debenture, the amount, excluding interest, payable on the Redemption Date fixed for such Debenture (which amount may be payable, in whole or in part, by the issuance of Freely Tradeable Trust Units as provided for in Section 4.6 of the Trust Indenture), as determined in Section 2.2(c);

"**Time of Expiry**" has the meaning ascribed thereto in Section 2.2(f); and

"**Total Put Price**" has the meaning ascribed thereto in Section 2.2(j)(i).

## 1.4 Schedules

The following Schedules form part of this First Supplemental Indenture:

Schedule A	-	Form of Series 2008-1 Debenture
Schedule B	-	Form of Redemption Notice
Schedule C	-	Form of Maturity Notice
Schedule D	-	Form of Change of Control Notice
Schedule E	-	Form of Put Exercise Notice
Schedule F	-	Form of Notice to Redeem all Remaining Outstanding Debentures

## ARTICLE 2

### THE SERIES 2008-1 DEBENTURES

#### 2.1 Creation and Designation

The REIT is authorized to issue under this First Supplemental Indenture a series of Debentures designated as "Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures" due June 30, 2013, that will have the terms set out herein and in accordance with the Trust Indenture.

#### 2.2 Terms of Series 2008-1 Debentures

- (a) The Series 2008-1 Debentures authorized for issue is limited to an aggregate principal amount of \$92,000,000.
- (b) The Series 2008-1 Debentures shall be dated as of June 19, 2008, regardless of their actual date of issue, shall mature on June 30, 2013 and shall bear interest from and including June 19, 2008 at the rate of 7.25% per annum, payable in arrears in equal semi-annual payments on June 30 and December 31 in each year, except the first interest payment, which shall be made on December 31, 2008 and will include accrued and unpaid interest for the period from and including June 19, 2008 to but excluding December 31, 2008, and the last such payment to fall due on June 30, 2013, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. The first interest payment will be equal to \$38.73 per \$1,000 principal amount of the Series 2008-1 Debentures. Not less than five Business Days prior to the date any interest payment is to be made, the REIT shall provide the Trustee with a Written Direction of the REIT specifying the payments to be made. The Trustee shall not be responsible for calculating the amount of interest owing, but shall be entitled to rely absolutely on the Written Direction of the REIT specifying the payments to be made.
- (c) The Series 2008-1 Debentures will be redeemable by the REIT in accordance with the terms of Article 4 of the Trust Indenture, provided that the Series 2008-1 Debentures will not be redeemable before July 1, 2011. On and after July 1, 2011 and prior to July 1, 2012, the Series 2008-1 Debentures may be redeemed in

whole at any time or in part from time to time at the option of the REIT on notice as provided for in Section 4.3 of the Trust Indenture at a Redemption Price for the Series 2008-1 Debentures equal to their principal amount provided that the Current Market Price immediately preceding the date on which such notice of redemption is given is not less than 125% of the Conversion Price and the REIT shall have provided to the Trustee an Officer's Certificate confirming such Current Market Price. On and after July 1, 2012 and prior to June 30, 2013 (the "**Maturity Date**"), the Series 2008-1 Debentures may be redeemed by the REIT in whole at any time or in part from time to time at the option of the REIT on notice as provided for in Section 4.3 of the Trust Indenture at a Redemption Price for the Series 2008-1 Debentures equal to their principal amount. The Redemption Notice for the Series 2008-1 Debentures shall be in the form of Schedule B attached hereto. Holders of the Series 2008-1 Debentures being redeemed shall be entitled to receive, in addition to the Redemption Price, accrued and unpaid interest in respect thereof for the period up to but excluding the Redemption Date from and including the last Interest Payment Date. The Series 2008-1 Debentures will also be redeemable by the REIT in the event of the satisfaction of certain conditions after a Change of Control has occurred as outlined herein.

- (d) The Series 2008-1 Debentures will be subordinated to the Senior Indebtedness of the REIT in accordance with the provisions of Article 5 of the Trust Indenture; provided, however, that nothing contained in this Indenture shall in any way or manner restrict the REIT or any of its Subsidiaries from incurring, directly or indirectly, any additional indebtedness, including indebtedness that ranks senior to the Series 2008-1 Debentures, or from mortgaging, pledging or charging their respective real or personal property or properties of the REIT or any of its Subsidiaries to secure any indebtedness.
- (e) The Series 2008-1 Debentures will, effective as of the issue date thereof, be listed and posted for trading on the TSX and the REIT will take all reasonable steps to cause such listing to be maintained so long as any such Series 2008-1 Debentures remain outstanding and to maintain its status as a reporting issuer (or the equivalent thereof) not in default of Applicable Securities Legislation.
- (f) Upon and subject to the provisions and conditions of Article 6 of the Trust Indenture, the holder of each Series 2008-1 Debenture shall have the right, at such holder's option, at any time prior to 4:00 p.m. (Toronto time) on the earlier of the Maturity Date and the last Business Day immediately preceding the date specified by the REIT for redemption of the Series 2008-1 Debentures by notice to the holders of Series 2008-1 Debentures in accordance with Section 2.2(c) above and Section 4.3 of the Trust Indenture (the earlier of which will be the "**Time of Expiry**" for the purposes of Article 6 of the Trust Indenture in respect of the Series 2008-1 Debentures), to convert the whole or, in the case of a Debenture of a denomination in excess of \$1,000, any part which is \$1,000 or an integral multiple thereof, of the principal amount of such Debenture into Freely Tradeable Trust Units at the Conversion Price for the Series 2008-1 Debentures in effect on the Date of Conversion.

The Conversion Price for the 2008-1 Debentures in effect on the date hereof for each Trust Unit to be issued upon the conversion of Series 2008-1 Debentures shall be equal to \$11.35 such that approximately 88.1057 Trust Units shall be issued for each \$1,000 principal amount of Series 2008-1 Debentures so converted. No adjustment to the Conversion Price will be made for distributions on Trust Units issuable on conversion or for accrued and unpaid interest on the Series 2008-1 Debentures surrendered for conversion, however holders converting their Series 2008-1 Debentures shall be entitled to receive, in addition to the applicable number of Freely Tradeable Trust Units, accrued and unpaid interest, if any, in respect thereof for the period from and including the last Interest Payment Date, up to and including the last record date in respect of the Trust Units set by the REIT prior to the Date of Conversion for determining the Unitholders entitled to receive a distribution on the Trust Units; provided that, in the event the REIT has suspended regular distributions or an announcement has been made giving notice of the suspension of regular distributions to holders of Trust Units prior to the date on which a Debenture holder converts the Series 2008-1 Debentures held by such holder and such suspension is in effect on the Date of Conversion, then a Debenture holder, in addition to the applicable number of Trust Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from and including the last Interest Payment Date prior to the Date of Conversion to but excluding the Date of Conversion. The Conversion Price applicable to, and the Trust Units, securities or other property receivable on the conversion of the Series 2008-1 Debentures, is subject to adjustment pursuant to the provisions of Section 6.4 of the Trust Indenture.

