SETTLEMENT AGREEMENT

THIS AGREEMENT dated this 21st day of January, 2016 (this "Agreement"), is by and between Oxford Park Capital I LP ("Oxford Park") and Extendicare Inc. ("Extendicare" or the "Company").

WHEREAS Oxford Park requisitioned the board of directors (the "Board") of the Company by letter dated November 16, 2015 (the "Requisition");

AND WHEREAS Extendicare and Oxford Park have agreed that it is in their mutual interests, and in the interests of Extendicare's shareholders, to enter into this Agreement to resolve issues between them giving rise to the Requisition;

NOW THEREFORE in consideration of the respective representations, warranties, covenants, agreements and conditions hereinafter set forth and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party hereto), the parties hereto agree as follows:

1. Extendicare will forthwith (i) appoint Frederic Waks, Alan Hibben and Gail Paech to the Board as Oxford Park’s nominees, (ii) appoint Frederic Waks as Vice-Chairman of the Board, and (iii) secure the resignations of two members of the Board to be chosen by Extendicare, so that the Board will have a total of nine members. The two recently appointed Board members, Donna Kingelin and Alan Torrie, will remain on the Board.

2. At the annual general meetings of Extendicare to be held in 2016 and 2017, with respect to the fiscal years ended December 31, 2015 and December 31, 2016, respectively, so long as they are prepared to continue to stand for election, Extendicare will include the three Oxford Park nominees on its slate of persons to be nominated for election as directors and shall solicit proxies in support of them. In the event that one or more of the Oxford Park nominees are unable or unwilling to continue as a director, Oxford Park shall be entitled to nominate a replacement director, who must be acceptable to Extendicare, to serve on the Board in the place of each such Oxford Park nominee who is unable or unwilling to act, and this Agreement shall apply to such replacement director as if he or she had been one of the Oxford Park nominees named in paragraph 1, and Extendicare shall promptly appoint such person to its Board or include such person on its slate of persons to be nominated for election as directors, as the case may be.

3. Oxford Park and its Affiliates hereby agree to vote in favour of management's nominees to the Board (including Oxford Park's nominees named above) at the annual general meetings to be held in 2016 and 2017 with respect to the fiscal years ended December 31, 2015 and December 31, 2016, respectively. For the purposes of this Agreement: (i) "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, or manages or is managed by, such specified person, and "control" means, as to any person, the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract, or otherwise, and the term "controlled" has a correlative meaning; and (ii) "person" means any individual,

corporation, general or limited partnership, limited liability or unlimited liability company, joint venture, estate, trust, association, organization or other entity of any kind or nature.

4. Effective no later than immediately following the annual general meeting to be held in 2017, with respect to the fiscal year ended December 31, 2016, Ben Hutzel will step down as Chairman of the Board.

5. The obligations of Extendicare in paragraphs 2 and 4 are subject to Oxford Park providing evidence to Extendicare that Oxford Park, together with its Affiliates, beneficially owns not less than 3% of the outstanding common shares in the capital of Extendicare as at the date of the management information circular for each of the annual general meetings of Extendicare to be held in 2016 and 2017.

6. Oxford Park hereby withdraws the Requisition.

7. Oxford Park hereby agrees that it will not, and will cause its Affiliates not to, directly or indirectly, during the period commencing on the date hereof and ending on the date of the annual general meeting to be held in 2018 with respect to the fiscal year ended December 31, 2017: (i) requisition a shareholder meeting, solicit proxies or make or publicly propose any take-over bid, plan of arrangement, amalgamation, asset sale or other business combination involving Extendicare or substantially all of its assets; or (ii) initiate discussions with any person with respect to any of the foregoing, or advise, assist or encourage or negotiate with any other person to take any action inconsistent with the foregoing, provided that nothing in subparagraph 7(ii) shall prevent Oxford Park from having discussions or entering into negotiations in connection with or selling or agreeing to sell its common shares in the capital of Extendicare to a person that has made or that proposes to make a take-over bid, or voting its common shares in the capital of Extendicare in favour of a plan of arrangement, amalgamation, asset sale or other business combination involving Extendicare or substantially all of its assets proposed by a person, if Oxford Park does not initiate such discussions or negotiations. In the event that any other person initiates discussions with Oxford Park or its affiliates with respect to any of the foregoing, Oxford Park shall forthwith advise Extendicare in writing of the identity of the person that initiated discussions, and of the substance of the advice or proposal received by Oxford Park. Subject to compliance by Oxford Park with the covenants contained in the previous two sentences, this paragraph 7 shall cease to apply in the event that a bona fide offer by a third party, or a group that is acting jointly or in concert, is made to acquire control of the Company or substantially all of its assets by way of a take-over bid, plan of arrangement, amalgamation, asset sale or other business combination. Any acquisition of over 20% of the outstanding shares of the Company shall be deemed to constitute "control" (by a third party or a group that is acting jointly or in concert).