- (g) On redemption or on maturity of the Series 2008-1 Debentures, the REIT may, at its option and subject to the provisions of Section 4.6 of the Trust Indenture and Section 4.10 of the Trust Indenture as applicable, and subject to regulatory approval, if required, elect to satisfy its obligation to pay the principal amount of the Series 2008-1 Debentures, in whole or in part, by issuing and delivering Freely Tradeable Trust Units to the holders of Series 2008-1 Debentures. If the REIT elects to exercise such option, it shall deliver a Redemption Notice or a maturity notice (the "**Maturity Notice**"), as the case may be, to the holders of the Series 2008-1 Debentures in the form of Schedule B attached hereto or Schedule C attached hereto, as applicable.
- (h) The Series 2008-1 Debentures shall be issued as one or more Global Debentures in denominations of \$1,000 and integral multiples of \$1,000 and the Trustee is hereby appointed as registrar and transfer agent for the Series 2008-1 Debentures. Each Series 2008-1 Debenture and the certificate of the Trustee endorsed thereon shall be issued in substantially the form set out in Schedule A attached hereto, with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the trustees of the REIT executing such Global Debentures in accordance with Section 2.3, as conclusively evidenced by their execution of a

Global Debenture. Each Series 2008-1 Debenture shall additionally bear such distinguishing letters and numbers as the Trustee shall approve. Notwithstanding the foregoing, a Series 2008-1 Debenture may be in such other form or forms as may, from time to time, be approved by a resolution of the trustees or as specified in an Officer's Certificate. The Series 2008-1 Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

The Series 2008-1 Debentures shall be issued as Global Debentures and the Depository or Depositories for such Global Debentures in whose name the Global Debentures will be registered (and the Global Debentures may be registered in the name of a nominee of the Depository), and any circumstances other than or in addition to those set forth in Section 3.2 of the Trust Indenture in which any such Global Debenture may be exchanged for Debentures in registered form that are not Global Debentures, or transferred to and registered in the name of a Person other than the Depository for such Global Debentures or a nominee thereof, shall be determined by the REIT at the time of issue.

- (i) Upon and subject to the provisions and conditions of Article 11 of the Trust Indenture, the REIT may elect, from time to time, to satisfy its Interest Obligation, in whole or in part, on the Series 2008-1 Debentures on any Interest Payment Date by delivering to the Trustee the proceeds from the sale, through Brokers, of Freely Tradeable Trust Units.
- (j) Upon the occurrence of a Change of Control, and subject to the provisions and conditions of this Section 2.2(j), holders of Series 2008-1 Debentures have a right to require the REIT to purchase their Series 2008-1 Debentures. The terms and conditions of such right are set forth below:
  - (i) Upon the occurrence of a Change of Control, each holder of Series 2008-1 Debentures shall have the right (the "**Put Right**") to require the REIT to purchase, on the date (the "**Put Date**") which is 30 days following the date upon which the Trustee delivers a Change of Control Notice (as defined below) to the holders of Series 2008-1 Debentures, all or any part of such holder's Series 2008-1 Debentures in accordance with the requirements of Applicable Securities Legislation at a price equal to 101% of the principal amount thereof (the "**Put Price**") plus accrued and unpaid interest on such Series 2008-1 Debentures up to, but excluding, the Put Date (collectively, the "**Total Put Price**").
  - (ii) The REIT will, as soon as practicable after the occurrence of a Change of Control and in any event no later than five Business Days thereafter, give written notice to the Trustee of the Change of Control. Such written notice of the REIT shall state whether the Total Put Price will be payable in cash or satisfied, in whole or in part, by the issuance of Freely Tradeable Trust Units as contemplated in Subsection 2.2(j)(xiii). The Trustee will, as soon as practicable thereafter, and in any event no later than two Business Days after receiving notice from the REIT of the occurrence of a Change of Control, provide written notice to the holders of Series 2008-1 Debentures

of a Change of Control (the "**Change of Control Notice**"). The Change of Control Notice shall be prepared by the REIT, shall be in the form of Schedule D attached hereto, and shall include: (A) a description of the Change of Control; (B) details of the Put Right under the terms of the Indenture; (C) details regarding whether the Total Put Price is to be paid in cash or, in whole or in part, in Freely Tradeable Trust Units; (D) a statement that each holder will be entitled to withdraw its election to require the REIT to purchase such Series 2008-1 Debentures if the Trustee receives, no later than the close of business on the third Business Day immediately preceding the Put Date, a facsimile transmission or letter setting forth the name of such holder, the principal amount of the Series 2008-1 Debentures delivered for purchase and a statement that such holder is withdrawing his election to have such Series 2008-1 Debentures purchased; and (E) a description of the rights of the REIT to redeem untendered Series 2008-1 Debentures in accordance with Section 2.2(j)(iv).

- (iii) To exercise the Put Right, the holder of Series 2008-1 Debentures must deliver to the Trustee, not less than five Business Days prior to the Put Date, written notice of the holder's exercise of such right in the form of Schedule E attached hereto together with (a) the Series 2008-1 Debentures with respect to which the right is being exercised, duly endorsed for transfer, or (b) if the Series 2008-1 Debentures have been issued as Global Debentures, a duly endorsed form of transfer.
- (iv) If 90% or more in aggregate principal amount of Series 2008-1 Debentures outstanding on the date the REIT provides notice of a Change of Control to the Trustee have been tendered for purchase pursuant to the Put Right in accordance with Section 2.2(j)(iii), the REIT has the right (but not the obligation) upon written notice in the form attached as Schedule F attached hereto provided to the Trustee prior to the Put Date, or as soon as reasonably possible thereafter, to redeem all the remaining outstanding Series 2008-1 Debentures effective as of the Put Date at the Total Put Price (the "**90% Redemption Right**").
- (v) Upon receipt of a written notice from the REIT that the REIT shall exercise the 90% Redemption Right and acquire the remaining Series 2008-1 Debentures, the Trustee shall as soon as reasonably possible forward such written notice to all holders of Series 2008-1 Debentures that did not previously exercise the Put Right that:
  - A. the REIT has exercised the 90% Redemption Right and will purchase all outstanding Series 2008-1 Debentures effective as of the Put Date at the Total Put Price, including a calculation of such holder's Total Put Price;
  - B. such holders must transfer their Series 2008-1 Debentures to the Trustee on the same terms as those holders that exercised the Put

Right and must send their respective Series 2008-1 Debentures, duly endorsed for transfer, or their duly endorsed form of transfer, as applicable, to the Trustee within 10 days after sending of such notice; and

- C. subject to Subsection 2.2(j)(viii), the rights of such holders under the terms of the Series 2008-1 Debentures cease as of the Put Date provided the REIT has either paid the Total Put Price to, or to the order of, the Trustee and/or deposited with the Trustee Freely Tradeable Trust Units in lieu thereof as contemplated in Subsection 2.2(j)(xiii), and thereafter the Series 2008-1 Debentures shall not be considered to be outstanding and the holder shall not have any right except to receive the Total Put Price upon surrender and delivery of such holders' Series 2008-1 Debentures in accordance with the Indenture.
- (vi) Subject to Section 2.2(j)(xiii), the REIT shall, on or before 11:00 a.m., (Toronto time) on the Business Day immediately prior to the Put Date, deposit with the Trustee or any paying agent to the order of the Trustee by an electronic funds transfer of such sums of money on the Put Date, such sums of money as may be sufficient to pay the Total Put Price of the Series 2008-1 Debentures to be purchased or redeemed by the REIT on the Put Date. The Trustee shall disburse such payments only upon receiving the required funds. To the extent requested by the Trustee, the REIT shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such purchase and/or redemption, as the case may be. Every such deposit shall be irrevocable. From the sums so deposited, the Trustee shall pay or cause to be paid to the holders of such Series 2008-1 Debentures, the Total Put Price (less any taxes required to be withheld), to which they are entitled on the REIT's purchase or redemption. The Trustee shall not be responsible for calculating the amount owing but shall be entitled to rely on the Written Direction of the REIT specifying the payments to be made.
- (vii) In the event that one or more of such Series 2008-1 Debentures being purchased in accordance with this Section 2.2(j) becomes subject to purchase in part only, upon surrender of such Series 2008-1 Debentures for payment of the Total Put Price, the REIT shall execute and the Trustee shall certify and deliver without charge to the holder thereof or upon the holder's order, one or more new Series 2008-1 Debentures for the portion of the principal amount of the Series 2008-1 Debentures not purchased.
- (viii) Series 2008-1 Debentures for which holders have exercised the Put Right and Series 2008-1 Debentures which the REIT has elected to redeem in accordance with this Section 2.2(j) shall become due and payable at the Total Put Price on the Put Date, in the same manner and with the same effect as if it were the date of maturity specified in such Series 2008-1 Debentures, anything therein or herein to the contrary notwithstanding,

and from and after such Put Date, if the money and/or Freely Tradeable Trust Units, as applicable, necessary to purchase or redeem the Series 2008-1 Debentures shall have been deposited as provided in this Section 2.2(j) and affidavits or other proof satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest on the Series 2008-1 Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

- (ix) In case the holder of any Series 2008-1 Debenture to be purchased or redeemed in accordance with this Section 2.2(j) shall fail on or before the Put Date to so surrender such holder's Series 2008-1 Debenture or duly endorsed form of transfer or shall not within such time accept payment of the moneys payable, or take delivery of certificates representing any Trust Units issuable in respect thereof, or give such receipt therefor, if any, as the Trustee may require, such moneys may be set aside in trust, or such certificates may be held in trust, without interest, either in the deposit department of the Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum so set aside and, to that extent, the Series 2008-1 Debenture shall thereafter not be considered as outstanding hereunder and the Debentureholder shall have no other right except to receive payment out of the moneys so paid and deposited, or to take delivery of the certificates so deposited, upon surrender and delivery of such holder's Series 2008-1 Debenture, of the money set aside plus accrued and unpaid interest (less any taxes required to be withheld) to but excluding the Put Date and subsequent distributions and accretions, on such Trust Units, if any, as the case may be. Subject to Applicable Law, in the event that any money, or certificates, required to be set aside or deposited hereunder with the Trustee or any depository or paying agent and not claimed shall remain so set aside or deposited for a period of ten years from the Put Date, then such moneys, or certificates, together with accrued and unpaid interest thereon, if any, shall at the end of such period be paid over or delivered over by the Trustee or such depository or paying agent to the REIT on its written demand, and thereupon the Trustee shall not be responsible to Debentureholders for any amounts owing to them and, subject to Applicable Law, thereafter the holder of an Series 2008-1 Debenture in respect of which such money or Trust Units, if applicable, was so repaid to the REIT shall have no rights in respect thereof except to obtain the payment of the money or certificates due from the REIT, subject to any limitation period provided by the laws of Ontario. Notwithstanding the foregoing, the Trustee will pay any remaining funds deposited hereunder prior to the expiry of ten years after the Put Date to the REIT upon receipt from the REIT of an unconditional letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the REIT prior to the expiry of ten years after the Put Date, the REIT shall reimburse the

Trustee for any amounts required to be paid by the Trustee to a holder of a Series 2008-1 Debenture pursuant to the Put Right after the date of such payment of the remaining funds to the REIT but prior to ten years after the Put Date and such letter of credit shall be reduced to the extent of the amount of such reimbursement. If the REIT fails to so reimburse the Trustee, the Trustee may draw on the letter of credit.

- (x) Subject to the provisions above related to Series 2008-1 Debentures purchased in part, all Series 2008-1 Debentures redeemed and paid under this Section 2.2(j) shall forthwith be delivered to the Trustee and cancelled and no Series 2008-1 Debentures shall be issued in substitution therefor.
- (xi) The REIT will publicly announce the results of the purchases made pursuant to Section 2.2(j) as soon as practicable after the Put Date.
- (xii) The REIT will comply with all Applicable Securities Legislation in the event that the REIT is required to repurchase Series 2008-1 Debentures pursuant to Section 2.2(j).
- (xiii) Notwithstanding any other provision of this Indenture (other than Section 7.1 of the Trust Indenture), the REIT shall be entitled at its option, subject to regulatory approval, to deposit with the Trustee or any paying agent to the order of the Trustee, in lieu of all or any portion of the moneys which would otherwise be required to be deposited with the Trustee hereunder, Freely Tradeable Trust Units for purposes of making payment of all or any portion of the Total Put Price, the number of such Freely Tradeable Trust Units to be obtained by dividing the Total Put Price by 95% of the Current Market Price in effect on the Put Date. No fractional Trust Units shall be issued as payment of the Total Put Price but in lieu thereof the REIT shall satisfy fractional interests by a cash payment equal to the Current Market Price in effect on the Put Date. In all other respects, in paying the Total Put Price the REIT shall be subject to the requirements of Subsection 2.2(j)(vi) and the Trustee shall, in making payment to holders of such Series 2008-1 Debentures pursuant to Subsection 2.2(j)(vi) of the Total Put Price, make payment using such Freely Tradeable Trust Units. In the event the REIT exercises its right pursuant to this Subsection 2.2(j)(xiii) to deliver Freely Tradeable Trust Units, the provisions of paragraphs (c) to (k) inclusive of Section 4.10 of the Trust Indenture shall apply, *mutatis mutandis*.
- (xiv) If the REIT elects to satisfy its obligation, in whole or in part, to pay the Total Put Price by issuing Freely Tradeable Trust Units in accordance with this Section 2.2(j), and if the Total Put Price (or any portion thereof) to which a holder is entitled is subject to withholding taxes, the REIT for the account of the holder, shall sell, through Brokers selected by the REIT, out of the Freely Tradeable Trust Units issued by the REIT for this purpose, such number of Freely Tradeable Trust Units that is sufficient to yield net proceeds (after payment of all costs) to cover the amount of taxes required