8. Extendicare shall forthwith reimburse Oxford Park for its actual third party out of pocket expenses incurred by it in connection with the anticipated proxy solicitation arising from the Requisition, to a maximum of $375,000.

9. Forthwith following the execution of this Agreement, the parties will issue a press release in the form attached as Schedule A.

10. Oxford Park, on the one hand, and the Company, on the other hand, acknowledges and agrees that irreparable harm to the other party will occur in the event any of the provisions of this Agreement is not performed in accordance with its specific terms or was otherwise breached and that such injury may not be adequately compensable in monetary damages. It is accordingly agreed that Oxford Park, on the one hand, and the Company, on the other hand, shall, in addition to any other remedy to which they may be entitled at law or in equity, each be entitled to seek specific enforcement of, and injunctive relief to prevent any violation of, the terms hereof, and the other party hereto will not take any action, directly or indirectly, in opposition to the party seeking relief on the grounds that any other remedy or relief is available at law or in equity.

11. This Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns. No party to this Agreement may assign any of its rights or benefits under this Agreement, or delegate any of its duties or obligations, except with the prior written consent of the other party.

12. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understanding, negotiations and discussions, whether written or oral. There are no conditions, restrictions, agreements, promises, representations, warranties, covenants or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided herein. This Agreement may be amended only by a written instrument duly executed by the parties or their respective successors or permitted assigns.

13. Any demand, notice or other communication authorized or required or permitted to be given in connection with this Agreement shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by email, or as of the following business day if sent by prepaid overnight courier, to the parties at the following addresses (or at such other addresses as shall be specified by either party by notice to the other given in accordance with the provisions of this section):

(a) if to Extendicare:

Extendicare Inc.
3000 Steeles Avenue East, Suite 700
Markham, Ontario L3R 9W2

Attention: Tim Lukenda
Email: TLukenda@extendicare.com

(b) if to Oxford Park:

Suite 2300, 161 Bay Street
Brookfield Place, TD Canada Trust Tower
Toronto ON M5J 2S1

Attention: Phil Evershed
Email: phil@oxfordparkgroup.com

14. This Agreement shall be interpreted in accordance with, and shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

15. Each of the parties irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario over any action or proceeding arising out of or relating to this Agreement, (ii) waives any objection that it might otherwise be entitled to assert to the jurisdiction of such courts and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

16. This Agreement may be executed in counterparts and delivered by fax transmission or by email/PDF.

EXTENDICARE INC.

By: (Signed) "*Timothy L. Lukenda*"
Name: Timothy L. Lukenda
Title: President and Chief Executive Officer

OXFORD PARK CAPITAL I LP, by its general partner OXFORD PARK CAPITAL I LTD.

By: (Signed) "*Philip Evershed*"
Name: Philip Evershed
Title: President

SCHEDULE "A"

PRESS RELEASE

NEWS RELEASE
FOR IMMEDIATE RELEASE

Extendicare Reaches Agreement with Oxford Park Group and Announces Changes to its Board of Directors

MARKHAM, ONTARIO – January 22, 2016 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today announces that it has reached an agreement with Oxford Park Group ("Oxford Park") that is in the best interests of all of Extendicare's shareholders and other stakeholders, which enables the Company to avoid what could have been an expensive and distracting proxy contest. Pursuant to the terms of the agreement, among other items:

- Alan Hibben, Gail Paech and Frederic Waks will be appointed to Extendicare's Board of Directors;
- Mr. Waks will be appointed as Vice-Chairman of the Board;
- Ben Hutzel will continue in his role as Chairman of the Board until the 2017 Annual General Meeting, at which point the Board will select a new Chair;
- Governor Howard Dean and John Angus will retire from the Board of Directors in order to maintain the Board at its long-standing size of nine directors;
- Oxford Park has withdrawn its requisition for a special meeting of Extendicare shareholders and will vote in support of management's nominees at the Annual General Meetings to be held in 2016 and 2017; and
- Extendicare agrees to receive input from Oxford Park with respect to Extendicare's ongoing review of strategies to enhance shareholder value.

"As we reach a positive outcome with Oxford Park and conclude our board renewal process, I want to recognize Howard and John for their significant contributions to Extendicare's success," said Ben Hutzel, Chairman of Extendicare's Board of Directors. "On behalf of my fellow directors, I welcome Alan, Gail and Fred to Extendicare and look forward to their contributions toward Extendicare's continuing success. Extendicare has made significant progress in its plan to become a "pure-play" and leading Canadian provider of health care and services across the full continuum of care. I look forward to working with all of our board members and Extendicare's management team to collectively realize Extendicare's great potential on behalf of all of our shareholders."

Phil Evershed, Oxford Park's Principal added: "Extendicare is a great company with significant potential for further value creation. I'm pleased that we have been able to reach an agreement with the Board and management and look forward to providing input going forward."

The new directors' biographies follow:

Alan Hibben, ICD.D
Mr. Hibben is currently a director of Hudbay Minerals Inc. and the Mount Sinai Hospital Foundation. Mr. Hibben recently retired as a Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets. Up until 2007, he held the position of Head, Strategy & Development at RBC Financial Group. In this role, he was responsible for corporate strategy as well as merger, acquisition and development activities for the bank. Since December 2014, Mr. Hibben has been a volunteer advisor to the Province of Ontario as part of the Premier's Advisory

Council on Government Assets, including working with Ed Clark on the privatization of Hydro One. Mr. Hibben is a Chartered Accountant, a Chartered Financial Analyst, and an Institute-Certified Director (ICD.D).

Gail Paech
Ms. Paech has extensive experience in the Ontario health care sector and currently serves as Chief Executive Officer of Associated Medical Services Inc., a Canadian charitable organization that supports health professional education, compassionate care and bioethics. Ms. Paech served as Interim Chief Executive Officer of the Ontario Long-Term Care Association from August 2011 to June 2012. Previously, Ms. Paech served as Associate Deputy Minister of Economic Development and Trade in Ontario from 2009 until 2011, and Assistant Deputy Minister of Health and Long-Term Care in Ontario from 1998 until 2009. Between 1991 and 1998 she was the President and Chief Executive Officer of Toronto East General Hospital.

Frederic Waks
Mr. Waks is currently President and Chief Executive Officer of Trinity Development Group Inc., an Ottawa-based real estate development firm. Mr. Waks most recently held the position of President and Chief Operating Officer at RioCan Real Estate Investment Trust, a REIT with $15 billion in assets. Mr. Waks is also the Chair of the Campus Redevelopment Committee for Baycrest Health Centre, the Vice-Chair of Sunnybrook Hospital Foundation and is the incoming Chair for the Foundation, a Director of the Royal Ontario Museum and a Trustee of the Jewish Foundation of Greater Toronto.

ABOUT EXTENDICARE
Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 116 operated senior care centres (62 owned/54 managed), as well as our home health care operations, we are committed to delivering care throughout the health care continuum to meet the needs of a growing seniors' population in Canada. Our qualified and highly trained workforce of 22,800 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

Forward-looking Statements
Information provided by Extendicare 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 Extendicare and its subsidiaries, including, without limitation, statements regarding 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 Extendicare 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 Extendicare 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 Extendicare's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

For further information, contact:

Extendicare Investors

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