to be withheld, and shall remit same to the Trustee on behalf of the REIT and the Trustee shall remit the same to the proper tax authorities within the period of time prescribed for this purpose under Applicable Law.

- (k) The Trustee shall be provided with the documents and instruments referred to in Sections 2.5(b), (c) and (d) of the Trust Indenture with respect to the Series 2008-1 Debentures, *mutatis mutandis*, prior to the issuance of the Series 2008-1 Debentures.

### **2.3 Issue of Global Debentures**

The Series 2008-1 Debentures shall be issued in whole or in part as one or more Global Debentures registered in the name of CDS & Co., or in the name of such other entity as requested by CDS Clearing and Depository Services Inc., as Depository, or in such other name as may be designated by the REIT in the Written Direction of the REIT delivered to the Trustee at the time of issue of such Debentures, and the REIT shall execute and the Trustee shall certify and deliver one or more Global Debentures that shall:

- (a) represent an aggregate amount equal to the principal amount of the outstanding Series 2008-1 Debentures;
- (b) be delivered by the Trustee to such Depository or pursuant to such Depository's instructions; and
- (c) bear a legend substantially to the following effect:

"This Series 2008-1 Debenture is a Global Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee thereof. This Series 2008-1 Debenture may not be transferred to or exchanged for Series 2008-1 Debentures registered in the name of any Person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture. Every Series 2008-1 Debenture authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, this Series 2008-1 Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture."

## **ARTICLE 3 MISCELLANEOUS**

### **3.1 Trustee Accepts Trusts**

The Trustee hereby accepts the trusts in this First Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions set out in this First Supplemental Indenture and in accordance with the Trust Indenture and agrees to hold all rights, privileges and benefits conferred hereby and by law in trust for the various Persons who shall from time to time be Debentureholders, subject to all the terms and conditions set forth in this First Supplemental Indenture and the Trust Indenture.

### **3.2 Trustee Not Bound to Act**

The Trustee shall retain the right not to act and shall not be liable for refusing to act (other than acts of fraud, negligence or willful misconduct) if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act would reasonably be expected to cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. The Trustee shall provide written notice to the REIT describing the circumstances of such non-compliance or the acts not performed. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this First Supplemental Indenture or the Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to the REIT, provided (i) that the Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

### **3.3 Language**

Each of the parties hereto hereby acknowledges that it has consented to and requested that this First Supplemental Indenture and all documents relating thereto, including, without limiting the generality of the foregoing, the form of Series 2008-1 Debenture attached as Schedule A hereto, be drawn up in the English language only. Chacune des parties aux présentes reconnaît qu'elle a demandé que la présente convention et tous les documents s'y rattachant, notamment le texte des débentures joint aux présentes à titre d'annexe A, soient rédigés en anglais seulement.

**[THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK.]**

**ARTICLE 4**  
**EXECUTION AND FORMAL DATE**

**4.1 Execution**

This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

**4.2 Formal Date**

For the purpose of convenience this First Supplemental Indenture may be referred to as bearing the formal date of June 19, 2008 irrespective of the actual date of execution hereof.

IN WITNESS whereof the parties hereto have executed this First Supplemental Indenture.

**EXTENDICARE REAL ESTATE  
INVESTMENT TRUST**

Per:           "Timothy L. Lukenda"            
Name: Timothy L. Lukenda  
Title: President and Chief Executive Officer

Per:           "Douglas J. Harris"            
Name: Douglas J. Harris  
Title: Senior Vice-President and Chief  
Financial Officer

**COMPUTERSHARE TRUST COMPANY OF  
CANADA**

Per:           "Lisa Kudo"            
Name: Lisa Kudo  
Title: Professional, Corporate Trust

Per:           "Ann Samuel"            
Name: Ann Samuel  
Title: Administrator, Corporate Trust

I/We have authority to bind the Corporation

**SCHEDULE A**

**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST**

**AND**

**COMPUTERSHARE TRUST COMPANY OF CANADA**

**FORM OF SERIES 2008-1 GLOBAL DEBENTURE**

**SCHEDULE A**  
**FORM OF SERIES 2008-1 GLOBAL DEBENTURE**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
**(A trust governed by the laws of Ontario)**

**SERIES 2008-1 7.25% CONVERTIBLE UNSECURED SUBORDINATED**  
**DEBENTURES**  
**DUE JUNE 30, 2013**

No. 1

**CUSIP/ISIN: 302251AB9/CA302251AB96**

EXTENDICARE REAL ESTATE INVESTMENT TRUST (the "**REIT**") for value received hereby acknowledges itself indebted and, subject to the provisions of the Trust Indenture dated as of June 21, 2007 between the REIT and Computershare Trust Company of Canada (the "**Trustee**") and the first supplemental indenture dated as of June 19, 2008 between the REIT and the Trustee (collectively, the "**Indenture**"), promises to pay to the registered holder hereof on June 30, 2013 (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture the principal sum of NINETY-TWO MILLION DOLLARS (\$92,000,000) in lawful money of Canada on presentation and surrender of this Series 2008-1 Debenture at the main branch of the Trustee in Toronto, Ontario, in accordance with the terms of the Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from and including the date hereof, or from and including the last Interest Payment Date on which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 7.25% per annum, in like money in arrears in equal semi-annual instalments (less any taxes required to be withheld) on June 30 and December 31 in each year, except the first payment which shall be made on December 31, 2008 will include accrued and unpaid interest for the period from and including June 19, 2008 to but excluding December 31, 2008 and, the last such payment to fall due on June 30, 2013, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually.

Interest hereon shall be payable by electronic funds transfer to the registered holder hereof and, subject to the provisions of the Indenture, the making of such transfer of funds shall, to the extent of the sum represented thereby (plus the amount of any tax withheld), satisfy and discharge all liability for interest on this Series 2008-1 Debenture.

This Series 2008-1 Debenture is one of the Debentures of the REIT issued or issuable in one or more series under the provisions of the Indenture. The authorized principal amount of the Series 2008-1 Debentures are limited to an aggregate principal amount of NINETY-TWO MILLION DOLLARS (\$92,000,000) in lawful money of Canada and the authorized principal amount of Additional Debentures which may be issued under the Indenture is unlimited. Reference is hereby expressly made to the Indenture for a description of the terms and conditions

upon which the Series 2008-1 Debentures are or are to be issued and held and the rights and remedies of the holders of the Series 2008-1 Debentures and of the REIT and of the Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Series 2008-1 Debenture by acceptance hereof assents.

The Series 2008-1 Debentures are issuable only in denominations of \$1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Series 2008-1 Debentures of any denomination may be exchanged for an equal aggregate principal amount of Series 2008-1 Debentures in any other authorized denomination or denominations.

The whole, or if this Series 2008-1 Debenture is in a denomination in excess of \$1,000, any part of which is \$1,000 or an integral multiple thereof, of the principal of this Series 2008-1 Debenture is convertible, at the option of the holder hereof, upon surrender of this Series 2008-1 Debenture at the Designated Office, at any time prior to 4:00 p.m. (Toronto time) on the earlier of the Maturity Date and the last Business Day immediately preceding the date specified by the REIT for redemption of this Series 2008-1 Debenture, into Freely Tradeable Trust Units of the REIT (without adjustment to the Conversion Price for distributions on Trust Units issuable on conversion or for accrued and unpaid interest on the Series 2008-1 Debentures surrendered for conversion, however holders converting their Series 2008-1 Debentures shall be entitled to receive, in addition to the applicable number of Freely Tradeable Trust Units, accrued and unpaid interest, if any, in respect thereof as provided in the Indenture) at a conversion price of \$11.35 (the "**Conversion Price**") per Trust Unit, being a rate of approximately 88.1057 Trust Units for each \$1,000 principal amount of Series 2008-1 Debentures, all subject to the terms and conditions and in the manner set forth in the Indenture. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Trust Units will be issued on any conversion but in lieu thereof, the REIT will satisfy such fractional interest by a cash payment equal to the Conversion Price of such fractional interest determined in accordance with the Indenture.

This Series 2008-1 Debenture may be redeemed at the option of the REIT on the terms and conditions set out in the Indenture at the redemption price therein set out. This Series 2008-1 Debenture is not redeemable prior to July 1, 2011. On and after July 1, 2011 and prior to July 1, 2012 this Series 2008-1 Debenture is redeemable in whole at any time or in part from time to time, at the option of the REIT provided that the REIT files with the Trustee on the day that the Redemption Notice in respect of this Series 2008-1 Debenture is first given, an Officer's Certificate of the REIT certifying that the volume-weighted average trading price per Trust Unit on the Toronto Stock Exchange (or elsewhere in accordance with the Indenture) for 20 consecutive trading days ending on the fifth trading day preceding the date on which such notice is given, is not less than 125% of the Conversion Price then in effect. On and after July 1, 2012 and prior to the Maturity Date, this Series 2008-1 Debenture may be redeemed by the REIT in whole at any time or in part from time to time at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the Redemption Date from and including the last Interest Payment Date. This Series 2008-1 Debenture may also be redeemed at the option of the REIT in the event of the satisfaction of certain conditions after a Change of Control has occurred.

This Series 2008-1 Debenture is a Global Debenture within the meaning of the Indenture and is registered in the name of a Depository or a nominee thereof. This Series 2008-1 Debenture

may not be transferred to or exchanged for Debentures registered in the name of any Person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture. Every Debenture authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, this Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture.

Upon the occurrence of a Change of Control, each holder of Series 2008-1 Debentures has the right (the "**Put Right**") to require the REIT to purchase on the date (the "**Put Date**") which is 30 days following the giving of notice by the Trustee of the Change of Control the whole or any part of such holder's Series 2008-1 Debentures at a price equal to 101% of the principal amount of such Series 2008-1 Debentures plus accrued and unpaid interest up to, but excluding, the Put Date. The REIT, at its option, may elect to satisfy such purchase price either by payment in cash or by the issuance of Freely Tradeable Trust Units of the REIT. If 90% in aggregate principal amount of Series 2008-1 Debentures outstanding on the date the REIT provides written notice of a Change of Control to the Trustee have been tendered for purchase pursuant to the Put Right, the REIT has the right (but not the obligation) to purchase all the remaining outstanding Series 2008-1 Debentures effective as of the Put Date at the same price.

As more specifically provided in the Indenture, if an offer is made to acquire all outstanding Debentures issued under the Indenture (including the Series 2008-1 Debentures) where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the Offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures, and not less than 90% of the outstanding principal amount of such Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the Offeror or Associates or Affiliates of the Offeror or any Person acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, then the Offeror will be entitled to acquire the outstanding Debentures (including the Series 2008-1 Debentures) held by holders thereof who did not accept the offer on the terms offered by the Offeror.

The REIT may, on notice as provided in the Indenture, at its option and (subject to any applicable regulatory approval), elect to satisfy the obligation to repay the principal amount of this Series 2008-1 Debenture on the Maturity Date, on redemption or in satisfaction of the Put Right, by the issue of that number of Freely Tradeable Trust Units obtained by dividing the principal amount of this Series 2008-1 Debenture by 95% of the Current Market Price on the Maturity Date, the date fixed for redemption or the Put Date, as the case may be.

The indebtedness evidenced by this Series 2008-1 Debenture, and by all other Debentures now or hereafter certified and delivered under the Indenture, is a direct unsecured obligation of the REIT, and is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment of all Senior Indebtedness, as defined in the Indenture, whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed. This Series 2008-1 Debenture is subordinate to claims or creditors of the REIT's Subsidiaries, except to the extent the REIT is a creditor of such Subsidiaries ranking at least *pari passu* with such other creditors.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Debentures outstanding hereunder (or in certain circumstances, specific series of Debentures) resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding (or specific series), which resolutions or instruments may have the effect of amending the terms of this Series 2008-1 Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Trust Units or annuitant or beneficiary of a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, or deferred profit sharing plan, or the trustees, officers or agents of the REIT in respect of any obligation or claim arising out of the Indenture or this Series 2008-1 Debenture and limiting recourse for such obligation or claim only to the assets from time to time of the REIT.

This Series 2008-1 Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal office of the Trustee in Toronto, Ontario and in such other place or places as the REIT with the approval of the Trustee may designate. No transfer of this Series 2008-1 Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee may prescribe and upon surrender of this Series 2008-1 Debenture for cancellation. Thereupon a new Series 2008-1 Debenture or Series 2008-1 Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

At no time may Non-Residents be the beneficial owners (on either a non-diluted or fully diluted basis) of more than 45% of the REIT Units, whether by way of conversion of Debentures to Trust Units, repayment of Debentures by issuance of Trust Units, or otherwise, and the REIT has notified the Trustee, if necessary, and the transfer agent of the Trust Units of this restriction in writing. The Trustee shall, upon receipt of a Written Direction of the REIT, deliver to the registered owners of Debentures a form of declaration as to the jurisdictions in which beneficial owners of Debentures are resident and shall require the completion and return of such declarations from each registered owner. If the REIT notifies the Trustee in writing that, as a result of such declarations as to beneficial ownership, the beneficial owners (on either a non-diluted or fully diluted basis) of more than 45% of the REIT Units are, or may be, Non-Residents or that such a situation is imminent, the REIT may require the Trustee to make a public announcement thereof and the REIT may instruct the Trustee, in writing, not to accept a subscription for Debentures from or issue or register a transfer of Debentures to a Person unless the Person provides a declaration that the Person is not a Non-Resident and does not hold his or her Debentures for the benefit of a Non-Resident. If, notwithstanding the foregoing, the REIT notifies the Trustee in writing that more than 45% of the REIT Units are Non-Residents, the REIT may instruct to the Trustee in writing to, or the trustees of the REIT may, send a notice to Non-Resident holders of Debentures and holders of Debentures for the benefit of Non-Residents, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Trustee or the trustees of the REIT may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not more than 60 days. If the Debentureholders receiving such notice have not sold the specified number of Debentures or provided the REIT and the Trustee with satisfactory evidence that they are not

Non-Residents and do not hold Debentures for the benefit of a Non-Resident within such period, the REIT may give written instructions to the Trustee that it shall, on behalf of such Debentureholder, and each such Debentureholder hereby grants a power of attorney to: (a) the REIT to, sell or redeem such Debentures; and (b) the Trustee and the REIT to, in the interim, suspend the rights attached to such Debentures. Upon such sale or redemption, the affected holders shall cease to be holders of Debentures and their rights shall be limited to receiving the net proceeds of sale or redemption upon surrender of such Debentures.

No liability shall accrue to the REIT or the Trustee if a Debenture owned by a Non-Resident is sold at a loss to such Non-Resident.

This Series 2008-1 Debenture shall not become obligatory for any purpose until it shall have been certified by the Trustee under the Indenture.

The Indenture is and this Series 2008-1 Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Capitalized words or expressions used in this Series 2008-1 Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture. **In the event that the terms and conditions stated in this Series 2008-1 Debenture conflict, or are inconsistent with, the terms and conditions of the Indenture, the Indenture shall prevail and take priority.**

**IN WITNESS WHEREOF EXTENDICARE REAL ESTATE INVESTMENT TRUST** has caused this Debenture to be signed by its authorized signatory as of the 19<sup>th</sup> day of June, 2008.

<p>UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS &amp; CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS &amp; CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS &amp; CO., HAS AN INTEREST HEREIN.</p>	<p><b>EXTENDICARE REAL ESTATE INVESTMENT TRUST</b></p> <p>Per: _____ Name: Timothy L. Lukenda Title: President and Chief Executive Officer</p> <p>Per: _____ Name: Douglas J. Harris Title: Senior Vice-President and Chief Financial Officer</p>
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**TRUSTEE'S CERTIFICATE**

This Series 2008-1 Debenture is one of the 7.25% Convertible Unsecured Debentures due June 30, 2013 referred to in the Indenture within mentioned.

Date: June 19, 2008

Computershare Trust Company of Canada

By:

(Authorized Officer)

**REGISTRATION PANEL**

(No writing hereon except by Trustee)

Date of Registration	In Whose Name Registered	Signature of Trustee

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_, whose address and social insurance number, if applicable, are set forth below, this Series 2008-1 Debenture (or \$\_\_\_\_\_ principal amount hereof) of EXTENDICARE REAL ESTATE INVESTMENT TRUST (the "REIT") standing in the name(s) of the undersigned in the register maintained by the REIT with respect to such Series 2008-1 Debenture and does hereby irrevocably authorize and direct the Trustee to transfer such Series 2008-1 Debenture in such register, with full power of substitution in the premises.

Date:	
Address of Transferee:	
(Street Address, City, Province and Postal Code)	
Social Insurance Number of Transferee, if applicable:	

If less than the full principal amount of this Series 2008-1 Debenture is to be transferred, indicate in the space provided the principal amount (which must be \$1,000 or an integral multiple thereof, unless you hold a Series 2008-1 Debenture in a non-integral multiple of \$1,000, in which case such Series 2008-1 Debenture is transferable only in its entirety) to be transferred.

- The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Series 2008-1 Debenture in every particular without alteration or any change whatsoever. The signature must be guaranteed by an authorized officer of a Schedule 1 Canadian chartered bank, or by a medallion signature guarantee from a member of a recognized Medallion Signature Guarantee Program.
- The registered holder of this Series 2008-1 Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Series 2008-1 Debenture.

Signature of Guarantor	
Authorized Officer	Signature of transferring registered holder
Name of Institution	

**CONVERSION NOTICE**

TO:	EXTENDICARE REAL ESTATE INVESTMENT TRUST
Note:	All capitalized terms used herein have the meaning ascribed thereto in the Indenture, unless otherwise indicated.

The undersigned registered holder of 7.25% Convertible Unsecured Subordinated Debentures bearing Certificate No. \_\_\_\_ irrevocably elects to convert such Debentures (or principal \$\_\_\_\_\_ amount thereof) in accordance with the terms of the Indenture and tenders herewith the Debentures, and, if applicable, directs that the Trust Units of Extendicare Real Estate Investment Trust issuable upon a conversion be issued and delivered to the person indicated below.

Dated:	(Signature of Registered Holder)

If less than the full principal amount of this Series 2008-1 Debenture is being converted, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof) to be converted.

NOTE: If Trust Units are to be issued in the name of a person other than the holder, the signature must be guaranteed by an authorized officer of a Schedule 1 Canadian chartered bank, or by a medallion signature guarantee from a member of a recognized Medallion Signature Guarantee Program.

The registered holder of this Series 2008-1 Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the conversion of this Series 2008-1 Debenture.

(Print name in which Trust Units are to be issued, delivered and registered)

Name:	
(Address)	(City, Province and Postal Code)
Name of guarantor:	
Authorized signature:	



**SCHEDULE B**  
**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**  
**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
**AND**  
**COMPUTERSHARE TRUST COMPANY OF CANADA**  
**FORM OF REDEMPTION NOTICE**

**SCHEDULE B  
FORM OF REDEMPTION NOTICE**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST  
SERIES 2008-1 7.25% CONVERTIBLE UNSECURED SUBORDINATED  
DEBENTURES  
REDEMPTION NOTICE**

To: Holders of Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Extencicare Real Estate Investment Trust (the "**REIT**")

Note: All capitalized terms used herein have the meanings ascribed thereto in the Trust Indenture dated as of June 21, 2007 (the "**Indenture**") between the REIT and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as supplemented by the First Supplemental Indenture dated as of June 19, 2008 (the "**First Supplemental Indenture**") between the REIT and the Trustee.

Notice is hereby given pursuant to Section 2.2(c) of the First Supplemental Indenture and Section 4.3 of the Indenture, that \$[●] aggregate principal amount of Debentures outstanding will be redeemed as of [●] (the "**Redemption Date**"), upon payment of a redemption amount of \$[●] for each \$1,000 principal amount of Debentures, being equal to the aggregate of (i) \$[●], and (ii) all accrued and unpaid interest thereon to, but excluding, the Redemption Date (collectively, the "**Redemption Price**").

The Redemption Price (less any taxes required to be withheld) will be payable upon presentation and surrender of the Debentures called for redemption at the following corporate trust office:

Computershare Trust Company of Canada  
100 University Avenue  
9th Floor, North Tower  
Toronto, Ontario M5J 2Y1  
Attention: Manager, Corporate Trust Services

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Redemption Price (less any taxes required to be withheld), shall not be made on presentation for surrender of such Debentures at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Redemption Price, plus accrued and unpaid interest, pursuant to the Indenture.

**[Pursuant to Section 2.2(g) of the First Supplemental Indenture and Section 4.6 of the Indenture, the REIT hereby irrevocably elects to satisfy its obligation to pay to holders of Debentures the Redemption Price, [in whole/in part,] by issuing and delivering or causing to be delivered to the holders that number of Freely Tradeable Trust Units obtained by dividing the aggregate principal amount of Debentures being redeemed by 95% of the Current Market Price of the Trust Units on the Redemption Date. \$[●] aggregate principal**

amount of Debentures will be redeemed by the REIT pursuant to its Unit Redemption Right. In the event that the REIT elects to issue and deliver Trust Units as aforesaid, the REIT shall send to the Trustee the Freely Tradeable Trust Units (in book-based or certificated form) to which the holder is entitled.]

[No fractional Trust Units shall be delivered upon the exercise by the REIT of the Unit Redemption Right but, in lieu thereof, the REIT shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Trust Units on the Redemption Date (less any taxes required to be withheld).]

[In this connection, upon presentation and surrender of the Debentures for payment on the Redemption Date, the REIT shall, on the Redemption Date, make delivery to the Trustee, at the above-mentioned corporate trust office, for delivery to and on account of the holders, the number of Freely Tradeable Trust Units (in book-based or certificated form) to which holders are entitled and cash equal to all accrued and unpaid interest to but excluding the Redemption Date together with the cash equivalent in lieu of all fractional Trust Units.]  
[Delete as appropriate.]

DATED: [●]

**EXTENDICARE REAL ESTATE  
INVESTMENT TRUST**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE C**  
**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**  
**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
**AND**  
**COMPUTERSHARE TRUST COMPANY OF CANADA**  
**FORM OF MATURITY NOTICE**

**SCHEDULE C  
FORM OF MATURITY NOTICE**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST  
SERIES 2008-1 7.25% CONVERTIBLE UNSECURED SUBORDINATED  
DEBENTURES**

**MATURITY NOTICE**

To: Holders of Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Extencicare Real Estate Investment Trust (the "**REIT**")

Note: All capitalized terms used herein have the meanings ascribed thereto in the Trust Indenture dated as of June 21, 2007 (the "**Indenture**") between the REIT and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as supplemented by the First Supplemental Indenture dated as of June 19, 2008 (the "**First Supplemental Indenture**") between the REIT and the Trustee.

Notice is hereby given pursuant to Section 2.2(g) of the First Supplemental Indenture and Section 4.10(b) of the Indenture that the Debentures are due and payable as of June 30, 2013 (the "**Maturity Date**") and the REIT hereby advises the holders of Debentures that pursuant to Section 2.2(g) of the First Supplemental Indenture and Section 4.10 of the Indenture, the REIT hereby irrevocably elects to satisfy its obligation to repay, **[in whole/in part,]** by issuing and delivering to the holders that number of Freely Tradeable Trust Units equal to the number obtained by dividing the aggregate principal amount of such Debentures by 95% of the Current Market Price of the Trust Units on the Maturity Date. \$[●] aggregate principal amount of Debentures will be repaid by the REIT pursuant to its Unit Repayment Right. Upon presentation and surrender of the Debentures, the REIT shall pay or cause to be paid in cash to the holder all accrued and unpaid interest to the Maturity Date, together with the cash equivalent representing fractional Trust Units, (less any taxes required to be withheld) and shall, on the Maturity Date, send to the Trustee the Freely Tradeable Trust Units (in book-based or certificated form) to which the holder is entitled.

DATED: [●]

**EXTENDICARE REAL ESTATE  
INVESTMENT TRUST**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE D**  
**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**  
**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
**AND**  
**COMPUTERSHARE TRUST COMPANY OF CANADA**  
**FORM OF CHANGE OF CONTROL NOTICE**

**SCHEDULE D  
FORM OF CHANGE OF CONTROL NOTICE**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST  
SERIES 2008-1 7.25% CONVERTIBLE UNSECURED SUBORDINATED  
DEBENTURES**

**CHANGE OF CONTROL NOTICE**

To: Holders of Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Extendicare Real Estate Investment Trust (the "**REIT**")

Note: All capitalized terms used herein have the meanings ascribed thereto in the Trust Indenture dated as of June 21, 2007 between the REIT and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as supplemented by the First Supplemental Indenture dated as of June 19, 2008 (the "**First Supplemental Indenture**") between the REIT and the Trustee.

Notice is hereby given pursuant to Section 2.2(j) of the First Supplemental Indenture that:

- (a) a Change of Control occurred on [●], 20[●] details of which are the following: **[Insert details of Change of Control]**;
- (b) each holder of Debentures shall have the right (the "**Put Right**") to require the REIT to purchase, on [●], 20[●], **[being the date which is 30 days following the date upon which the Trustee has delivered this Change of Control Notice to the holders]** (the "**Put Date**"), all or any part of your Debentures in accordance with Applicable Securities Legislation at a price equal to 101% of the principal amount of your Debentures (the "**Put Price**") plus accrued and unpaid interest thereon up to, but excluding, the Put Date (collectively, the "**Total Put Price**");
- (c) the REIT shall satisfy the Total Put Price **[in cash or in whole or in part, in Freely Tradeable Trust Units]** **[details to be inserted]**;
- (d) you are entitled to withdraw your election to require the REIT to purchase your Debentures by providing notice to the Trustee by facsimile transmission or letter advising the Trustee of such withdrawal no later than the close of business on the third Business Day immediately preceding the Put Date, such notice to the Trustee shall include your name, the principal amount of the Debentures delivered for purchase and a statement that you are withdrawing your election to have such Debentures purchased.

Be advised that if 90% or more in aggregate principal amount of Debentures outstanding on [●], 20[●] (being the date on which the REIT delivered to the Trustee this Change of Control Notice) have been tendered for purchase pursuant to the Put Right, the REIT has the right (but not the obligation) upon written notice to the Trustee prior to the Put Date, or as soon as reasonably possible thereafter, to redeem all remaining outstanding Debentures effective as of the Put Date at the Total Put Price.

**[In the event that the REIT elects to issue and deliver Trust Units as aforesaid, upon presentation and surrender of the Debentures, the REIT shall pay or cause to be paid in cash to the holder all accrued and unpaid interest to the Maturity Date, together with the cash equivalent representing fractional Trust Units (less any taxes required to be withheld), and shall, on the Maturity Date, send to the Trustee Freely Tradeable Trust Units (in book-based or certificated form) to which the holder is entitled.] [Delete as appropriate.]**

DATED: [●]

**EXTENDICARE REAL ESTATE  
INVESTMENT TRUST**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE E**  
**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**  
**EXTENDICARE REAL ESTATE INVESTMENT TRUST**  
**AND**  
**COMPUTERSHARE TRUST COMPANY OF CANADA**  
**FORM OF NOTICE OF PUT EXERCISE**

**SCHEDULE E**  
**FORM OF NOTICE OF PUT EXERCISE**

**PUT EXERCISE NOTICE**

To: Extencicare Real Estate Investment Trust (the "**REIT**")

Note: All capitalized terms used herein have the meanings ascribed thereto in the Trust Indenture dated as of June 21, 2007 (the "**Indenture**") between the REIT and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as supplemented by the First Supplemental Indenture dated as of June 19, 2008 (the "**First Supplemental Indenture**") between the REIT and the Trustee.

The undersigned registered holder of Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") bearing Certificate No. [●] revocably elects to put such Debentures (or \$[●] principal amount thereof\*) to the REIT to be purchased by the REIT on [●] (the "**Put Date**") in accordance with the terms of the Indenture, as supplemented by the First Supplemental Indenture, at a price of \$1,010 for each \$1,000 principal amount of Debentures plus all accrued and unpaid interest thereon to, but excluding, the Put Date (collectively, the "**Total Put Price**") and tenders herewith the Debentures.

Dated: \_\_\_\_\_  
\_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount which must be \$1,000 or integral multiples thereof.

The Total Put Price will be payable either in cash, by Freely Tradeable Trust Units or any combination thereof at the option of the REIT in accordance with the Indenture, as supplemented by the First Supplemental Indenture, upon presentation and surrender of the Debentures with this form on the Put Date at the following corporate trust office:

Computershare Trust Company of Canada  
100 University Avenue  
9th Floor, North Tower  
Toronto, Ontario M5J 2Y1  
Attention: Manager, Corporate Trust Services

The interest upon the principal amount of Debentures put to the REIT shall cease to be payable from and after the Put Date unless payment of the Total Put Price (less any taxes required to be withheld) shall not be made on presentation for surrender of such Debentures at the above mentioned corporate trust office on the Put Date or prior to the setting aside of the Total Put Price pursuant to the Indenture as supplemented by the First Supplemental Indenture.

**SCHEDULE F**

**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST**

**AND**

**COMPUTERSHARE TRUST COMPANY OF CANADA**

**FORM OF NOTICE TO REDEEM**

**ALL REMAINING OUTSTANDING DEBENTURES**

**SCHEDULE F  
FORM OF NOTICE TO REDEEM ALL REMAINING  
OUTSTANDING DEBENTURES**

**EXTENDICARE REAL ESTATE INVESTMENT TRUST  
SERIES 2008-1 7.25% CONVERTIBLE UNSECURED SUBORDINATED  
DEBENTURES**

**REDEMPTION OF REMAINING  
OUTSTANDING DEBENTURES NOTICE**

To: Holders of Series 2008-1 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Extencicare Real Estate Investment Trust (the "**REIT**")

And To: Computershare Trust Company of Canada (the "**Trustee**")

Note: All capitalized terms used herein have the meanings ascribed thereto in the Trust Indenture dated as of June 21, 2007 (the "**Indenture**") between the REIT and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as supplemented by the First Supplemental Indenture (the "**First Supplemental Indenture**") dated as of June 19, 2008 between the REIT and the Trustee.

Notice is hereby given pursuant to Section 2.2(j)(iv) of the First Supplemental Indenture that 90% or more in aggregate principal amount of Debentures outstanding on the date the REIT provided notice of a Change of Control pursuant to Section 2.2(j)(ii) of the First Supplemental Indenture have been tendered for purchase by the REIT pursuant to the Put Right in Section 2.2(j)(iii) of the First Supplemental Indenture, and the REIT hereby advises the holders of Debentures that it has exercised its right to redeem all of the remaining outstanding Debentures as of [•] (the "**Put Date**") [insert the same date as in the Put Exercise Notice] at a price equal to 101% of the principal amount of your Debentures plus accrued and unpaid interest thereon to but excluding the Put Date (collectively, the "**Total Put Price**").

The Total Put Price will be payable either in cash, by Freely Tradeable Trust Units or any combination thereof at the option of the REIT in accordance with the Debentures upon presentation and surrender of the Debentures at the following corporate trust office:

Computershare Trust Company of Canada  
100 University Avenue  
9<sup>th</sup> Floor, North Tower  
Toronto, Ontario  
M5J 2Y1

Attention: Manager, Corporate Trust Services

The interest upon the principal amount of Debentures so called for redemption shall cease to be payable from and after the Put Date, unless payment of the Total Put Price (less any taxes

required to be withheld) shall not be made on presentation for surrender of such Debentures at the above-mentioned corporate trust office on the Put Date or prior to the setting aside of the Total Put Price pursuant to the Indenture, as supplemented by the First Supplemental Indenture.

DATED: [•]

**EXTENDICARE REAL ESTATE  
INVESTMENT TRUST**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title: