



**MEDICAL  
FACILITIES  
CORPORATION**

# **ANNUAL INFORMATION FORM**

March 27, 2026

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms have the meanings set forth below. Unless otherwise indicated, words imparting the singular include the plural and vice versa and words imparting any gender include all genders.

“**2019 Internal Reorganization**” means the restructuring of the Corporation’s wholly-owned subsidiaries, which was completed on July 23, 2019.

“**2022 Credit Facility**” means the \$50 million credit agreement among the Corporation, Medical Facilities America, and Medical Facilities Holdings (as borrowers) and a financial institution (as lender) dated August 31, 2022, and amended on November 8, 2024, which terminated on August 6, 2025. The 2022 Credit Facility provided a \$50 million revolving credit facility, inclusive of a \$25 million swingline.

“**2022 SIB Offer**” means a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, up to a maximum aggregate amount of Cdn\$34.5 million of the Common Shares at a purchase price of not less than Cdn\$10.00 per Common Share and not more than Cdn\$11.50 per Common Share. The 2022 SIB Offer expired on October 24, 2022.

“**2025 Credit Facility**” means the \$40 million credit agreement, inclusive of a \$25 million swingline, entered into among the Corporation, Medical Facilities America, and Medical Facilities Holdings (as borrowers) and a financial institution (as lender) dated August 6, 2025, with a maturity date of August 4, 2028, as amended on January 30, 2026.

“**2025 SIB Offer**” means a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, up to a maximum aggregate amount of Cdn\$80.75 million of the Common Shares at a purchase price of not less than Cdn\$16.50 per Common Shares and not more than Cdn\$18.00 per Common Share, as amended. The 2025 SIB Offer expired on March 11, 2025.

“**Arrangement**” means the court-approved plan of arrangement under the BCBCA on May 31, 2011, pursuant to which the Corporation converted from an IPS structure to a common share structure.

“**ASC**” means ambulatory surgery center.

“**ASH**” means Arkansas Surgical Hospital, L.L.C., an Arkansas limited liability company.

“**ASH Acquisition**” means the acquisition of ASH, completed on November 30, 2012.

“**ASH Exchange Agreement**” means the agreement dated November 30, 2012, among the Corporation, Medical Facilities America, Medical Facilities Holdings and ASH Holdco providing for the Exchangeable Interests in ASH.

“**ASH Holdco**” means the Arkansas limited liability company that holds a 49.0% interest in the related MFC Partnership.

“**BCBCA**” means the *Business Corporations Act* (British Columbia).

“**BHSH**” means Black Hills Surgical Hospital, LLP, a South Dakota limited liability partnership.

“**BHSH Agreement and Plan of Merger**” means the agreement and plan of merger dated November 13, 2024, with respect to the BHSH Sale Transaction.

“**BHSH Sale Transaction**” means the sale of Corporation’s interest in BHSH, as described in the section entitled “General Development of the Business – Three Year History – 2024”.

“**Board**” means the board of directors of the Corporation.

“**Brookside**” means Ambulatory Surgery Associates, LLC, a Michigan limited liability company, which was sold on August 25, 2023.

“**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario.

“**CDC**” means the Centers for Disease Control and Prevention.

“**City Place**” means Meridian Missouri Surgery Center, LLC, a Delaware limited liability company, which was sold on July 1, 2023.

“**CMS**” means the Centers for Medicare & Medicaid Services.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**Continuing Interests**” means the partnership interest (44.0% in ASH and 35.0% in each MFC Hospital) that is not exchangeable for Common Shares or transferable by the respective Subco.

“**Conversion**” means the conversion from an IPS structure to a common share structure pursuant to the Arrangement and the related internal reorganization of the Corporation’s U.S. holding entities which was completed following the Arrangement.

“**Corporation**” means Medical Facilities Corporation, a corporation formed under the laws of the Province of Ontario and continued under the laws of British Columbia.

“**COVID-19**” means the novel coronavirus SARS-CoV-2 and the related global pandemic declared by the World Health Organization on March 11, 2020.

“**CPI**” means the consumer price index for Canada as published by the Federal Government of Canada.

“**CT**” means computed tomography, sometimes called CAT scan, which is the use of special x-ray equipment to obtain image data from different angles around the body, which data is then computer processed to generate a cross-section of body tissues and organs.

“**DOJ**” means the United States Department of Justice.

“**DS Unit**” means a right of a participant under the DSU Plan to receive an amount of money on a deferred basis subject to and in accordance with the terms of the DSU Plan.

“**DSU Plan**” means the Corporation’s Deferred Share Unit Plan, effective August 10, 2007, as amended, providing for the issuance of DS Units to eligible Board members.

“**Eastwind Surgical**” means Eastwind Surgical, LLC, a Delaware limited liability company, which was dissolved on February 18, 2024.

“**Exchange Agreements**” means collectively, the Original Exchange Agreement, the OSH Exchange Agreement, and the ASH Exchange Agreement.

“**Exchangeable Interests**” means the partnership interests in each MFC Hospital that are exchangeable for Common Shares by the respective Existing Partners, through their ownership interest in the related Holding Entity and Subco or ASH Holdco, as applicable, to the extent that such interests have not yet been exchanged.

“**Existing Partners**” means, in respect of each MFC Hospital, the beneficial holders of the non-controlling interests in that MFC Hospital.

“**FDA**” means the United States Food and Drug Administration.

“**Fully Diluted Basis**” assumes that the entire Retained Interest has been converted into Common Shares and that the Continuing Interests were exchanged on the same basis as the Exchangeable Interests.

“**HHS**” means the United States Department of Health and Human Services.

“**HMOs**” means health maintenance organizations.

“**Holdco**” means the ASH Holdco.

“**Holding Entity**” in respect of an MFC Hospital (other than ASH) means the Oklahoma or South Dakota limited liability company that holds 100% of the membership interests in its related Subco, and in respect of ASH, means ASH Holdco.

“**IPO**” means the initial public offering of IPSs of the Corporation which occurred on March 29, 2004.

“**IPS**” means an income participating security in the capital of the Corporation, comprised of one common share and Cdn\$5.90 aggregate principal amount of 12.5% subordinated notes, which converted into Common Shares of the Corporation as of May 31, 2011, pursuant to the Conversion.

“**Management**” refers to the management of the Corporation and its wholly-owned subsidiaries.

“**Management Agreement**” means the management agreement dated June 1, 2011, in respect of Medical Facilities America among the Corporation, Medical Facilities America and the SFSH Subco.

“**Medical Facilities America**” or “**MFA**” means Medical Facilities America, Inc., a Delaware corporation.

“**Medical Facilities America Holdco 1**” or “**MFA Holdco 1**” means Medical Facilities America Holdco 1 LLC, a Delaware partnership.

“**Medical Facilities America Holdco 2**” or “**MFA Holdco 2**” means Medical Facilities America Holdco 2 LLC, a Delaware partnership.

“**Medical Facilities Holdings**” or “**MFH**” means Medical Facilities (USA) Holdings, Inc., a Delaware corporation (as successor by conversion to Medical Facilities USA).

“**Medical Facilities USA**” means Medical Facilities Holdings (USA), LLC, a Delaware limited liability company.

“**MFC**” means Medical Facilities Corporation, a corporation continued under the laws of British Columbia.

“**MFC Hospital Management**” refers to the management of the MFC Partnerships, or of a particular MFC Partnership, where indicated.

“**MFC Hospital**” or “**MFC Hospitals**” means, individually and collectively, the specialty surgical hospitals owned by each of ASH, OSH, and SFSH, which are licensed under applicable law as specialty hospitals.

“**MFC Nueterra ASC**” or “**MFC Nueterra ASCs**” means, individually or collectively, Brookside, City Place, Miracle Hills, Eastwind Surgical, and Riverview.

“**MFC Nueterra Partnership**” means MFC Nueterra Holding Company, LLC, a Delaware limited liability company, dissolved on June 2, 2025, which was a partnership between Medical Facilities Holdings and Nueterra MF Holdings, LLC, in which Medical Facilities Holdings owned a 90.0% interest, and Nueterra MF Holdings, LLC owned a 10.0% interest.

“**MFC Partnership**” or “**MFC Partnerships**” means, individually and collectively, ASH, OSH, and SFSH.

“**Miracle Hills**” means Miracle Hills Surgery Center, LLC, a Delaware limited liability company, which was sold on July 31, 2023.

“**MRI**” means magnetic resonance imaging.

“**OIG**” means the Office of Inspector General for the United States Department of Health and Human Services.

“**Original Exchange Agreement**” means the agreement dated March 29, 2004, among the Corporation, Medical Facilities USA and the SFSH Subco providing for the Exchangeable Interests in SFSH.

“**OSH**” means Oklahoma Spine Hospital, LLC, an Oklahoma limited liability company.

“**OSH Agreement**” means the membership interest purchase agreements dated January 30, 2026, with respect to the OSH Sale Transaction.

“**OSH Exchange Agreement**” means the agreement dated June 21, 2005, among the Corporation, Medical Facilities USA and OSH’s related Subco providing for the Exchangeable Interests in OSH.

“**OSH Sale Transaction**” means the sale of the Corporation’s interest in OSH described under “General Development of the Business – Three Year History – Subsequent Developments”.

“**Partnership Agreement**” in respect of an MFC Partnership means the partnership agreement or operating agreement between the related Subco or Holdco, as applicable, and Medical Facilities Holdings or its predecessor, as applicable.

“**PPOs**” means preferred provider organizations.

“**PSU Plan**” means the Corporation’s Amended and Restated Performance Share Unit Plan, effective March 11, 2020, providing for the issuance of share units to eligible participants.

“**Retained Interest**” means the 49.0% partnership interest held by each Subco or Holdco, as applicable, in its related MFC Partnership prior to any exchange of Exchangeable Interests.

“**Riverview**” means Riverview Ambulatory Surgical Center, LLC, a Delaware limited liability company, which was dissolved on November 7, 2024.

“**RSUs**” means a right of a participant under the RSU Plan to receive an amount of money equal to the value of Common Shares subject to and in accordance with the terms of the RSU Plan and an award letter.

“**SCNC**” means The Surgery Center of Newport Coast, LLC, a Delaware limited liability company.

“**SCNC Agreement**” means the membership interest purchase agreement dated December 31, 2025, with respect to the SCNC Sale Transaction.

“**SCNC Sale Transaction**” means the sale of the Corporation’s interest in SCNC, as described in the section entitled “General Development of the Business – Three Year History – 2025”.

“**Second Amended RSU Plan**” means the Corporation’s Second Amended and Restated Restricted Share Unit Plan, effective June 26, 2025, providing for the issuance of RSUs to eligible participants.

“**SFSH**” means Sioux Falls Specialty Hospital, LLP, a South Dakota limited liability partnership.

“**SFSH Holding Entity**” means the South Dakota limited liability company that holds 100% of the membership interests in SFSH.

“**SFSH Subco**” means the South Dakota limited liability company that holds a 49.0% partnership interest in SFSH (prior to any exchange of Exchangeable Interests).

“**specialty hospital**” means a hospital that is licensed as a specialty or specialized hospital.

“**Spine Hospital**” means the surgical facility owned by OSH, which is licensed under Oklahoma Law as a specialty hospital.

“**St. Luke’s ASC**” means St. Luke’s Surgery Center of Chesterfield, LLC, a Delaware limited liability company, which was sold on July 1, 2023.

“**Stock Option Plan**” means the Corporation’s Stock Option Plan, which received shareholder and regulatory approval in May 2017.

“**Subco**” in respect of an MFC Hospital (other than ASH) means the South Dakota or Oklahoma limited liability company that holds a 49.0% partnership interest in its related MFC Partnership (prior to any exchange of Exchangeable Interests).

“**Subco and Holdco Operating Agreements**” in respect of an MFC Partnership means the operating agreement or limited partnership agreement between Medical Facilities Holdings or its predecessor, as applicable, the related Subco or Holdco and the related Holding Entity, as applicable.

“**surgical facilities**” means medical facilities where surgical procedures are performed which include ASCs, specialty hospitals and general hospitals.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, in each case in effect on the date hereof.

“**TSX**” means the Toronto Stock Exchange.

## MEDICAL FACILITIES CORPORATION

### ANNUAL INFORMATION FORM

#### GENERAL

The information, including any financial information, disclosed in this Annual Information Form is stated as at December 31, 2025 or for the year ended December 31, 2025, as applicable, unless otherwise indicated. **Certain capitalized terms used in this Annual Information Form have the meaning set out in the “Glossary of Terms”.** Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars and references to “\$” are to the lawful currency of the United States.

Certain statements in this Annual Information Form may constitute “forward-looking statements”, which reflect the expectations of Management and MFC Hospital Management regarding business strategy, capital expenditures, results of operations, performance and business prospects and opportunities of the Corporation, Medical Facilities America, Medical Facilities Holdings, the MFC Partnerships and other subsidiaries of the Corporation referenced herein. Such forward-looking statements reflect Management’s and MFC Hospital Management’s current beliefs and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed in the section entitled “Risk Factors”. Although the forward-looking statements contained in this Annual Information Form are based on what Management and MFC Hospital Management believe are reasonable assumptions, the Corporation, Medical Facilities America, Medical Facilities Holdings and the MFC Partnerships cannot assure investors that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this Annual Information Form and none of the Corporation, Medical Facilities America, Medical Facilities Holdings, the MFC Partnerships and other subsidiaries of the Corporation or their respective management assumes any obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

#### CORPORATE STRUCTURE

##### Medical Facilities Corporation

Medical Facilities Corporation was incorporated under the *Business Corporations Act* (Ontario) on January 12, 2004 and was continued under the laws of the Province of British Columbia on May 16, 2005. The registered office of the Corporation is located at 1066 West Hastings Street, Suite 2600, Vancouver, British Columbia, and the head office of the Corporation is located at 4576 Yonge Street, Suite 701, Toronto, Ontario.

The Corporation was originally established to hold 100% of the membership interests in Medical Facilities USA. On May 31, 2011, the Corporation converted from an IPS structure to a traditional common share structure pursuant to the Arrangement. Concurrently with the Arrangement, the Corporation undertook a restructuring of its U.S. corporate structure. The Common Shares are listed and posted for trading on the TSX under the symbol “DR”.

##### Medical Facilities America

Medical Facilities America, Inc. was incorporated under the laws of the State of Delaware on May 19, 2011. The registered office of Medical Facilities America is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, and the head office is located at 214 Overlook Circle, Suite 200, Brentwood, Tennessee. Medical Facilities America is a wholly-owned subsidiary of the Corporation.

##### Medical Facilities America Holdco 1

Medical Facilities America Holdco 1 LLC was formed under the laws of the State of Delaware on July 2, 2019 as part of the 2019 Internal Reorganization. The registered office of Medical Facilities America Holdco 1 is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, and the head office is located at

214 Overlook Circle, Suite 200, Brentwood, Tennessee. Medical Facilities America holds common units, and the Corporation holds preferred units of Medical Facilities America Holdco 1.

### **Medical Facilities America Holdco 2**

Medical Facilities America Holdco 2 LLC was formed under the laws of the State of Delaware on July 2, 2019 as part of the 2019 Internal Reorganization. The registered office of Medical Facilities America Holdco 2 is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, and the head office is located at 214 Overlook Circle, Suite 200, Brentwood, Tennessee. Medical Facilities America Holdco 2 is a wholly-owned subsidiary of Medical Facilities America Holdco 1.

### **Medical Facilities Holdings**

Medical Facilities (USA) Holdings, Inc. was converted to a Delaware corporation on June 1, 2011 pursuant to the Conversion. Prior to the Conversion, Medical Facilities Holdings was a Delaware limited liability company under the name of Medical Facilities Holdings (USA), LLC. The company was formed on March 12, 2004 for the purpose of acquiring a 51.0% partnership interest in each of SFSH and BSHS. The registered office of Medical Facilities Holdings is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, and the head office is located at 214 Overlook Circle, Suite 200, Brentwood, Tennessee. Medical Facilities Holdings is a wholly-owned subsidiary of Medical Facilities America Holdco 2.

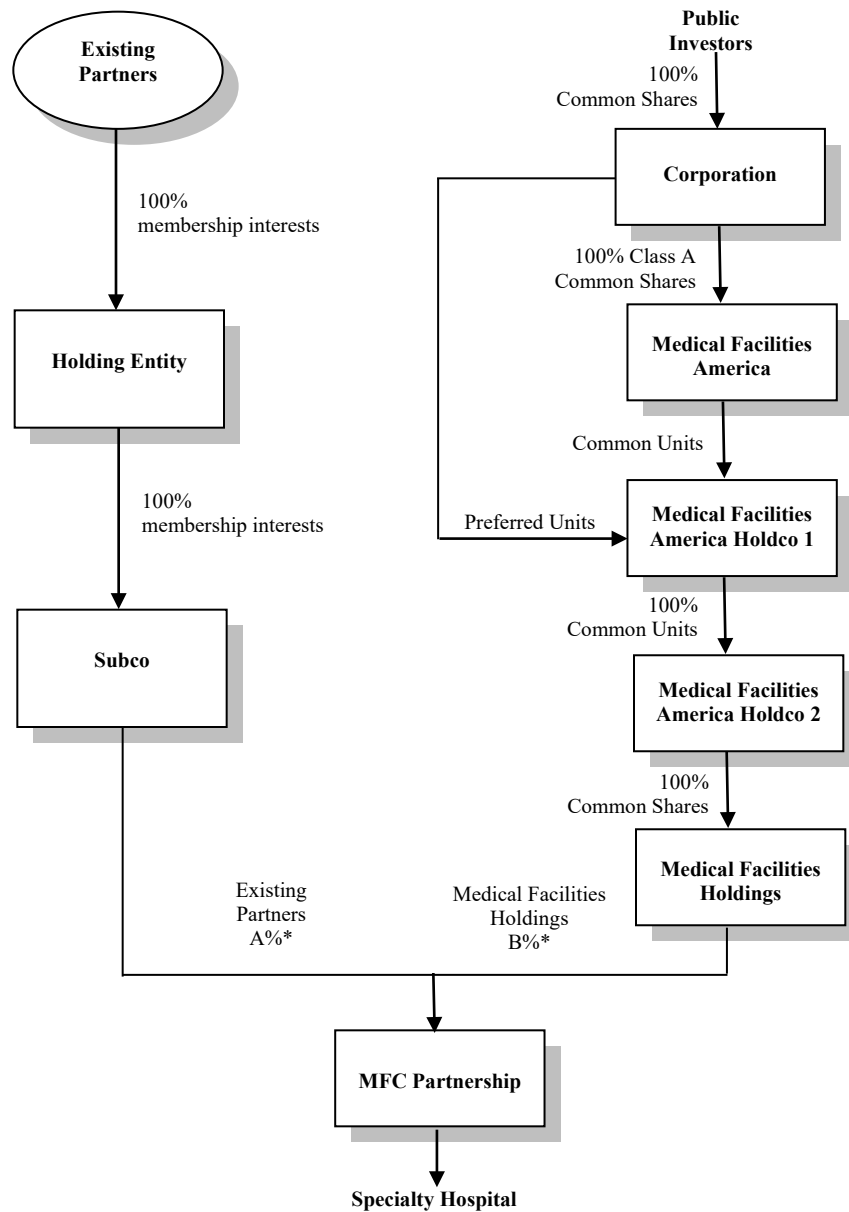
### **MFC Partnerships**

Jurisdiction and form of incorporation, and the registered and head office of each MFC Partnership are as follows:

<u>MFC Partnership</u>	<u>Jurisdiction and Form of Incorporation</u>	<u>Registered and Head Office</u>
<u>Specialty Hospitals</u>		
ASH	Arkansas limited liability company	5201 North Shore Drive North Little Rock, Arkansas
OSH	Oklahoma limited liability company	Two Leadership Square, 10 <sup>th</sup> Floor 211 North Robinson Oklahoma City, Oklahoma
SFSH	South Dakota limited liability partnership	910 East 20 <sup>th</sup> Street Sioux Falls, South Dakota

### Ownership Structure

The following chart illustrates the ownership structure of each MFC Hospital (other than ASH, which has no Subco in its ownership structure but rather has the applicable Holding Entity directly holding its Retained Interest in ASH):



(\*) Breakdown of ownership in the MFC Partnerships. Percentage A represents the Retained Interest, comprised of an Exchangeable Interest and a 35.0% Continuing Interest (except in the case of ASH, in which the Continuing Interest is 44.0%), beneficially owned by the Existing Partners through their membership interests in their related Holding Entity and Subco. Percentage B represents the partnership interest in each MFC Partnership held by Medical Facilities Holdings.

MFC Partnership	A%	B%
ASH	49.0%	51.0%
OSH	36.0%	64.0%
SFSH	49.0%	51.0%

## GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation's operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, the Corporation owns controlling interests in three MFC Partnerships, each of which own a specialty hospital. The Corporation derives substantially all of its income from its specialty hospitals.

### Three Year History

#### 2023

On April 21, 2023, Mr. James Rolfe, the Corporation's Chief Development Officer, resigned from the Corporation.

On May 5, 2023, clinical operations were permanently closed at Eastwind Surgical, and the legal entity was subsequently dissolved on February 18, 2024.

On June 30, 2023, clinical operations were permanently closed at Riverview, and the legal entity was subsequently dissolved November 7, 2024.

On July 1, 2023, Medical Facilities Holdings sold all of its 30.3% controlling ownership interest in City Place, together with its 28.0% non-controlling ownership interest in St. Luke's ASC, for combined proceeds of \$1.4 million. The buyer also assumed St. Luke's ASC's debt of \$5.0 million and released Medical Facilities Holdings from its pro-rata guarantee.

On July 31, 2023, Medical Facilities Holdings sold all of its 58.7% controlling ownership interest in Miracle Hills for proceeds of \$1.0 million.

On August 25, 2023, Medical Facilities Holdings sold all of its 49.6% controlling ownership interest in Brookside for proceeds of \$1.1 million.

Following the above sales and closures, Medical Facilities Holdings completed the divestiture or discontinuance of all MFC Nueterra ASCs. In addition, the management services agreement between MFC Nueterra Partnership and NueHealth, LLC was terminated effective September 30, 2023. MFC Nueterra Partnership is governed by an amended and restated limited liability company agreement dated January 12, 2018, and its subsequent amendments (the "**MFC Nueterra Partnership Operating Agreement**"). The MFC Nueterra Partnership Operating Agreement remains in effect but following the divestiture and closure of all of the MFC Nueterra ASCs, it is no longer a material agreement.

On October 21, 2023, Mr. Jason Redman was appointed to the permanent positions of President and Chief Executive Officer of the Corporation and its corporate subsidiaries.

#### 2024

On May 9, 2024, the Corporation announced an 11.8% increase to its quarterly dividend to Cdn\$0.0900 per Common Share commencing with the second quarter dividend payable to the shareholders of record at the close of business on June 30, 2024.

On November 8, 2024, the 2022 Credit Facility was amended and restated to an amount of \$50 million from \$75 million, inclusive of a \$25 million swingline.

On November 15, 2024, Medical Facilities Holdings sold all of its 54.2% ownership interest in BSHS to Sanford Health for net proceeds of \$96.1 million (the "**BSHS Sale Transaction**").

On November 26, 2024, Mr. Michael Gisser, stepped down as a member of the Audit Committee of the Corporation (the "**Audit Committee**") and as Chair of the Board. The Board appointed Ms. Adina Storch as the new independent Chair of the Board.

## **2025**

On March 3, 2025, Mr. Yanick Blanchard resigned from the Board and as the Chair of the Audit Committee, and the Board appointed two new directors, Mr. Peter Brimm and Mr. Jeremy Klaperman. Mr. Brimm was appointed as a member of the Audit Committee and Mr. Klaperman was appointed as the Chair of the Audit Committee.

On March 27, 2025, Ms. Erin Enright and Dr. Reza Shahim resigned from the Board.

On April 25, 2025, the Board reconstituted the Corporation's Corporate Governance, Nominating and Compensation Committee (the "**CGNC Committee**"), which had previously been dissolved on July 3, 2024, and Mr. Brimm was appointed Chair of the CGNC Committee.

On June 2, 2025, Medical Facilities Holdings dissolved its 90.0% membership interest in MFC Nueterra Partnership.

On August 6, 2025, the Corporation entered into a credit agreement (the "**2025 Credit Facility**") among the Corporation, Medical Facilities America, Inc. and Medical Facilities (USA) Holdings Inc. (as borrowers) and a financial institution (as lender) for a \$40 million revolving credit facility, inclusive of a \$25 million swingline, with a maturity date of August 4, 2028, as amended on January 30, 2026. The 2025 Credit Facility replaces the \$50 million 2022 Credit Facility agreement, which terminated on August 6, 2025.

On December 31, 2025, the Corporation sold its 51.0% ownership shares in SCNC (the "**SCNC Sale Transaction**") to Newport Center GK, LLC for cash proceeds of \$1.5 million.

The Corporation regularly implements normal course issuer bids ("**NCIBs**") to repurchase its Common Shares. Since its IPO and through December 31, 2025, the Corporation has repurchased an aggregate of 14,968,184 Common Shares/IPs for cancellation, including 3,053,097 Common Shares purchased and cancelled under the 2022 SIB Offer and 3,374,313 Common Shares purchased and cancelled under the 2025 SIB Offer. In November 2025, the Corporation received TSX approval to make an NCIB to repurchase up to 1,805,324 of its outstanding Common Shares, representing 10.0% of the Corporation's public float of 18,053,249 Common Shares as of November 18, 2025. The Corporation may purchase the Common Shares at prevailing market prices during the period from December 1, 2025 to November 30, 2026 through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems in accordance with applicable regulatory requirements. Purchases will be made at market prices in accordance with the rules and policies of the TSX. Subject to the TSX's block purchase exceptions, daily purchases will be limited to 5,569 Common Shares on any trading day, representing 25.0% of the average daily trading volume of 22,277 Common Shares for the six months prior to December 1, 2025. All securities purchased by the Corporation under the NCIB will be cancelled. Shareholders may obtain a copy of the Notice of Intention to Make a Normal Course Issuer Bid, without charge, by contacting the Corporation.

### ***Subsequent Developments***

On February 2, 2026, the Corporation announced that it had completed the sale of its 64.0% ownership interest in OSH (the "**OSH Sale Transaction**"), effective January 30, 2026, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for cash proceeds of \$46.0 million, subject to customary adjustments.

## **DESCRIPTION OF THE BUSINESS**

### **Business of the Corporation and its Corporate Subsidiaries**

Neither the Corporation nor its wholly-owned subsidiaries (Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, and Medical Facilities Holdings) have any ongoing business operations of their own. Medical Facilities Holdings holds a 51.0% partnership interest or greater in each MFC Partnership. The Corporation and its wholly-owned subsidiaries depend on the operations and assets of the MFC Hospitals for cash distributions on Medical Facilities Holdings' partnership interests in the MFC Partnerships to fund dividends and, where applicable, interest payments on intercompany interests.

Although the business and operations of each MFC Hospital are under the operational control and direction of management of each facility, Medical Facilities Holdings exercises control and general oversight over these

facilities through contractual rights which provide that certain matters are subject to the approval of the Medical Facilities Holdings board of directors, including any reduction in distributions, certain budgeting matters, material deviations from budget and specified fundamental transactions.

The Board consists of five members, the majority of whom are independent from the Corporation and its subsidiaries. As at the date of this Annual Information Form, the boards of directors of Medical Facilities America and Medical Facilities Holdings each consist of seven members, three of whom are independent from Medical Facilities America, Medical Facilities Holdings and the MFC Partnerships. Five of the directors are nominees of the Corporation with the remaining directors being nominees of SFSH. Medical Facilities America has the right to appoint the majority on the board of managers of Medical Facilities America Holdco 1. Medical Facilities America Holdco 1 has the right to appoint the majority on the board of managers of Medical Facilities America Holdco 2. The Corporation therefore controls the composition of these companies' boards.

The board of directors and Management of Medical Facilities Holdings are responsible for administering the affairs of Medical Facilities Holdings, working co-operatively with the Corporation to identify and implement operational best practices, assisting the MFC Hospitals to realize potential synergies among them, and identifying strategic opportunities.

## **Business of the MFC Hospitals**

### ***Business Overview***

The MFC Partnerships own and operate the MFC Hospitals. Each MFC Hospital is a licensed speciality surgical hospital that performs scheduled (as opposed to emergency) surgical, imaging, and diagnostic procedures. The MFC Hospitals do not offer the full range of services typically found in traditional hospitals but instead focus on a limited number of clinical specialties, including: orthopedic, ear, nose and throat, neurosurgery and other surgical procedures. The three MFC Hospitals are located as follows: one is located in Arkansas, one is located in Oklahoma, and one is located in South Dakota. Collectively, the MFC Hospitals have 35 operating rooms, 99 overnight stay rooms, 5 procedure rooms, 444 physicians with medical staff privileges, and a clinical staff of 852.

A detailed description of MFC Hospitals is set forth under the section entitled "Description of the Business – Business of the MFC Hospitals – Hospitals, Markets Served and Competitors".

The MFC Hospitals focus on providing high quality surgical facilities that meet the needs of their patients, physicians, and payors better than competing surgical facilities in their markets. MFC Hospital Management believes that their facilities:

- enhance the quality of care and the healthcare experience of patients;
- offer significant administrative, clinical, and professional benefits to physicians;
- offer a competitive alternative to payors; and
- are well positioned to grow by taking advantage of the increasing demand for surgical procedures.

The business model of the MFC Hospitals has been developed to encourage physicians to practice at the MFC Hospitals. The scheduling, staffing, clinical procedures, and protocols at each MFC Hospital are designed to increase physician productivity and professional fee potential. MFC Hospital Management believes that a high level of physician satisfaction and the provision of high-quality healthcare in a non-institutional and convenient environment for patients, combined with favourable demographic trends and ongoing medical advancements, will continue to increase the number and complexity of procedures performed at the MFC Hospitals each year.

By successfully executing a business strategy that emphasizes patient and physician satisfaction and operating efficiency, on a combined basis the MFC Hospitals have continued to experience growth in revenues attributable to higher case volumes and acuity of care.

SFSH has urgent care operations that are designed to diversify the services offered to a broader market and to enhance brand loyalty. Urgent care services are provided to the broader section of mostly local patients by specialized staff, in specially designed and constructed facilities separate from the surgical hospitals. SFSH's urgent care facility primarily treats injuries or illnesses requiring immediate care, but not serious enough to require an emergency room visit. These services are priced differently than surgical procedures.

### ***Growth and Business Strategies***

Management is committed to increasing shareholder value, primarily through continued organic growth at the MFC Hospitals. Management and MFC Hospital Management intend to continue to maintain and enhance the operating efficiency of each MFC Hospital by executing the following business strategies:

- *Attract and Retain Quality Healthcare Professionals.* The MFC Partnerships intend to continue to attract and retain quality healthcare professionals. MFC Hospital Management believes that the MFC Partnerships have been successful in attracting and retaining quality physicians because of the ownership and management structure and the staffing, scheduling and clinical procedures and protocols in place which are designed to increase a physician's productivity and professional fee income, promote his or her professional success, provide control over his or her practice, and enhance the quality of patient care.
- *Maintain and Enhance Operating Margins and Efficiency.* The clinical and operational procedures in place at each MFC Hospital are designed to maximize operational efficiencies. By focusing on a limited number of specialized procedures, the MFC Hospitals are able to develop and implement clinical and administrative best practices which increase physician productivity. Each MFC Hospital intends to continue to refine its case mix in an effort to enhance its operating efficiency. Management is responsible for identifying and achieving potential synergies among the MFC Hospitals, including the implementation of best practices, standardizing reporting and information systems and equipment and supplies, participating in group purchasing programs, and consolidating the MFC Hospitals' benefit programs.
- *Proactive Marketing.* The MFC Hospitals will continue to undertake proactive marketing activities directed at physicians, other healthcare providers, patients, and payors. These activities generally emphasize the benefits offered by the individual MFC Hospital compared to other healthcare facilities in their respective markets, such as the ability to schedule consecutive cases without pre-emption by emergency procedures, the efficient turnaround time between cases, the simplified administrative procedures utilized at each MFC Hospital and the overall patient satisfaction. The MFC Hospitals also market their hospitals directly to payors, including HMOs, PPOs and other managed care organizations, employers, and other payors. Payor marketing activities conducted by the MFC Hospitals emphasize the high quality of care, cost advantages and convenience of the facilities.
- *Expansion of Procedures and Facilities.* The MFC Hospitals will endeavour to increase revenues and operating efficiency by the disciplined introduction of new service lines and more complex surgical and pain management procedures.

### ***Competitive Strengths***

Management believes that the MFC Partnerships are successfully capitalizing on an attractive market opportunity in the healthcare industry. There are a number of competitive strengths that have contributed to the strong historical financial performance at each MFC Partnership which Management believes will continue to sustain the MFC Hospitals' financial performance and provide a platform for future growth:

- *Physician Preference.* Physician loyalty is key to the success of the MFC Hospitals. Physicians prefer practicing at the MFC Hospitals because they are able to increase the number of procedures they perform in a given period relative to a traditional hospital setting, thereby maximizing their efficiency and increasing professional fee potential.

- *Patient Preference.* The clinical and administrative procedures in place at each MFC Hospital are designed to improve the patient experience and ensure a high degree of patient satisfaction. Management believes that patients prefer the MFC Hospitals over traditional hospitals and other surgical facilities because they offer the comfort of a less institutional environment, a high level of customer service and convenience, simplified administration procedures and greater scheduling flexibility while providing high quality patient care. MFC Hospitals consistently rank high in industry-leading surveys and studies of patient satisfaction.
- *Payor Preference.* The MFC Hospitals offer payors a competitive alternative to traditional hospitals and enable them to offer their members a greater degree of choice for surgical, imaging, and diagnostic procedures.
- *Established Reputation.* Each MFC Hospital is well established in its service area. The MFC Hospitals operated by ASH, OSH and SFSH have been in operation for 20, 26, and 40 years, respectively. MFC Hospital Management believes that the reputation of the MFC Hospitals for providing high quality clinical outcomes and excellent patient service has provided the MFC Hospitals with the ability to attract quality physicians and additional patients to the MFC Hospitals.
- *Strong and Experienced Management.* The MFC Hospitals have strong and experienced management teams focused on providing high quality care and physician and patient satisfaction. The physician dominated management structure ensures a high level of operational efficiency and assists the MFC Hospitals in attracting and retaining physicians. The executive officers of the MFC Hospitals collectively have an average of almost 13 years of experience in healthcare administration. Management and the members of the Board have extensive financial and corporate development experience and extensive relationships throughout the healthcare industry.

### ***Hospitals, Markets Served and Competitors***

#### *Arkansas Surgical Hospital*

ASH is located in North Little Rock, Arkansas. Arkansas has a population of 3,114,791 (U.S. Census Bureau 2025 estimate). Management believes that the market served by ASH is attractive for the following reasons:

- *Specialization.* Management believes that ASH's predominant focus on orthopedic surgery, spine disorders and injuries, and pain management will allow it to continue to be able to compete effectively over competing facilities.
- *Established Reputation.* ASH has been in operation for 20 years and has a well-established reputation in North Little Rock and the vicinity. Management believes that ASH's reputation for providing high quality care and excellent patient outcomes has enabled it, and will continue to enable it, to attract physicians and patients.

ASH has been operating as a licensed surgical hospital since April 2005 and specializes predominantly in orthopedics, spine and pain management procedures. ASH operates a 126,000 square foot facility with 41 overnight rooms which accommodate 47 beds, 13 operating rooms, two procedure rooms and a clinical staff of 291. There are currently 141 physicians who have medical staff privileges at ASH.

ASH utilizes two second-generation ROSA robots designed to help surgeons tailor the placement of patients' knee implants. This technology uses data collected before and during surgery to inform the surgeon of many details related to patient's unique anatomy that may affect their implant fit. This allows the surgeon to plan for and carry out a personalized surgery based upon the patient's needs, which when paired with physician expertise, provides a higher level of surgical outcomes for ASH's patients.

ASH leases the facility building from Broadstone Net Lease, a related party. Certain minority owners of ASH are also minority owners of Broadstone Net Lease.

ASH's competitors for physicians, employees, and patients in the Little Rock area include Baptist Health Medical Center-Little Rock, which operates as a primary care hospital and has an orthopedic institute, CHI St. Vincent, a faith-based, not-for-profit organization providing cardiovascular, orthopedic, spine and women's health services, UAMS Medical Center, a teaching hospital and Level I trauma center, as well as numerous other specialty hospitals and ASCs, including OrthoArkansas Surgery Center.

#### *Oklahoma Spine Hospital*

OSH is located in Oklahoma City, the state capital of Oklahoma. Oklahoma City has a population of 712,919 (U.S. Census Bureau 2024 estimate) and the State has a population of 4,123,288 (U.S. Census Bureau 2025 estimate). Management believes that the market served by OSH is attractive for the following reasons:

- *Specialization.* Although OSH competes with traditional hospitals, ASCs and other specialty hospitals to attract physicians, employees and patients, OSH is the only facility in the Oklahoma City metropolitan area that focuses on the treatment of disorders of the spine. Management believes that OSH's focus on spine disorders and injuries as well as pain management, neurosurgery and orthopedic surgery will allow it to continue to be able to compete effectively over competing facilities.
- *Established Reputation.* OSH has been in operation for 26 years and has a well-established reputation in central and western Oklahoma. Management believes that OSH's reputation for providing high quality care and excellent patient outcomes has enabled it, and will continue to enable it, to attract physicians and patients.

OSH has been operating as a licensed hospital since December 1999 and focuses on a limited number of clinical and surgical specialties, including neurosurgery and pain management. OSH operates a 61,000 square foot facility with seven operating rooms, two pain management procedure rooms, 25 private patient rooms with 25 pre-op and post-op outpatient beds, a category IV emergency services room, and a clinical staff of 213. There are currently 206 physicians who have medical staff privileges at OSH.

OSH utilizes a Mazor robot for robotic-guided spine surgery, which allows surgeons to quickly visualize anatomy and spinal structures in relation to one another. This provides surgeons with access to plan and simulate spinal cages and screws in advance, with the goal of increasing efficiencies and surgical precision.

OSH leases the facility and the underlying land from Memorial Property Holdings, LLC, a company owned by certain physicians who own the Retained Interest in OSH. The lease term expired in November 2025 and is currently month-to-month.

OSH is located in a major metropolitan center and competes with traditional hospitals, ASCs and other specialty hospitals to attract physicians, employees and patients. OSH's main competitors in Oklahoma City include Community Hospital, a physician-owned multi-specialty hospital, Mercy Hospital Oklahoma City, specializing in the treatment of cancer and stroke, breast imaging, robotic surgery and research, and McBride Orthopedic Hospital, a physician-owned full-service orthopedic hospital.

#### *Sioux Falls Specialty Hospital*

Opened in 1985, SFSH has established itself as a leader in both patient satisfaction and surgical outcomes within the region, located in the heart of Sioux Falls, South Dakota, servicing a largely rural market. South Dakota has a population of 935,094 (U.S. Census Bureau 2025 estimate). SFSH is a multi-specialty hospital licensed for 33 overnight patient rooms, 15 surgical suites, and one procedure room. The hospital, after expansion and renovation to both patient rooms and operating room suites, encompasses approximately 97,000 square feet and is equipped to accommodate new technology for the enhancement of patient care. SFSH employs 348 clinical staff, who support the current roster of 97 physicians who have medical privileges at the facility. SFSH services patients throughout South Dakota and surrounding states, including parts of Minnesota, Iowa, Nebraska, North Dakota, Wyoming, and Montana. Management believes that the markets served by the SFSH are attractive for the following reasons:

- *Smaller Markets.* These communities have smaller populations with fewer hospitals and other healthcare service providers. Management believes that the smaller populations and relative significance of the one

or two traditional hospitals in these markets may discourage the entry of other surgical facilities, including ASCs, as well as rehabilitation and diagnostic and imaging centers.

- *More Favourable Payment Environment.* The lower number of healthcare providers in these markets limits the ability of managed care organizations to create price competition among local healthcare providers. Consequently, SFSH can often negotiate reimbursement rates with managed care plans that are more favourable, in general, than those available in urban markets.

As the Sioux Falls region continues to grow, SFSH has strategically assessed areas of opportunity to improve the medical community. With the current roster of orthopedics, urology, ear, nose and throat, neurosurgery, plastic surgery, gastroenterology, general surgery, ophthalmology, dental, and pain procedures, SFSH has also added vascular cases to the surgical roster in an effort to accommodate physician partners and provide care to new patient streams.

Imaging services continue to grow as SFSH replaced its 3T MRI in 2023 with an enhanced version that allows for quicker scan times and enhanced technology for imaging quality. This new machine along with SFSH's Open Upright MRI and CT allows the hospital to complement the surgical lines of service. The imaging services are located along with the pain management program in SFSH's pain clinic building that has over 9,000 square feet of clinical and diagnostic space.

In 2020, SFSH became the first facility in the Sioux Falls region to purchase a second-generation ROSA robot which it utilizes to help orthopedic surgeons tailor the placement of patient's knee implants. This technology uses data collected before and during surgery to inform the surgeon of many details related to the patient's unique anatomy that may affect their implant fit. SFSH also utilizes the Mako SmartRobotics System, which uses a 3D CT-based planning software allowing the surgeon to better understand the patient's anatomy and create a personalized joint replacement program. Both robots allow the surgeon to be more precise and provide outstanding patient outcomes. In addition, SFSH utilizes the da Vinci Surgical System for precise surgical treatment in general and urological cases, allowing surgeons to perform cases that were being done elsewhere in the community.

In 2017, Sioux Falls Urgent Care ("SFUC") opened as a complement to the hospital's surgical services. Open seven days a week, SFUC offers high quality, time sensitive, affordable care for non-emergency illness and injuries. SFSH also continues to operate an Occupational Medicine clinic that addresses work related cases, including pre-employment physicals, workers compensation claims, and U.S. Department of Transportation drug testing.

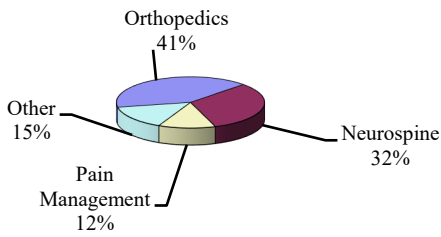
The medical landscape of Sioux Falls is highly competitive, with two large traditional hospitals that are regional and based out of Sioux Falls. Both hospitals provide all modalities of service and are continually developing multiple programs, including orthopedics. There are also a non-surgical pediatric hospital, a veterans' hospital, and specialty cardiac hospital. Also located in Sioux Falls and the surrounding region are a host of clinic services that are primarily owned and operated by the two large hospital systems and offering services in most specialties. Overall, the medical industry is one of the primary economic drivers for Sioux Falls as it encompasses a population of 209,289 (U.S. Census Bureau 2024 estimate) and attracts patients from all over South Dakota as well as Iowa, Minnesota, and Nebraska.

### ***Case Mix***

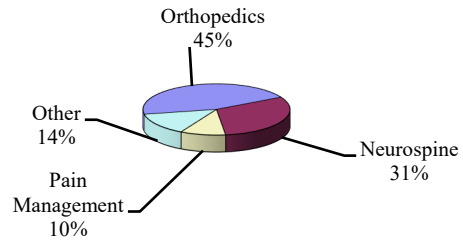
The MFC Hospitals focus on a limited number of high-volume non-emergency surgical procedures and diagnostic and imaging services. The case mix at each MFC Hospital is a function of the clinical specialties of the physicians on the medical staff and the equipment and infrastructure at each facility. Each of the MFC Hospitals intends to continue to refine its case mix as opportunities arise.

The following charts outline the percentage of gross revenue per major specialty generated in 2024 and 2025 at the MFC Hospitals.

**Case Mix  
(2024 Patient Gross Revenue)**



**Case Mix  
(2025 Patient Gross Revenue)**



Management of each MFC Hospital will continue to implement the business strategies and operating efficiency through the adoption of best practices that are aimed at increasing the utilization of each MFC Hospital.

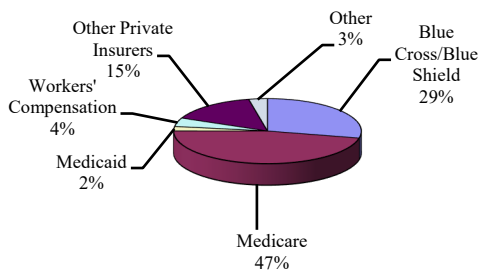
Management believes that historical levels of growth at the MFC Hospitals were achieved substantially through increasing procedure volume and by focusing on clinical specialties that enhance operating efficiency and productivity. Management believes that through further refinement of scheduling, incremental growth in the near term can be achieved without any significant infrastructure improvements or extension of current operating hours.

**Revenue Model and Payor Mix**

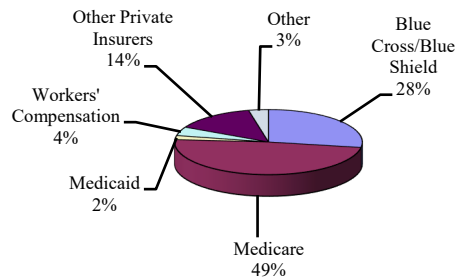
Fees earned by the MFC Hospitals vary depending on the surgical procedure or related service performed and who is paying for the services. Revenues are generated and separately invoiced on a per-procedure basis. Generally, there are at least two fees for most surgical procedures and diagnostic and imaging services performed at the MFC Hospitals — a facility fee and a professional fee. The facility fee is paid directly to the MFC Hospital for the use of its infrastructure, surgical equipment, nursing staff, non-surgical professional services, and other support services. Generally, professional fees are paid directly to the physician(s) performing the procedure and are not included in the revenue or expenses of the MFC Hospitals, except for certain fees for MRI and CT scans and anesthesia services that are paid directly to the MFC Hospitals. Overall revenue depends on patient occupancy levels, imaging, diagnostic and surgical procedure volumes, case mix and the payment rates of the respective payors.

The MFC Hospitals receive payments for the imaging, diagnostic and surgical procedures, and related services they provide from public and private health insurance plans, workers’ compensation and directly from patients. The following charts outline the percentage of patient gross revenue generated in 2024 and 2025 from each primary payor group, which have remained relatively stable over the past five years.

**Payor Mix  
(2024 Patient Gross Revenue)**



**Payor Mix  
(2025 Patient Gross Revenue)**



**Note:** The above charts are based on the primary payor group. Co-payment and deductible obligations paid directly by or on behalf of the patient are included as revenue attributed to the primary payor. For example, if a patient has a \$500 deductible or co-payment under their insurance plan, this amount is included in the private insurance category notwithstanding the fact that the patient pays this fee directly to the MFC Hospital.

The majority of patient service revenues generated by the MFC Hospitals are based on payments received from private or public insurance plans, including managed care plans and self-insured employer plans. The majority of the U.S. population is covered by some form of insurance plan, including health maintenance organizations (HMOs) and preferred provider organizations (PPOs), generally obtained through the workplace. Managed care plans provide comprehensive health services to their members and frequently offer financial incentives for patients to use healthcare providers who are associated with the plan. Managed care plans and other private insurers typically negotiate discounted fee structures for surgical procedures with healthcare providers in an effort to control healthcare costs. The MFC Hospitals are well positioned to compete for surgical procedures and related services in this environment.

Government-funded public healthcare plans include Medicare and Medicaid. Medicare is a federal program that provides medical insurance benefits to persons age 65 and over, some disabled persons, and persons with end-stage renal disease. Medicaid is a federal-state funded program, administered by the states, which provides medical benefits to low-income individuals. The MFC Hospitals are participating providers for both Medicare and Medicaid services. Payments derived for services rendered to Medicare and Medicaid beneficiaries are generally lower than the customary fees charged by the MFC Hospitals to private insurance plans for similar services. Medicare's pricing model is a prospective payment system based on fixed payment rates. Amounts paid for procedures and related services under a prospective payment system are established by federal regulation and are not based on the costs incurred by the provider. As such, Medicare payment rates are established for each surgical procedure. Similarly, payments for services rendered to Medicaid beneficiaries are determined in accordance with procedures and standards established by state laws and federal guidelines.

The MFC Hospitals receive a relatively small proportion of their revenue directly from uninsured patients. In addition, insured patients are responsible for services not covered by their health insurance plans, and for deductibles, co-payments, and co-insurance obligations under their plans. The amount of these deductibles, co-payments and co-insurance obligations has increased in recent years but does not represent a material component of the revenue generated by the MFC Hospitals.

The diversity and credit strength of the MFC Hospitals' payor mix has led to a bad debt ratio averaging 0.9% of net revenues for SFSH, and 1.8% of net revenues for OSH over the past five years. The higher ratio for OSH reflects a higher percentage of surgical cases for which the reimbursement depends on the outcome of insurance claims and litigation.

### *Seasonality*

MFC Hospitals' revenues fluctuate based on the number of business days in each calendar quarter, because the services provided consist of scheduled procedures that occur during business hours. In addition, revenue in the fourth quarter can be impacted by an increased utilization of services due to annual deductibles which are not usually met until later in the year, as patients utilize their healthcare benefits before they expire at year-end.

### *Physicians and Ownership Structure*

In order to perform surgical procedures at the MFC Hospitals, a physician must meet certain professional credentialing requirements established by each MFC Hospital. Physicians practicing at the MFC Hospitals include both physicians with an indirect ownership interest in the facilities and non-investor physicians. As of December 31, 2025, there were a total of 78 physician investors and 444 physicians credentialed at MFC Hospitals.

### *Management and Employees*

Each MFC Partnership has a management committee consisting primarily of physician investors or individuals representing physician investors elected for fixed terms by the Existing Partners of that MFC Partnership and one representative of the Corporation. The management committee is responsible for overseeing all operational and strategic initiatives of the surgical facility including physician recruitment and accreditation, facilities management and maintenance, administrative and human resources and all financial matters including approving payor arrangements. Each MFC Partnership has an internal management team. OSH outsources some of its revenue cycle services to a third-party company.

The staff of each MFC Hospital generally includes registered nurses, operating room technicians, radiology technicians and clerical and other support staff. None of the MFC Hospitals' employees are represented by a collective bargaining agreement. Management believes that each MFC Hospital has a good relationship with its employees, and each offers its employees a competitive compensation package. As at December 31, 2025, there were a total of 1,066 full-time and part-time clinical and non-clinical employees at the MFC Hospitals.

The MFC Hospitals have experienced a high degree of physician and nurse retention as a result of the quality of services delivered and focus on both employee and patient satisfaction. MFC Hospital Management believes that the MFC Hospitals provide a less institutionalized work environment than traditional hospitals and improved working conditions for both nurses and staff as a result of a limited number of night shifts and call duty and encourage their staff to continually upgrade their clinical and customer service skills through formal and informal training and mentoring.

### ***Competition***

The hospital industry is highly competitive. In each market in which the MFC Hospitals operate, there is competition with traditional hospitals, specialty hospitals, ASCs and urgent care centers to attract both physicians and patients. Patients in the MFC Hospitals' primary service areas may travel to these other healthcare facilities for a variety of reasons, including the need for services not offered at the MFC Hospitals, physician referrals or coverage by applicable insurance programs. MFC Hospital Management believes that a facility's competitive position in the market in which it operates is affected by a number of factors, including: the scope, breadth and quality of services offered to its patients and physicians; the number, quality and specialties of the physicians who refer patients; nurses and other healthcare professionals employed or on its staff; its reputation; its managed care contracting relationships; the extent to which it is part of an integrated healthcare delivery system; its location; the location and number of competitive facilities and other healthcare alternatives; the physical condition of its buildings and improvements; the quality, age and state of the art of its medical equipment; its parking or proximity to public transportation; the length of time it has been a part of the community; and its charges for services. In addition, some of the facilities that compete with the MFC Hospitals are owned by not-for-profit organizations supported by endowments and charitable contributions. These hospitals are not subject to sales, property, and income taxes. Because of the strong position the MFC Hospitals enjoy in the markets where they are located, MFC Management believes that the MFC Hospitals are well positioned to compete for both physicians and patients in the markets in which they operate.

There are a number of barriers to entry for new entrants into the surgical facilities market in the markets served by the MFC Hospitals, including regulatory, licensing, and capital requirements. In addition, these markets are serviced by a number of other healthcare facilities, thereby increasing the difficulty in attracting both physicians and patients to a new surgical facility.

### ***Capital Expenditures***

The capital expenditures of the MFC Hospitals can be categorized into two types: maintenance and growth or earnings enhancing.

The table below sets out the historical and average maintenance and growth capital expenditures of the MFC Hospitals for the past five years and maintenance capital expenditures as a percentage of net revenues.

(US\$ Millions)	Years Ended December 31,					Average
	2025	2024	2023	2022	2021	
Maintenance Capital Expenditures (net).....	2.4	2.0	4.6	3.5	3.3	3.2
Growth Capital Expenditures (net) .....	2.5	1.7	9.2	0.1	3.8	3.5
<b>Total</b>	<b>4.9</b>	<b>3.7</b>	<b>13.8</b>	<b>3.6</b>	<b>7.1</b>	<b>6.7</b>
Maintenance Capital Expenditures as Percentage of Net Revenues .....	<b>0.7%</b>	<b>0.6%</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.0%</b>

### *Maintenance Capital Expenditures*

Maintenance capital expenditures include those required to maintain and upgrade existing infrastructure, including the replacement of furnishings and routine maintenance to existing building structures and the surrounding landscape. In addition, the MFC Hospitals routinely replace existing operating equipment and surgical devices. The management information systems of the MFC Hospitals must also be maintained and upgraded from time to time.

### *Growth Capital Expenditures*

Growth capital expenditures are those related to the acquisition of new equipment, expansion of existing infrastructure, subject to restrictions imposed by U.S. healthcare legislation discussed in the section entitled “Description of the Business – Regulation” and other capital improvements. Growth capital expenditures are intended to increase productivity and cash flows, enhance margins and/or increase capacity.

### *Outlook*

Maintenance capital expenditures have averaged \$3.2 million (or 1.0% of the average annual net revenues) over the past five years. In addition to cash generated from operations, the MFC Hospitals have the ability to utilize vendor financing and third-party leasing arrangements to fund capital expenditures in the future. MFC Hospital Management will continue to consider growth capital expenditures based on the economic merit of each project and the availability of funds.

### *Currency Hedging Policy*

The Corporation is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar because the distributions it receives from its subsidiaries are in U.S. dollars and the dividends it pays to its shareholders and certain other expenses are in Canadian dollars. In order to minimize the impact of fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar, the Corporation may enter into foreign exchange forward contracts which provide for the conversion of specified U.S. dollar amounts into Canadian dollar amounts at monthly intervals. As at December 31, 2025, the Corporation did not have any outstanding foreign exchange forward contracts in place to cover its future Canadian dollar requirements. The Audit Committee monitors compliance with the hedging policy on an on-going basis. From time to time, Management may recommend that the Corporation enter into derivative transactions covering its foreign currency exposure depending upon actual or anticipated performance and currency market conditions.

### **Regulation**

#### *Licensing and Accreditation*

Healthcare facilities, along with their physicians and healthcare professionals, are subject to numerous legal, regulatory, professional, and private licensing, certification, and accreditation requirements. These include, but are not limited to, requirements imposed by Medicare, Medicaid, state licensure, and private payor credentialing requirements. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations, or other reviews, some of which may require affirmative compliance actions by the MFC Hospitals that could be burdensome and costly. Each of the MFC Hospitals and its affiliated physicians and allied healthcare professionals hold all licenses and accreditations necessary for its operation and the MFC Hospital Management does not anticipate any issues regarding their renewal.

#### *Physician Self-Referral Law*

The U.S. federal physician self-referral law, commonly referred to as the Stark Law, prohibits a physician from making a referral for certain “designated health services” reimbursable by Medicare to an entity if the physician or a member of the physician’s immediate family has a financial relationship with the entity, unless an exception applies. The Stark Law also prohibits an entity receiving a prohibited referral from billing the Medicare program for any items or services rendered to the patient and requires the entities to refund amounts received for items or services provided pursuant to the prohibited referral. Designated health services include, among other services, inpatient and outpatient hospital services, clinical laboratory services, and radiological services. A financial relationship is defined

to include ownership or investment in, or a compensation relationship with, an entity. In addition, the states where MFC Hospitals are located have self-referral statutes similar to the Stark Law. The Corporation believes that the structure and operations of the MFC Hospitals are compliant with such state-level self-referral statutes.

Among the exceptions to the Stark Law are investments by physicians (or immediate family members) in a whole hospital if the referring physician is authorized to perform services at the hospital. The MFC Hospitals have relied on this exception as permitting their physician investors to refer patients to the MFC Hospitals. This exception is discussed further below under the “*Patient Protection and Affordable Care Act*” section. There is also an exception that protects investments in large publicly-traded entities such as the Corporation.

In addition, there are exceptions that protect various service arrangements, such as medical director agreements, that MFC Hospitals have with various physicians.

The sanctions under the Stark Law include denial and refund of payments, civil monetary penalties, and exclusion from the Medicare program. Additionally, violations of the Stark Law are potentially actionable under the federal *Civil False Claims Act* discussed below.

There can be no assurance that the Stark Law or other physician self-referral laws or regulations will not be amended, enacted, or promulgated in the future that would prohibit or restrict ownership in the MFC Partnerships by physicians, referrals by the physician investors to the MFC Hospitals, or which would prohibit or restrict the future growth of the MFC Partnerships. If the physician investors in the MFC Partnerships were to be prohibited from making referrals to the MFC Hospitals, there would be a material adverse effect on the operations of the MFC Partnerships. In addition, there can be no assurance that investment in the MFC Partnerships by physicians will not be challenged by government enforcement agencies, or if challenged, that such structure and investments will be upheld by a court or administrative agency as not violating the Stark Law and/or state-level physician self-referral-laws.

### ***Patient Protection and Affordable Care Act***

The *Patient Protection and Affordable Care Act* (the “ACA”) contains provisions intended to strengthen fraud and abuse enforcement and expands existing efforts to tie Medicare and Medicaid payments to performance and quality. The ACA is also designed to decrease the number of uninsured individuals by expanding coverage through public program expansion and private insurance reforms.

This law, and modifying language in a subsequently passed Reconciliation Bill, amended the Stark Law to prohibit the formation or development of any new physician-owned hospitals in the United States after a specified date. However, grandfathering provisions of the law permit then-existing physician-owned hospitals, including the MFC Partnerships, to continue their operations and billings to Medicare for hospital services, provided they meet certain investment and patient transparency requirements. Grandfathered hospitals like the MFC Partnerships are prohibited from expanding their baseline number of overnight beds, operating rooms, or procedure rooms unless certain narrowly drawn growth criteria are met and the expansion is approved by the federal agency overseeing the Medicare program. As of the date of the enactment, the law also prohibits increases in the aggregate percentage value of physician ownership or investment in physician-owned hospitals, or in entities whose investments include the hospitals.

The law restricts physician investment in physician-owned hospitals, including requirements that the hospital may not: (i) condition investment on the physician making or influencing referrals or otherwise generating business for the hospital; (ii) offer certain investment opportunities to physicians on terms that are more favorable than those offered to non-physicians; (iii) directly or indirectly provide loans or financing for any investment in the hospital by a physician; and (iv) directly or indirectly guarantee a loan, make a payment towards a loan, or otherwise subsidize a loan, for any individual physician or group of physicians in connection with their acquisition of an ownership interest in the hospital. In addition, the hospital must distribute investment returns to each owner or investor in the hospital in an amount that is directly proportional to the ownership or investment interest of such owner or investor. The law also requires disclosure of physician ownership to patients and the general public and requires hospitals to obtain a signed patient acknowledgement as to whether the hospital has physicians present 24 hours a day, seven days a week.

The Corporation conducted an extensive review to ensure that the MFC Partnerships’ operating agreements and procedures are in compliance with the provisions and limitations of the ACA. The MFC Partnerships have

updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the ACA.

### ***Anti-Kickback Considerations***

Under the federal Anti-Kickback Statute (the “**Anti-Kickback Statute**”), it is a criminal felony offense to knowingly and wilfully offer, pay, solicit, or receive remuneration in order to induce business for which reimbursement is provided under most federally-funded healthcare programs, including Medicare, Medicaid and the State Children’s Health Insurance Program or “**SCHIP**”. The scope of prohibited conduct in violation of the Anti-Kickback Statute is broad and can include economic arrangements involving hospitals, physicians, and other healthcare providers, including joint ventures. The case law interpreting the Anti-Kickback Statute generally holds that if any purpose of a payment (including indirect remuneration) is intended to induce referrals, the payments made could be in violation of the Anti-Kickback Statute, even if the payments also are intended as compensation for services actually rendered. Because of the uncertainty regarding the interpretation of the Anti-Kickback Statute and the possibility that it would make harmless (and even beneficial) conduct illegal, the United States Congress mandated the promulgation of “safe harbor” regulations.

The OIG of the HHS has promulgated regulations that describe certain safe harbor arrangements that will not be deemed to constitute violations of the Anti-Kickback Statute. Absolute compliance with all elements of a safe harbor means that the activity will be immune from prosecution under the Anti-Kickback Statute and will not serve as a basis for exclusion. An activity that fails to satisfy all elements of a safe harbor is not necessarily illegal, but the activity is not afforded immunity from prosecution or exclusion. The safe harbors described in the regulations are narrow and do not cover the wide range of economic relationships that many hospitals, physicians, and other healthcare providers consider to be legitimate business arrangements not prohibited by the Anti-Kickback Statute. The OIG is responsible for identifying and eliminating fraud, abuse, and waste, which it does through a nationwide program of audits, investigations, and inspections. Violations of the Anti-Kickback Statute include criminal penalties, per-violation fines that under federal sentencing laws can reach \$250,000 for individuals and \$500,000 for entities and ten years imprisonment. Violations of the Anti-Kickback Statute also can lead to civil monetary penalties and exclusion from Medicare, Medicaid and certain other state and federal healthcare programs, as well as liability under the *False Claims Act* discussed below.

Many U.S. states, including those where MFC Hospitals are located, also have laws similar to the Anti-Kickback Statute that prohibit payments to physicians for patient referrals. The scope of these state laws, known as “all-payor” laws, is broad because they often apply to any payment, regardless of the source. These statutes typically provide for criminal and civil penalties, as well as loss of licensure, though little precedent exists for their interpretation or enforcement. In addition, in the *Deficit Reduction Act* of 2005, the United States Congress established a Medicaid Integrity Program to enhance federal and state efforts to detect Medicaid fraud, waste and abuse and provide financial incentives for states to enact their own false claims legislation as an additional enforcement tool against Medicaid fraud and abuse. Since then, a growing number of states have enacted healthcare fraud and abuse legislation.

Physician investments in the MFC Partnerships are not currently in complete compliance with any safe harbor under the Anti-Kickback Statute and Management anticipates that they will not satisfy all of the requirements of a safe harbor in the future. However, the MFC Partnerships are consistent with the requirement of several safe harbors that distributions to investing physicians be based on their relative ownership interests and not on their referrals. While Management believes that the MFC Partnerships do not violate the Anti-Kickback Statute and would have substantial arguments in the event of a challenge alleging violations of the Anti-Kickback Statute, there is no guarantee that such allegations could not be successfully brought. The potential success of such allegations would be dependent on the facts and circumstances surrounding the MFC Partnerships and their operations. If the MFC Partnerships are challenged successfully under the Anti-Kickback Statute, the physician-investors could be precluded from referring patients to the MFC Hospitals, resulting in termination of, or other adverse consequences to, the operations of the MFC Hospitals. In addition, the MFC Hospitals could be excluded from participation in federal healthcare programs. Further, MFC Partnerships and their physician-investors could be subject to sanctions, including loss of professional licenses, exclusion from federal healthcare programs, and substantial fines and/or imprisonment. Additionally, violations of the Anti-Kickback Statute are potentially actionable under the federal *Civil False Claims Act* which permits government recoveries of treble damages and per-claim penalties up to \$28,619. There can also be

no assurance that other anti-kickback laws or regulations will not be enacted in the future that could have a material adverse effect on the MFC Partnerships.

### ***False Claims Act***

The *False Claims Act* (“FCA”) prohibits the submitting of or causing to be submitted false claims to the federal government or federal government programs, or the improper retention of known overpayments. The submission must have been completed with “reckless disregard” of the truth or falsity of the claim, regardless of any intent to defraud the government program or actual knowledge that the claim was false, which are factors typically required to sustain a criminal conviction. Liability includes treble damages plus penalties of \$14,308 to \$28,619 per claim. Violations of the Stark Law and the Anti-Kickback Statute are potentially actionable under the FCA.

The FCA includes “whistleblower,” or *qui tam*, provisions that permit private citizens to sue a claimant on behalf of the government. If the government intervenes in the action and prevails, the defendant may be required to pay treble damages, plus mandatory civil penalties for each false claim submitted to the government, and the *qui tam* plaintiff may share in a portion of any settlement or judgment. If the government does not intervene in the action, the *qui tam* plaintiff may continue to pursue the action independently. Federal and state agencies that administer healthcare programs may implement civil monetary penalties and exclusion from government programs. As under the FCA, it is often not necessary for the agency to show that the claimant had actual knowledge that the claim was false or fraudulent in order to impose these penalties.

It is anticipated that the number of such *qui tam* actions against healthcare companies will continue to increase with the enactment of a growing number of state false claims acts and certain amendments to the FCA enacted by the United States Congress and enhanced government enforcement. The *Fraud Enforcement and Recovery Act* of 2009 expanded the scope of the FCA by, among other things, creating liability for knowingly and improperly avoiding repayment of an overpayment received from the government and broadening protections for whistleblowers. Under the ACA, the knowing failure to report and return an overpayment the later of 60 days of identifying the overpayment or by the date a corresponding cost report is due, constitutes a violation of the FCA. Further, the ACA expands the scope of the FCA to cover payments in connection with health insurance exchanges if those payments include any federal funds.

Although the Corporation intends to conduct business in compliance with all applicable federal and state fraud and abuse laws, many of the applicable laws and regulations, including those relating to financial relationships with physicians and hospitals, are broadly worded and may be interpreted or applied by prosecutorial, regulatory, or judicial authorities in ways that cannot be predicted. Accordingly, there is no assurance that no arrangements or business practices will be subject to government scrutiny or be alleged or found to violate applicable fraud and abuse laws. Moreover, the standards of business conduct expected of healthcare companies under these laws and regulations have become more stringent in recent years, even in instances where there has been no change in statutory or regulatory language. If there is a determination by government authorities that the Corporation has not complied with any of these laws and regulations, it could materially adversely affect the Corporation’s business, financial condition, and operations.

### ***Fee Splitting; Corporate Practice of Medicine***

Many U.S. states have laws that prohibit corporations from practicing medicine, employing physicians to practice medicine, exercising control or excessive influence over medical decisions by physicians, or engaging in certain arrangements, such as fee splitting, with physicians. In addition, many U.S. states prohibit healthcare professionals from splitting fees with other persons or entities. These laws, their interpretations and enforcement by the courts and regulatory authorities vary from state to state. Possible sanctions for these restrictions include loss of license and civil and criminal penalties, or certain agreements between the Corporation and a healthcare professional may be deemed void and unenforceable. However, these laws are often vague and have infrequently been interpreted by the courts or regulatory agencies. The Corporation believes that its operations as currently conducted are in material compliance with the applicable laws; however, there can be no assurance that the Corporation’s existing structure and contractual arrangements with physicians and other healthcare professionals will not be challenged under state law prohibiting the corporate practice of medicine or fee splitting.

### ***Certificate of Need***

In some of the U.S. states where MFC Hospitals operate, the construction or expansion of existing facilities, addition of new beds or services or other capital expenditures, change of ownership or acquisition of existing facilities may be subject to review and approval by state regulatory agencies under a Certificate of Need (“CON”) program. CON laws generally require the appropriate state agency to make a determination of public need prior to any such actions. Failure to provide required notifications or obtain necessary state approvals can result in the inability to expand, complete an acquisition, or change ownership. Additionally, violations may result in the imposition of civil sanctions or the revocation of a facility’s license.

### ***Healthcare Industry Investigations***

Significant media and public attention have focused in recent years on the hospital industry. This media and public attention, changes in government personnel or other factors may lead to increased scrutiny of the healthcare industry. Both federal and state government agencies have increased their focus on and coordination of civil and criminal enforcement efforts in the healthcare area. The OIG and the DOJ have, from time to time, established national enforcement initiatives, targeting all hospital providers that focus on specific billing practices or other suspected areas of abuse. The ACA includes additional federal funding to fight healthcare fraud, waste, and abuse. In addition, governmental agencies and their agents, fiscal intermediaries, and carriers, may conduct audits of healthcare operations. In addition to national enforcement initiatives, federal and state investigations have addressed a wide variety of routine healthcare operations such as: cost reporting and billing practices, including for Medicare outliers; financial arrangements with referral sources; physician recruitment activities; physician joint ventures; and hospital charges and collection practices for self-pay patients. Audits, inquiries and investigations from government authorities, agencies, contractors, and payors occur in the ordinary course of business.

### ***Utilization Review***

Federal laws and regulations, specifically the Medicare Conditions of Participation, generally require that healthcare services to Medicare and Medicaid patients are medically necessary, meet the recognized standard of care, and are supported by appropriate evidence of quality and medical necessity. The *Social Security Act* established the Utilization and Quality Control Peer Review Organization (“QIO”) program to promote the effectiveness, efficiency, economy, and quality of services delivered to Medicare beneficiaries and to ensure that those services are reasonable and necessary. The QIOs review Medicare treatments, admissions, and discharges, ensure patients receive the appropriate care, and investigate beneficiary complaints. The QIOs may deny payment for services provided and recommend to HHS that a provider that is in substantial non-compliance with certain standards be excluded from Medicare.

### ***Patient Records and Personal Information: Privacy and Cyber Security***

The *Health Insurance Portability and Accountability Act of 1996*, as amended (“HIPAA”), includes a number of regulations designed to: (i) streamline the electronic transmission of health claims and other standard transactions; (ii) provide certain privacy rights; (iii) establish standards designed to protect the privacy and security of protected health information; and (iv) ensure notification to individuals and the government regulators when there has been a breach of such information.

Pursuant to HIPAA, the Office for Civil Rights (“OCR”), the agency within the HHS charged with enforcing HIPAA, has developed, implemented, and enforced specific regulatory standards, including privacy, security, and breach notification requirements, which are discussed with greater specificity below.

HIPAA requires healthcare providers (among other “covered entities”) and their vendors and subcontractors (“business associates”) to protect the confidentiality of individually identifiable health information, known as “protected health information” in any form, including electronically stored or transmitted information. Each provider is a covered entity, and the management operations companies serve as business associates. In addition to requiring patient authorization for many uses and disclosures of protected health information, the HIPAA privacy regulations contain many administrative requirements designed to ensure that covered entities exercise prudent privacy practices and inform the patients of the related rights regarding their information. For example, HIPAA requires that covered entities: maintain detailed records of certain disclosures of a patient’s data, and make these records available to the

patient upon his or her request; give patients the right to access, inspect, and request amendments to their health records; develop and adhere to clear privacy policies and furnish privacy notices to patients; provide privacy training for all employees; implement physical, technical, and administrative safeguards to prevent intentional or accidental misuse or unauthorized disclosure of health information; and designate a “privacy officer” to oversee implementation of these requirements. Covered entities are also required to have “business associate agreements” with their subcontractors, including some of the MFC Partnerships.

HIPAA security requirements are designed to ensure the confidentiality, integrity, and availability of electronic protected health information. The regulations require covered entities and business associates to conduct an accurate and thorough assessment of the potential risks and vulnerabilities to the confidentiality, integrity and availability of the protected health information; to evaluate and update existing security and confidentiality policies, practices and procedures, including administrative, physical and technical controls; and to consider certain specifics including but not limited to access controls, audit trails, physical security and disaster recovery, protection of remote access points, protection of external electronic communications, and software and system assessment. The MFC Partnerships have incurred substantial costs to comply with these requirements and have routinely reviewed, updated, and enhanced with evolving threats and changing systems and controls.

The *Health Information Technology for Economic and Clinical Health Act* (“HITECH”) expanded the requirements of HIPAA. Significantly, penalties associated with violations of this law have increased and continue to increase with inflation. Violation of the privacy, security and breach notification regulations are punishable by civil and criminal penalties. In addition, state attorneys general may bring civil actions seeking injunction or damages under HIPAA privacy and security regulations as well as their own state laws regarding the privacy of the personal information of state residents. State attorneys general have become increasingly active in pursuing cases involving privacy and security issues. All reported breaches under HIPAA involving over 500 affected individuals require a mandatory investigation. While there is currently no private right of action under HIPAA, class action attorneys file lawsuits with regard to breaches in the vast majority of cases in which breach notification has taken place. These lawsuits are generally filed utilizing either negligence or breach of an implied contract theories, or both. Data breach lawsuits have increased exponentially in the last several years.

More recently OCR has pursued violations stemming from a covered entity’s website and the use of online tracking technologies on such website. These actions follow a significant increase in class action suits regarding privacy issues and a December 2022 guidance regarding such technologies. These actions have resulted in covered entities reporting a breach due to such exposure and settlements with class action plaintiffs, the largest of which include multiple 8-figure settlements. While the OCR guidance has been revised, we continue to see class action suits in this area. With regard to the class action privacy suits, the allegations include that the covered entities have violated HIPAA, the *Electronic Communications Privacy Act* and the *Store Communications Act* by “knowingly and repeatedly intercepting, accessing and disclosing” personal and sensitive health information by permitting data scraping by data brokers or Meta (Facebook’s parent company) through patient-facing websites. The Corporation expects that the additional litigation and attention to privacy and security issues will continue to pose certain risks for the MFC Partnerships.

In addition to HIPAA, there are numerous other laws and legislative and regulatory initiatives at the federal and state levels addressing privacy, security, and breach notification obligations. Most states have laws that protect the confidentiality of health information and other personal data. Certain of these laws, including the *California Consumer Privacy Act* (“CCPA”), grant individual rights with respect to their information, MFC Partnerships may be required to expend significant resources to comply with these laws when applicable, as additional states continue to consider new legislation in this area. Since the CCPA was enacted, several other states have also enacted similar legislation and many others are considering such legislation. Currently, at least 20 states have enacted such laws, with several other states considering new laws. Further, all 50 states and the District of Columbia have adopted data breach notification laws that impose, in varying degrees, an obligation to notify affected persons and/or state regulators in the event of a data breach or compromise, including when their personal information has or may have been accessed by an unauthorized person. The MFC Partnerships may incur significant costs in investigating and responding to a data breach and in providing the required notifications. The MFC Partnerships maintain an Incident Response Plan in addition to Disaster Recovery and Business Continuity Plans. These plans are tested on no less than an annual basis. Some state laws may also impose physical and electronic security requirements regarding the safeguarding of personal information, such as social security numbers and bank and credit card account numbers. Violation of state privacy, security and breach notification laws can trigger significant monetary penalties. States may assess penalties

for a breach of personal information under the state's laws in addition to those penalties that can be assessed under HIPAA. In addition, certain states' consumer protection, privacy, security, and data breach laws, including, for example, the CCPA, include a private right of action that may expose MFC Partnerships to private litigation regarding their privacy practices and significant damages awards or settlements in civil litigation.

All organizations are subject to cyber attacks and healthcare companies are targeted based upon the robust amount of personal information they maintain. The MFC Partnerships' business is at risk of and may be impacted by information security incidents, including ransomware, malware, phishing, social engineering, and other security events. Security incidents can result from deliberate acts or unintentional events, and they can be from an employee, subcontractor, or hacker. More recently, there have been instances in which facilities are unable to operate for weeks or months, sometimes resulting in a facility needing to cease operations. There are also concerns with regard to potential medical malpractice litigation related to any breach in which the outcome may have been related to some kind of operational downtime due to a security event or system issue. There has been increased enforcement with large settlement agreements and extensive and extended corrective action plans. Further, there are significant costs associated with a breach, including investigation costs, remediation and mitigation costs, notification costs, attorney fees and the potential for reputational harm and lost revenues due to a loss of confidence in the organization.

Artificial intelligence ("AI") and machine learning technologies also pose concerns with regard to the uses and disclosures of personal information, corporate information and even how operations run. The regulation of such technologies are evolving, but the use cases are rapidly expanding. Various federal and state level legislation or regulation may impact the use of evolving technologies such as AI. Such legislation or regulation regarding the use of AI due to emerging legal, social, and ethical issues presents risks and challenges to uses cases. Complying with multiple regulations from different jurisdictions related to AI, could increase our cost of doing business, may change the way that we operate in certain jurisdictions, or may impede our ability to offer certain services in certain jurisdictions if we are unable to comply with regulations. Our failure to address concerns and regulation relating to the responsible use of AI by us or our third-party service providers could undermine public confidence in AI and slow adoption of AI in our products and services or cause reputational or financial harm.

As of December 31, 2025, the Corporation believes that the operation of the MFC Partnerships, and associated business associate relationships in the corporate family, is conducted in material compliance with HIPAA requirements, as well as state laws regarding the confidentiality of personally identifiable information. It is possible that compliance costs related to these obligations and any subsequently enacted laws or regulations would require the MFC Partnerships and other aspects of the business associate operations to make a further capital outlay. Further, HIPAA compliance does not equate to invincibility, MFC Partnerships must continue to evaluate and invest in good information privacy and security programs and practices. Any potential breach of systems, including those with protected health information, personal information, or confidential corporate information, could result in substantial and possibly prolonged interruptions in the cash flows of the MFC Partnerships, as well as the costs associated with investigations, litigation, and penalties. The trade secrets or confidential business information of the MFC Partnerships could also be exposed as a result of a security incident. Further, the operations of the MFC Partnerships can be brought to a halt as the result of a ransomware attack or other security incident. Although the Corporation and MFC Partnerships have insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event. Any cyber security breach or system interruption could result in the unauthorized disclosure, misuse or loss of confidential, sensitive or proprietary information, could negatively impact the ability of the MFC Partnerships to conduct normal business operations (including the collection of revenues), and could result in potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties, negative publicity and damage to the Corporation's reputation, any of which could have a material adverse effect on the Corporation's business, financial position, results of operations or cash flows.

### ***Compliance***

Consistent with the OIG General Compliance Program Guidance, the Corporation maintains a robust compliance program that reflects its commitment to complying with all laws, rules, and regulations applicable to its business, and that ensures it meets ethical obligations in conducting business. The Corporation's compliance plan includes the seven elements noted in the OIG guidance, along with written policies and procedures addressing compliance with the Anti-Kickback Statute and the Stark Law, among others. In addition, the Corporation's compliance advisor periodically reviews a substantial number of the MFC Partnerships' arrangements with referral

sources to determine the extent to which they comply with their policies and procedures and with the Anti-Kickback Statute, the Stark Law and similar state statutes.

## **Environmental and Social Issues**

The Corporation and MFC Partnerships are committed to conducting their business in a safe and responsible manner, promoting sound environmental practices, minimizing the impact of the environment on their operations, enhancing human and community resources, and complying with all local, state, and federal regulations. The MFC Partnerships' commitment to social responsibility is primarily reflected in pursuit of quality of care for patients, ensuring health and safety of employees, and contribution to the overall health and well-being of the communities where MFC Partnerships are located, and conducting business sustainably. Management has processes in place whereby it is made aware of any health, safety, or environmental issues at the MFC Partnerships and regularly reports on these matters to the Board.

As described under the section entitled "Description of the Business – Business of the Corporation and its Corporate Subsidiaries" the Corporation does not have any ongoing business operations of its own. The Corporation's control and general oversight over MFC Hospitals are through contractual rights in respect of reduction in distributions, certain budgeting matters, material deviations from budget and specified fundamental transactions. As such, policies, practices, and procedures, including in respect of environmental and social issues, may not be uniform across the MFC Hospitals, and the Corporation does not have approval rights in respect of such policies, practices, and procedures and relies on the decisions made by the Existing Partners of the MFC Partnerships. However, while the Corporation is limited to its contractual rights, it constantly shares best practices with the MFC Hospitals and has representation on the governing boards of the MFC Hospitals where decisions in respect of environmental and social issues are made. Furthermore, as described under the section entitled "Description of the Business – Regulation" the U.S. healthcare industry is highly regulated, and MFC Hospitals are subject to numerous local, state, and federal regulations in respect of protection of environment, health and safety, quality of care, patient records and personal information, among others.

A summary of MFC Hospitals' environmental and social policies, practices and initiatives follows.

### ***Environmental Issues***

MFC Hospitals are dedicated to minimizing the impact on the environment of their operations, including infectious waste, and to complying with all local, state, and federal regulations regarding waste management.

Healthcare facilities, including MFC Hospitals, produce potentially hazardous waste. Several U.S. federal and state regulatory agencies provide guidance for management of hazardous medical and pharmaceutical waste. These regulations provide safeguards for internal controls for patient and staff protections and external controls for protections of the environment and communities. Certified medical waste haulers are contracted to manage medical waste in compliance with regulations. A significant amount of training occurs for all new employees and at least annually on safety processes to avoid injury or exposure to these hazards. Additionally, all employee injuries are recorded to identify trends and opportunities for improvement.

MFC Hospitals have implemented and follow policies for identification and proper handling and disposal of infectious medical waste. Hazardous drugs, outdated and expired medications, and unused medications are identified and disposed of during a regular medication reconciliation process. Certain MFC Hospitals provide "waste sites" on discharge instructions to patients so the patients know where and how to dispose of unused and expired medications.

MFC Hospitals utilize several single-use disposable medical devices. Medical devices are regulated by the FDA. In certain circumstances, MFC Hospitals utilize third-party reprocessors of single-use medical devices. These "recycling" efforts must meet rigorous FDA and CDC standards for patient safety. When these reprocessing efforts are successful, the bioburden can be significantly reduced.

MFC Hospitals also follow policies for safety and proper storage of medical gas cylinders, and in respect of sanitation, construction, and laundering. MFC Hospitals are in compliance with the Life Safety Code and National Fire Protection Agency 99 for healthcare facilities. In addition to meeting the building fire code safety requirements, MFC Hospitals conduct fire drills at least quarterly.

MFC Hospitals continuously look for ways to make their operations more sustainable, updating their infrastructure through various initiatives, which include:

- decreasing energy consumption by replacing lighting systems, older fixtures, and equipment with more energy-efficient alternatives;
- increasing water conservation by changing vacuum pumps from water cooled to air cooled and installing water aerators on faucets; and
- implementing recycling programs for paper, plastic, and aluminium.

Certain MFC Hospitals are located in the geographies where natural disasters and adverse weather events, such as flooding, tornadoes, winter storms, windstorms, and earthquakes, are common and may be further exacerbated by the effects of climate change. Such occurrences may result in damage to or destruction of buildings and/or equipment, inability to perform services resulting in loss of revenue, incurrence of clean up costs, rebuilding and/or replacing buildings and/or equipment, general business disruptions and adverse impact on the general economy in the communities in which MFC Hospitals are located.

To mitigate the impacts of adverse weather events and natural disasters, MFC Hospitals have safety, maintenance and asset protection programs in place, and maintain appropriate insurance coverage. In addition, the Corporation and MFC Hospitals have adopted crises communication plans which include various scenario preparedness planning, including for natural disasters, and outline procedures for crisis management, communication, and post-crisis reputation. MFC Hospitals comply with the CMS' Emergency Preparedness Rule to maintain an emergency preparedness plan. MFC Hospitals participate in planning and drills with local and regional disaster planning agencies.

### ***Social Issues***

#### *Patient Experience*

MFC Hospitals aim to provide the highest standard of care to their patients, efficiently and cost-effectively. This aim is achieved through implementation of quality assessment and performance improvement programs, the focus of which is to deliver safe, professional, and cost-effective patient care through ongoing quality performance analysis and timely reviews and responses to patient feedback. The quality performance analysis is facility wide and data driven. MFC Hospitals consistently rank high in industry-leading surveys and studies of patient satisfaction.

#### *Community Investment*

MFC Hospitals are distinguished in each of their respective marketplaces. Most provide services in smaller communities that boost the local economy, while serving as medical destinations which draw visitors from neighboring towns, cities, and states. MFC Hospitals also contribute to their communities by supporting local charities.

#### *Employee Health and Safety*

MFC Hospitals are fully committed to providing a safe working environment. To achieve this, MFC Hospitals have in place employee health and safety programs and policies aimed at providing a healthy atmosphere for the employees, preventing transmission of infections, detecting and controlling outbreaks of infections, and encouraging good personal hygiene, safety, and healthy habits. These include verification of immunizations upon hiring, mandatory flu vaccination programs, annual health and tuberculosis screens as well as health and safety education for employees.

MFC Hospitals also have departments responsible for ensuring a healthy work environment through coordinating occupational exposure and injury follow-up. Occupational exposure and injury follow-up policies are developed by following guidance from the CDC, HHS, and Occupational Safety and Health Administration. Other policies and programs include:

- policies and procedures for safe medical devices which are designed to identify, report, and evaluate medical devices that are not properly functioning;
- hazard communication program which establishes guidelines to keep employees informed about potentially hazardous materials, chemicals, and substances that employees may encounter as they perform their job duties; and
- policies for emergency eye wash stations which provide guidelines concerning the proper use, safety, testing, and maintenance of emergency eye wash stations.

#### *Employee Diversity and Inclusion*

The Corporation and MFC Hospitals have adopted non-discrimination and non-harassment policies assuring provision of benefits, services, and employment to all persons without regard to any status protected by applicable law, or otherwise discriminate against any person on such grounds. In addition, MFC Hospitals have adopted equal employment opportunity policies and affirmative action plans to ensure recruitment, hiring, training, promotion, and compensation of persons in all job titles without regard to any protected status.

#### *Vendor Relationships*

MFC Hospitals conduct business with a multitude of vendors and suppliers. As part of their compliance programs, MFC Hospitals have in place vendor relationship policies establishing procedures for relationships, transactions with, and ethical conduct of vendors and other organizations that provide products, equipment, services, or tangible support to MFC Hospitals. In addition, the Corporation has adopted Corporate Guidelines re: Medical Vendor Relationships which outline key policy components that MFC Hospitals' vendor relationship policies must include.

MFC Hospitals vigorously vet vendors and suppliers, which includes conducting background checks with the following governmental agencies:

- the OIG's List of Excluded Individuals/Entities provides information to the healthcare industry regarding individuals and entities that are excluded from participation in all federal healthcare programs; and
- the System for Award Management (SAM) is used for registering businesses with the federal government and provides information on contractor performance, contract data, subcontracts, and more.

#### *Opioid Stewardship*

The incidence of narcotic dependence and addiction is significant in the U.S. populace. MFC Hospitals and their practitioners utilize best practices to monitor and limit the number of opioid prescriptions that are dispensed to patients. Several alternative pain treatment modalities are also utilized to reduce dependence on narcotics for pain management.

#### *Antibiotic Stewardship*

In an effort to measure and improve how antibiotics are prescribed by MFC Hospitals' clinicians and used by patients, MFC Hospitals' practitioners use CDC guidelines to improve antibiotic prescription. Antibiotic stewardship is critical to effectively prevent and treat infections and protect patients from potential harms caused by unnecessary antibiotic use and combat antibiotic resistance.

### *Medical Professionals*

MFC Hospitals also maintain procedures for vetting their employees and medical professionals against the OIG's List of Excluded Individuals/Entities, (as referenced above under "Vendor Relationships"), and other databases including those maintained by the U.S. General Services Administration (GSA) and System for Award Management (SAM) to identify debarred or excluded parties.

### **Other Matters**

#### *Insurance*

Each MFC Partnership maintains medical professional liability insurance on a claims-made basis. Coverage under these policies is contingent upon the policy being in effect when a claim is made regardless of when the events that caused the claim occurred. Each MFC Partnership also maintains general liability and umbrella coverage on a claims-made basis. The cost and availability of such coverage has varied widely in recent years. Management believes that the insurance policies are adequate in amount and coverage for the operation of the surgical facilities, but there can be no assurance that the insurance coverage is sufficient to cover all future claims or that such insurance will continue to be available at a reasonable cost.

#### *Litigation*

Each MFC Partnership may be involved, from time to time, in various litigation matters that can occur in the ordinary course of business, none of which Management believes will have any material adverse effects on the financial and operating performance of the MFC Partnerships.

#### *Antitrust Laws*

The U.S. federal government and most states have enacted antitrust laws that prohibit specific types of anti-competitive conduct, including price fixing, wage fixing, concerted refusal to deal, price discrimination and tying arrangements, as well as monopolization and acquisitions of competitors that have, or may have, a substantial adverse effect on competition. Violations of federal or state antitrust laws can result in various sanctions, including criminal and civil penalties.

Antitrust enforcement in the healthcare industry is currently a priority of the U.S. Federal Trade Commission ("FTC"). The FTC has given increased attention to the effect of combinations involving healthcare providers, including physician practices, and has entered into numerous consent decrees in the past several years settling allegations of price-fixing among providers.

## **THE CORPORATION**

### **Share Capital of the Corporation**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As at December 31, 2025 there were 17,868,649 Common Shares issued and outstanding.

Holders of Common Shares are entitled to receive dividends as and when declared by the Board and are entitled to one vote per Common Share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of the Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

### **Credit Facility**

The Corporation, Medical Facilities America, and Medical Facilities Holdings (as borrowers) have in place the 2025 Credit Facility with a financial institution providing for a \$40 million revolving credit facility, inclusive of a \$25 million swingline, maturing on August 4, 2028, as amended on January 30, 2026. The 2025 Credit Facility is guaranteed by the borrowers and the Corporation's wholly-owned subsidiaries, and the obligations in respect of the 2025 Credit Facility are secured by the assets of the borrowers and the Corporation's subsidiary guarantors. In 2025,

there were no borrowings under the 2025 Credit Facility. A copy of the 2025 Credit Facility is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Dividend Policy**

The Corporation pays quarterly dividends on the Common Shares, if and to the extent dividends are declared by the Board and permitted by applicable law, on the 15<sup>th</sup> day of the month (or the next Business Day, if such day is not a Business Day) following the end of the calendar quarter to holders of record at the close of business on the last Business Day of the last month in the calendar quarter. The Board declares dividends after ensuring that the Corporation (i) satisfies its debt service obligations under any credit facilities or other agreements with third parties, if any; (ii) satisfies its other expense obligations, including withholding and other applicable taxes; and (iii) retains reasonable reserves for working capital and other expenses.

The Corporation may make additional dividend payments in excess of quarterly dividends during the year, as the Board may determine in its sole discretion.

The Board may, in its discretion, modify or repeal the Corporation's current dividend policy. No assurances can be made that the Corporation will pay dividends at the level contemplated in the future or at all.

### ***Dividends Paid to Securityholders***

Quarterly dividends of Cdn\$0.0900 per Common Share were paid on April 15, 2025, July 15, 2025, October 15, 2025, and January 15, 2026, to holders of record at the close of business on March 31, 2025, June 30, 2025, September 30, 2025, and December 31, 2025, respectively. Total dividends paid for 2025 were Cdn\$0.3600 per Common Share.

Quarterly dividends of Cdn\$0.0805 per Common Share were paid on April 15, 2024 to holders of record at the close business on March 28, 2024 and quarterly dividends of Cdn\$0.0900 per Common Share were paid on July 15, 2024, October 15, 2024, and January 15, 2025, to holders of record at the close of business on June 28, 2024, September 30, 2024, and December 31, 2024, respectively. Total dividends paid for 2024 were Cdn\$0.3505 per Common Share.

Quarterly dividends of Cdn\$0.0805 per Common Share were paid on April 17, 2023, July 17, 2023, October 16, 2023, and January 15, 2024, to holders of record at the close of business on March 31, 2023, June 30, 2023, September 29, 2023, and December 29, 2023, respectively. Total dividends paid for 2023 were Cdn\$0.3220 per Common Share.

### **Administration**

The Corporation directly administers its reporting and other public corporation obligations, with assistance from Medical Facilities America and/or Medical Facilities Holdings, as required.

### **Dividend Reinvestment and Share Purchase Plan**

The Corporation has implemented a Dividend Reinvestment and Share Purchase Plan (the "DRIP"). The DRIP provides a means for eligible participants to invest all dividends on Common Shares into additional Common Shares of the Corporation. Common Shares are purchased by the Computershare Trust Company of Canada on the open market through the TSX.

## **MEDICAL FACILITIES AMERICA**

### **Capital of Medical Facilities America**

The authorized capital of Medical Facilities America consists of 300 Class B common shares with par value of \$0.0001 each. As at December 31, 2025, 300 outstanding Class B common shares of Medical Facilities America were owned by the Corporation.

### **Dividend Policy**

The board of directors of Medical Facilities America has adopted a dividend policy pursuant to which Medical Facilities America will distribute its available cash to the maximum extent possible, subject to applicable law, by way of quarterly dividends, if and to the extent dividends are declared by the board of directors and permitted by applicable law, to its stockholders on its securities after (i) satisfying its debt service obligations under any credit facilities or other agreements with third parties, if any; and (ii) satisfying its other expense obligations, including administration expenses, and withholding and other applicable taxes.

## **MEDICAL FACILITIES AMERICA HOLDCO 1**

### **Capital of Medical Facilities America Holdco 1**

The authorized capital of Medical Facilities America Holdco 1 consists of an unlimited number of common units and preferred units. As at December 31, 2025, 100 outstanding common units of Medical Facilities America Holdco 1 were owned by Medical Facilities America and 143,955,108 outstanding preferred units of Medical Facilities America Holdco 1 were owned by the Corporation. The preferred units are non-voting and carry an annual yield of 9.0%.

### **Distribution Policy**

The board of managers of Medical Facilities America Holdco 1 has adopted a distribution policy for its common units pursuant to which Medical Facilities America Holdco 1 will distribute its available cash, after payments on the preferred units, to the maximum extent possible, subject to applicable law, by way of quarterly distributions, if and to the extent distributions are declared by the board of managers and permitted by applicable law, to the holder of its common units after satisfying its debts and obligations, capital needs and expenses, management or administrative fees and expenses, and reasonable reserves for contingencies.

## **MEDICAL FACILITIES AMERICA HOLDCO 2**

### **Capital of Medical Facilities America Holdco 2**

The authorized capital of Medical Facilities America Holdco 2 consists of an unlimited number of common units and preferred units. As at December 31, 2025, 100 outstanding common units of Medical Facilities America Holdco 2 were owned by Medical Facilities America Holdco 1.

### **Distribution Policy**

The board of managers of Medical Facilities America Holdco 2 has adopted a distribution policy for its common units pursuant to which Medical Facilities America Holdco 2 will distribute its available cash to the maximum extent possible, subject to applicable law, by way of quarterly distributions, if and to the extent distributions are declared by the board of managers and permitted by applicable law, to the holder of its common units after satisfying its debts and obligations, capital needs and expenses, management or administrative fees and expenses, and reasonable reserves for contingencies.

## **MEDICAL FACILITIES HOLDINGS**

### **Capital of Medical Facilities Holdings**

The authorized capital of Medical Facilities Holdings consists of 3,000 common shares of the par value of \$0.0001 each. As at December 31, 2025, 100 outstanding common shares of Medical Facilities Holdings were owned by Medical Facilities America Holdco 2.

### **Dividend Policy**

The board of directors of Medical Facilities Holdings has adopted a dividend policy pursuant to which Medical Facilities Holdings will distribute its available cash to the maximum extent possible, subject to applicable

law, by way of quarterly dividends, if and to the extent dividends are declared by the board of directors and permitted by applicable law, to its sole stockholder on its securities after (i) satisfying its debt service obligations under any credit facilities or other agreements with third parties, if any; and (ii) satisfying its other expense obligations, including administration expenses, and withholding and other applicable taxes.

## THE MFC PARTNERSHIPS

### Capital of the MFC Partnerships

Medical Facilities Holdings owns the partnership interest in each MFC Partnership and the Existing Partners of each MFC Partnership own the partnership interest in their respective MFC Partnerships as set out in the table below.

<u>MFC Partnership</u>	<u>Subco / Holdco Interest</u>	<u>Medical Facilities Holdings Interest</u>
ASH	49.0%	51.0%
OSH	36.0%	64.0%
SFSH	49.0%	51.0%

The partnership interests carry such number of votes equal to the partnership interest on all matters to be voted on at all meetings of partners. Holders of partnership interests are entitled to their pro-rata distribution equivalent to their partnership interest as and when declared by the management committee of each MFC Partnership. Upon the voluntary or involuntary liquidation, dissolution or winding-up of an MFC Partnership, the holders of partnership interests will be entitled to share rateably in the remaining assets available for distribution, after payment of all liabilities.

### Distribution Policy

The management committee of each MFC Partnership has adopted a policy that each MFC Partnership will distribute its available cash to the maximum extent possible, subject to applicable law and compliance with their existing credit facilities, by way of monthly distributions on its partnership interests or other distributions on its securities, after:

- satisfying its debt service obligations under its credit facilities or any other agreements with third parties;
- satisfying its other expense obligations, including withholding and other applicable taxes; and
- retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and such other amounts as may be considered appropriate by its management committee, subject to Medical Facilities Holdings' prior approval in certain circumstances.

Capital expenditures of each MFC Partnership and other expenditures may be financed:

- by borrowings under its credit facilities;
- by additional issuances of securities to Medical Facilities Holdings and/or its related Subco or Holdco;
- from the working capital and cash flow of the business; and/or
- by seller and vendor financing or other third-party borrowings.

Subject to certain limitations and exceptions, each MFC Partnership, and the MFC Partnerships as a group, will be limited as to the amount of liabilities which may be incurred.

## **Partnership Agreements**

The following is a summary of certain provisions of the Partnership Agreements, each entered into by Medical Facilities Holdings or its predecessor, an MFC Partnership and its respective Subco or Holdco, as the case may be, which summary is not intended to be complete. Each Partnership Agreement has substantially similar terms. Reference is made to each Partnership Agreement for a complete description and the full text of its provisions.

### ***Managers***

The management committee of each MFC Partnership is comprised of persons elected by the governing board of the affiliated Subco or Holdco, as the case may be, and one representative of Medical Facilities Holdings designated by the Corporation. Executive management is determined for each MFC Partnership by its management committee.

### ***Budget***

Each MFC Partnership is responsible for preparing a budget for the following fiscal year by October 31 of each year (or, in the case of ASH, by a deadline agreed upon by ASH Holdco and Medical Facilities Holdings), addressing projected revenue, expenditure and distributions. Any such budget which (i) reflects a material change (increase of 15.0% or more) in capital expenditures, reserves, debt or debt service obligations or significant expense items (specifically labour, overhead or any other expense item representing more than 15.0% of revenue for SFSH and 15.0% of gross revenue for ASH), (ii) contemplates a reduction in distributions over the previous year (or, in the case of ASH, a reduction in distributions of more than 8.0% over the previous year), or (iii) contemplates the incurrence of any extraordinary or non-recurring items will be subject to approval of the Medical Facilities Holdings' board of directors. Except in respect of ASH, in the event that the MFC Partnership and Medical Facilities Holdings do not agree on a proposed budget, Medical Facilities Holdings will be entitled to establish the budget for the MFC Partnership.

### ***Fundamental Decisions***

For each MFC Partnership, (i) any expenditure deviations from the budget for the then current year in an aggregate amount exceeding the lesser of (A) CPI plus 5.0% of budgeted cash flow (calculated in a prescribed manner) for the then current fiscal year; and (B) \$1.5 million; (ii) any reduction in distributions from budgeted amounts, and for SFSH, or (iii) any incurrence of indebtedness which would cause the MFC Partnerships alone, or the MFC Partnerships in the aggregate, to exceed certain limitations, will be subject to approval of the Medical Facilities Holdings' board of directors. In addition, the following fundamental transactions on the part of the MFC Partnerships will be subject to the approval of the Medical Facilities Holdings' board of directors:

- (i) entering into a merger, consolidation, combination or other material transaction of that nature;
- (ii) directly or indirectly selling or otherwise disposing of all or substantially all of MFC Partnership's assets;
- (iii) adopting any plan or proposal for liquidating, dissolving, reorganizing, or recapitalizing the MFC Partnership or commencing any action seeking relief under any laws relating to bankruptcy, insolvency, conservatorship, or relief of debtors;
- (iv) consummating an acquisition or acquisitions or entering into contracts (other than payor contracts or those relating to capital expenditures contemplated in the budget which would result in expenditures in excess of certain prescribed limits);
- (v) entering into lines of business other than those currently carried on (not including new lines of surgery);
- (vi) changing its fiscal year or making a material change in its accounting policies or procedures unless required under the applicable generally accepted accounting principles;

- (vii) taking, or permitting, any action which would prevent the business from continuing on an ongoing basis;
- (viii) issuing, redeeming, purchasing, transferring, or agreeing to the transfer of any partnership interests (subject to rights of exchange of the Exchangeable Interests);
- (ix) substantively changing the MFC Partnership's distribution policy;
- (x) entering into material transactions outside of the normal course of business; or
- (xi) agreeing to do any of the preceding.

The incurrence of indebtedness or liens in excess of \$500,000 in a twelve-month period (other than indebtedness to fund distributions) on the part of SFSH, any amendment to the lease arrangements with Memorial Property Holdings, LLC on the part of the Spine Hospital and non-arm's length transactions with ASH Holdco or its members and transactions with officers and/or managers of ASH or its affiliates also require the approval of the Medical Facilities Holdings' board of directors. Certain of the numerical thresholds adjust annually based on the CPI.

#### ***Limitation on Liabilities***

The MFC Partnerships are prohibited from exceeding, without the consent of Medical Facilities Holdings, aggregate liabilities incurred in the ordinary course, other than excluded liabilities, of \$2 million in respect of ASH and \$5 million in respect of each of OSH and SFSH. The definition "excluded liabilities" includes: (i) any secured indebtedness of the MFC Partnerships, existing as at November 30, 2012 for ASH and as at March 29, 2004 for SFSH; (ii) any indebtedness incurred in the ordinary course secured by the MFC Partnerships' accounts receivable and/or inventory; (iii) capital equipment financing secured by the equipment; (iv) any fixed asset mortgages incurred in the ordinary course; and (v) in respect of ASH, a loan made by ASH Holdco and/or Medical Facilities Holdings to ASH.

#### ***Ownership Restrictions***

Each Subco or Holdco, as the case may be, is prohibited from selling or transferring its Retained Interest (other than exchanges of the Exchangeable Interest) in the applicable MFC Partnership without the approval of the board of directors of Medical Facilities Holdings.

#### ***Senior Management of MFC Partnerships***

The board of directors of Medical Facilities Holdings has the right to terminate any member of senior management of any of the MFC Partnerships if such officer is not terminated by the respective MFC Partnership in circumstances where (i) the officer has engaged in conduct which is fraudulent or grossly negligent, (ii) the officer has participated in or acquiesced to a material breach of the MFC Partnership's non-financial (including reporting) obligations to Medical Facilities Holdings, or (iii) (except in the case of ASH) the MFC Partnership for a given year materially underperforms its budget (other than a budget imposed by Medical Facilities Holdings unless such budget has been determined by an independent qualified arbiter to have been reasonably attainable) and such underperformance is, in the reasonable opinion of the Medical Facilities Holdings' board of directors, attributable in material part to the officer's performance.

#### ***Reporting***

Each MFC Partnership provides monthly financial reporting to Medical Facilities Holdings in such manner as Medical Facilities Holdings may reasonably request to support for: (i) Medical Facilities Holdings' discharge of its responsibility for the Corporation's financial disclosure requirements; and (ii) Medical Facilities Holdings' monitoring of budget compliance.

### ***Management Services***

Arrangements pursuant to which management services are provided to any MFC Partnership operate on the terms negotiated by the affected MFC Partnership. In particular, a company owned by certain indirect non-controlling owners of SFSH provides coding and billing services to SFSH.

### ***Amendment***

Each Partnership Agreement for each MFC Partnership provides that it can only be amended, modified or waived with the unanimous approval of the parties thereto.

### **SUBCOS/HOLDCO**

The Subco for SFSH is a South Dakota limited liability company. OSH's related Subco is an Oklahoma limited liability company. ASH's related Holdco is an Arkansas limited liability company.

### **Operating Agreements**

The following is a summary of certain provisions of the Subco and Holdco Operating Agreements, entered into by the Corporation, Medical Facilities Holdings or its predecessor, as applicable, each Subco or Holdco and/or each Holding Entity, as applicable, with respect to certain matters relating to each Subco or Holdco, which summary is not intended to be complete. Reference is made to the Subco and Holdco Operating Agreements for a complete description and the full text of their provisions.

The Subco or Holdco is not permitted to sell, transfer, or pledge its partnership interests in the applicable MFC Partnership to a third-party without the prior approval of the board of directors of Medical Facilities Holdings. In respect of the MFC Hospitals Subcos, the respective Subco does not require the approval of Medical Facilities Holdings to exchange its Exchangeable Interest. Further, the Subco or Holdco will not transfer its partnership interests in the applicable MFC Partnership or, in respect of the MFC Hospital Subcos, transfer Common Shares it receives upon exchange of the Exchangeable Interests, and no membership interests in the Subco or Holdco may be transferred, if such transfer might lead to a violation of the Stark Law.

### ***Amendment***

The Corporation and Medical Facilities Holdings have the right to approve any amendment to the operating agreements that would adversely affect their interests, including with respect to Subco's or Holdco's continued ownership of the Retained Interest.

### **Retained Interests**

The Existing Partners in respect of each MFC Partnership indirectly hold 49.0% or less of the outstanding partnership interests in the respective MFC Partnership through their ownership interests, in the case of the MFC Hospitals (other than ASH), in the related Holding Entity and the Holding Entity's ownership interest in the related Subco, and, in the case of ASH, in the related Holdco (please refer to the section entitled "Corporate Structure – Ownership Structure").

Pursuant to the terms of the Exchange Agreements applicable in respect of the MFC Hospitals, each Subco and ASH Holdco are entitled to exchange up to 14.0% and 5.0%, respectively, of the outstanding partnership interests (the "**Exchangeable Interests**") for Common Shares (to the extent that such interest has not yet been exchanged). The balance of each Subco and ASH Holdco partnership interests in their related MFC Partnership, representing 35.0% and 44.0% partnership interest, respectively, in such MFC Partnership, will not be exchangeable into Common Shares or transferable by the respective Subco and ASH Holdco (the "**Continuing Interests**" and together with the Exchangeable Interests, the "**Retained Interests**").

### ***Distributions on Retained Interests***

The Retained Interest in each MFC Partnership entitles the related Subco and ASH Holdco to distributions on a pro-rata basis equivalent to the distributions by such MFC Partnership to Medical Facilities Holdings. Consequently, in respect of the MFC Hospitals, prior to any exchange of Exchangeable Interests (whereupon the entitlements would be adjusted proportionately), each Subco and ASH Holdco, will receive 49.0% of the distributions made by its related MFC Partnership, and Medical Facilities Holdings will receive 51.0% of such distributions. The MFC Hospitals have exercised the right to exchange the following Exchangeable Interests and, as a result, are entitled to receive the following amount of the distributions made by their related MFC Partnership.

MFC Partnership	Exchangeable Interests Exchanged (%)	Remaining Exchangeable Interests (%)	Distribution Entitlement (%)
ASH	0.0	5.0	49.0
OSH	13.0	1.0	36.0
SFSH	0.0	14.0	49.0

### **Exchange Agreements**

The following is a summary of certain provisions of the Exchange Agreements, which summary is not intended to be complete. Reference is made to each Exchange Agreement for a complete description and the full text of its provisions.

Subject to the limitations described below, the Exchange Agreements grant each Subco and ASH Holdco the right to periodically exchange all or any portion of its Exchangeable Interests in their related MFC Partnership for Common Shares, based on the exchange ratio. The exchange ratio calculates the number of Common Shares to be issued to a Subco or ASH Holdco in exchange for their Exchangeable Interests pursuant to a formula that measures the cash distributions by the MFC Partnership for the prior twelve-month period relative to the distributions by all MFC Partnership during that period.

Exchanges will occur quarterly (on the fifth Business Day or as agreed by the parties after the public release of financial information for the immediately preceding quarter). The number of Exchangeable Interests exchanged for Common Shares in any fiscal quarter will be subject to the following thresholds applicable to the MFC Partnerships, collectively, (i) a maximum exchange equal to 3.0% of the number of Common Shares outstanding on the effective date of the exchange (“**Maximum Exchange Amount**”), and (ii) a minimum exchange equal to 1.5% of the number of Common Shares outstanding on the effective date of the exchange (“**Minimum Exchange Amount**”). The Minimum Exchange Amount will not apply if the related Subco or ASH Holdco elects to bear the administrative and other costs associated with such an exchange. The Exchange Agreements require that Common Shares acquired on exchange be immediately sold, unless their retention would not affect the regulatory status of the MFC Partnerships.

Subject to the right of the related Subco to exchange its Exchangeable Interest, a member of a Holding Entity has the right to redeem a portion of his, her or its membership interests in the Holding Entity (corresponding to the proportion of the membership interests in the MFC Partnership that are exchangeable and unexchanged). The Holding Entity has the option of paying for such redeemed membership interests in cash or Common Shares. For purposes of any such redemption into Common Shares, a member’s membership interests in the Holding Entity will be redeemed based on an exchange ratio which calculates the number of Common Shares to be issued to a Subco in exchange for its Exchangeable Interests pursuant to a formula which considers factors such as (i) the aggregate amount of cash distributed by the MFC Partnership to its related Subco in respect of the twelve-month period (ending on the last day of the most recently completed fiscal quarter), (ii) the weighted average of the number of Retained Interests comprising partnership interests in the MFC Partnership owned by its related Subco during such period, (iii) the aggregate amount of cash distributed to Medical Facilities Holdings by all MFC Partnerships (and any other medical or surgical facilities in which Medical Facilities Holdings has an interest) in respect of the preceding twelve-month period (ending on the last day of the most recently completed fiscal quarter), and (iv) the weighted average number of Common Shares outstanding during such period.

The Exchange Agreements also provide that, in the event that a purchaser offers to purchase more than 20.0% of the interests in Medical Facilities Holdings held indirectly by the Corporation pursuant to an agreement with the Corporation, or 20.0% of the outstanding Common Shares pursuant to a non-exempt take-over bid in respect of which the Corporation proposes to enter into a support agreement with such purchaser, then it will be a condition of any such agreement or support agreement that the purchaser will offer to purchase a pro-rata portion of the Exchangeable Interests of the MFC Partnerships held by each Subco or ASH Holdco, on the same terms and subject to the same conditions as are applicable to the purchase of the interests of Medical Facilities Holdings held indirectly by the Corporation or the Common Shares of the Corporation in accordance with the formula and restrictions set out in the Exchange Agreements. If an unsolicited non-exempt take-over bid from a person acting at arm's length to holders of the Exchangeable Interests is made for the Common Shares and a contemporaneous offer on the same terms and conditions is not made for the Exchangeable Interests, then provided not less than 20.0% of Common Shares, other than Common Shares held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror, are taken-up and paid for pursuant to the bid, then from and after the date of first take-up under the bid the Exchangeable Interests will be exchangeable at an exchange ratio which results in the Exchangeable Interests being exchangeable for 110% of the number of Common Shares into which they were exchangeable under the exchange ratio previously in effect. With respect to proposed sales by a Subco or ASH Holdco of its Retained Interests, each Subco or ASH Holdco will be prohibited from transferring its Retained Interest (other than exchanges of Exchangeable Interests) without the approval of the board of directors of Medical Facilities Holdings.

## **HOLDING ENTITIES**

The Holding Entity related to SFSH is a South Dakota limited liability company and the Holding Entity related to OSH is an Oklahoma limited liability company.

### **Operating Agreement**

The following is a summary of certain provisions of the SFSH Holding Entity's and OSH's related Holding Entity's operating agreements entered into between the Corporation, the predecessor to Medical Facilities Holdings, and each Holding Entity with respect to certain matters relating to SFSH and OSH's related Holding Entities, as applicable, which summary is not intended to be complete. In respect of ASH, the agreement entered into by Medical Facilities Holdings and ASH Holdco governs those certain matters relating to ASH Holdco, similar to the other Holding Entities' Operating Agreements, as discussed below. ASH Holdco holds its interest in ASH directly rather than through a Subco and, therefore, the agreement includes provisions generally consistent with the operating agreements for the other Holding Entities as well as provisions consistent with the operating agreements for other MFC Partnerships' related Subcos. Reference is made to the Holding Entities' operating agreements for a complete description and the full text of their provisions.

### ***Ownership Restrictions***

The Holding Entity is not permitted to sell, transfer, or pledge its membership interests in the respective Subco without the prior approval of the board of directors of Medical Facilities Holdings. Further, the Holding Entity will not transfer its membership interests in the applicable Subco if such transfer might lead to a violation of the Stark Law.

### ***Amendment***

The governing document provides that the ownership provisions listed below can only be amended, modified, or waived with the approval of the board of directors of Medical Facilities Holdings. The other provisions of the operating agreement of the Holding Entity will not require the approval of the Corporation or Medical Facilities Holdings.

### **Ownership Provisions**

The operating agreement governing the business and affairs of each Holding Entity (other than ASH) provides as follows (note that Put Rights are only available to members of the SFSH Holding Entity).

### ***Mandatory Purchase and Sale***

In the event that a member of a Holding Entity retires, dies, or becomes permanently disabled (each a “**Mandatory Repurchase Event**”), the member will have the obligation to sell and, subject to the limitations described below, the Holding Entity will have the obligation to repurchase, the membership interests held by such member (each a “**Mandatory Repurchase**”).

### ***Limited Put Rights of Members***

During the months of June and December of each year, a member may give the SFSH Holding Entity written notice (which must be received by the Holding Entity in such month) of the member’s desire to compel the SFSH Holding Entity to repurchase a designated number of membership interests (a “**Put**”) and, subject to the limitations described below, the SFSH Holding Entity will repurchase the designated number of membership interests (a “**Put Repurchase**”).

### ***Closings***

Closings of Mandatory Repurchases, which are the result of Mandatory Repurchase Events during the months of January through June, and Put Repurchases, which are the result of Puts in the month of June, will occur as soon as reasonably practicable after June 30 (“**First Semester Repurchases**”). Closings of Mandatory Repurchases, which are the result of Mandatory Repurchase Events during the months of July through December, and Put Repurchases, which are the result of Puts in the month of December, will occur as soon as reasonably practicable after December 31 (“**Second Semester Repurchases**”).

### ***Limitations on Mandatory Repurchases and Put Repurchases***

The maximum number of membership interests that the Holding Entity will be required to repurchase in any year pursuant to Mandatory Repurchases and Put Repurchases will be 4.0% of the difference between the number of membership interests outstanding as of the end of the prior calendar year less the number of membership interests repurchased during the current year by reason of Mandatory Repurchase Events and Puts which occurred during the prior year but for which the closing occurred during the current year (the “**Maximum Repurchase Obligation**”). First Semester Repurchases in any given year will correspondingly reduce the available Maximum Repurchase Obligation for Second Semester Repurchases in such year (possibly to zero). Membership interests which are to be redeemed pursuant to the right of a member to redeem a portion of his or her membership interests, as described in the section entitled “Subcos/Holdco – Exchange Agreements” will not be subject to the limitations imposed by the Maximum Repurchase Obligation. In addition, the Holding Entity may, in its sole discretion, determine to repurchase membership interests in excess of the Maximum Repurchase Obligation provided that under no circumstances will the Holding Entity make repurchases which might adversely affect the MFC Partnership’s exemption under the Stark Law.

If for any semester the sum of (i) the membership interests subject to Mandatory Repurchases, and (ii) membership interests that have been Put, or in the case of the Holding Entity related to OSH, the membership interest subject to Mandatory Repurchases alone, exceeds the Maximum Repurchase Obligation as of the end of that semester, then the membership interests to be repurchased by reason of the death of a member will have priority in the order of the deaths of the members over other repurchases, and all other membership interests to be repurchased will be repurchased on a pro-rata basis rounded to the nearest whole number.

Any membership interests that are subject to a Mandatory Repurchase or which have been Put, but which are not repurchased at the end of a semester because of the limitations imposed by the Maximum Repurchase Obligation, will be carried forward to subsequent semesters without the requirement of further notice. In such cases, such deferred repurchases will have equal priority with other Mandatory Repurchases and Put Repurchases which are the result of Mandatory Repurchase Events and Puts during such semester; provided, however, that membership interests to be repurchased by reason of the death of a member will have priority in the order of the deaths of the members over other repurchases. The purchase price to be paid for such deferred repurchases will be the purchase price in effect at the time of such deferred repurchase, not the purchase price in effect at the time of the initial Put or Mandatory Redemption Event.

***Option to Purchase — Physicians***

A Holding Entity has the right (but not the obligation) to purchase, without the approval of Medical Facilities Holdings, and a member has the obligation to sell, membership interests held by a physician member who no longer has privileges at the specialty hospital operated by the MFC Partnership, or relocates their primary residence outside of the service area.

***Option to Purchase — Non-Physicians***

A Holding Entity has the right (but not the obligation) to purchase without the approval of Medical Facilities Holdings, and the member has the obligation to sell, membership interests held by a member who is not a physician if they are no longer employees, members of the governing body, or entities providing comprehensive management services to the MFC Partnership.

***Sales to New Members***

Membership interests may be sold by a Holding Entity without the approval of Medical Facilities Holdings to (i) existing members of the Holding Entity; (ii) physicians on the medical staff of the specialty hospital operated by the applicable MFC Partnership; (iii) employees or members of the governing body of the MFC Partnership; and (iv) entities providing comprehensive management services to the MFC Partnership, provided in each case that the issuances will not lead to a violation of the Stark Law.

***Transfers of Membership Interests***

Membership interests may be transferred, sold or assigned by a member of a Holding Entity without the approval of Medical Facilities Holdings to (i) existing members of the Holding Entity; (ii) physicians on the medical staff of the MFC Hospital operated by the applicable MFC Partnership; (iii) employees or members of the governing body of the MFC Partnership; and (iv) entities providing comprehensive management services to the MFC Partnership, provided in each case that the issuances will not lead to a violation of the Stark Law. Any such transfer will be subject to the approval of the applicable Holding Entity.

***Offers to Sell***

Except as otherwise provided above, no membership interests may be sold or otherwise transferred without the prior approval of Medical Facilities Holdings and the Holding Entity. A member of a Holding Entity who desires to transfer his, her or its membership interests other than as provided above will offer them to the Holding Entity. In the event the Holding Entity elects to purchase less than all of such offered membership interests, the member may, in his, her or its discretion, elect to retain all of his, her or its offered membership interests.

***Purchase Price***

The purchase price for any issuance, transfer, sale, redemption, or offering of membership interests of the SFSH Holding Entity will be at fair market value as determined not less than annually by the governing board of the SFSH Holding Entity. The purchase price for any issuance transfer, sale, redemption or offering of membership interests of OSH's related Holding Entity will be at the lesser of: (i) book value multiplied by the percentage interest of the departing members, and (ii) fair market value.

***Instalment Payments***

For any purchase or redemption of membership interests by the Holding Entity, the purchase price may, at the election of the governing board, be paid over a period of five years in five annual instalments, with the first payment due at closing and the second, third, fourth and fifth instalments due on the first, second, third and fourth anniversaries of the closing (in exercising its discretion, the governing board will consider the terms of the non-solicitation and non-competition agreements for the redeemed holder and the desirability of an instalment payment to ensure compliance with such agreements). Unless the Holding Entity otherwise determines, interest on the principal balance will be paid at the applicable federal interest rate in effect on the date of first payment.

### ***ASH Holdco***

A member of ASH Holdco may not transfer his, her or its interests without the prior written approval of the ASH Holdco board and Medical Facilities Holdings or, if one or both of such approvals are not provided, by the approval of holders of a majority of interests in ASH Holdco. In addition, transfers of interests are not permitted if the proposed transferee does not meet prescribed membership requirements and if the transfer might result in a violation of applicable law. ASH Holdco has a right of first refusal in respect of proposed transfers. ASH Holdco may redeem a member's interest in certain circumstances, including breach of the ASH Holdco operating agreement, the imposition of a regulatory sanction or suspension of professional privileges and with the approval of a majority of the disinterested members. Additionally, ASH Holdco may, or if requested by Medical Facilities Holdings shall, redeem a member's units upon the occurrence of certain events, including the member's death, disability, bankruptcy, retirement from practice within the local service area, relocation of practice, and other events. The purchase price for the member's units in such an event is based on a formula prescribed by the ASH Holdco operating agreement, payable in instalments plus interest in certain circumstances.

### **Non-Solicitation and Non-Competition Agreements**

Subject to the exceptions noted below, each Subco and Holdco, each Holding Entity and each member of a Holding Entity (and the equity owners of any member that is not a natural person) has entered into a non-solicitation and non-competition agreement pursuant to which such member is prohibited for so long as the executing party is a member of the Holdco or Holding Entity and for a period of two years thereafter, without the consent of Medical Facilities Holdings, directly or indirectly, on his or her own behalf or in the service or on behalf of others, as a director, governor, trustee, owner (except as an owner of less than 5.0% of the outstanding stock of a publicly-owned corporation), employee, consultant, advisor, independent contractor or in any other capacity, engage in a business that is in competition with SFSH and located within a 100-mile radius of the site of the related MFC Hospital.

For purposes of the non-solicitation and non-competition agreement, a business is deemed to be in competition with an MFC Hospital if it owns or operates a specialty hospital, general hospital, ASC, cardiac services, or catheterization services. The obligation to enter into non-solicitation and non-competition agreements does not apply to any member of the Holding Entity which is a non-profit organization and which owns and operates a general hospital, and certain existing arrangements and capacities will be grandfathered. The non-solicitation and non-competition agreements do not affect a physician's right to refer patients to any other facility or in any way impede the exercise of the physician's medical judgment or preclude a physician member of the SFSH Holding Entity or a Holdco from performing procedures typically performed in the office setting if no additional license is required for the procedure and it does not typically involve the utilization of a professional anesthesia provider. In addition, a physician's employment by a general hospital providing competing services shall not constitute a breach of the non-solicitation and non-competition agreement.

Notwithstanding the foregoing, any person who is a member of the SFSH Holding Entity is exempted from the provisions of the non-solicitation and non-competition agreement, but only (i) for those competing services provided in the office setting and billed by the member or by the professional practice which employs the member as of October 15, 2003 (including any employment in any hospital or clinic that provides competing services); (ii) to the extent the member had the capacity to provide such competing services as of October 15, 2003 with respect to equipment, space and staff (i.e., a member will be permitted to expand a competing service to the capacity of an underutilized piece of equipment); and (iii) at no more than the number of sites such services were offered by the member as of October 15, 2003.

OSH's related Subco and Holding Entity and each member of the related Holding Entity (and the equity owners or representatives of any member that is not a natural person) entered into a non-solicitation and non-competition agreement pursuant to which such member is prohibited for so long as the executing party is a member of the Spine Hospital's related Holding Entity and for a period of five years thereafter, without the consent of Medical Facilities Holdings, directly or indirectly, on his or her own behalf or in the service or on behalf of others, as a director, governor, manager, trustee, owner (except as an owner of less than 5.0% of the outstanding stock of a publicly-owned corporation), employee, consultant, advisor, independent contractor or in any other capacity to (i) engage in a business that is in competition with the Spine Hospital; (ii) maintain any financial relationship (including any ownership or investment interest) with any business that is in competition with the Spine Hospital; (iii) develop, own, operate, lease, manage, invest in or finance any business that is in competition with the Spine

Hospital; or (iv) provide financial, consulting or managerial assistance relating to the formation and/or operation of a business that is in competition with the Spine Hospital to any other person, company, business or enterprise that owns, operates or manages a business that is in competition with the Spine Hospital, each within Oklahoma County (or any counties contiguous to Oklahoma County). For purposes of the non-solicitation and non-competition agreement, a business is deemed to be in competition with the Spine Hospital if it owns or operates a specialty hospital, general hospital, ASC, pain management facility, surgery center or other facility that provides surgical care or pain management services. The non-solicitation and non-competition agreements do not affect a physician's right to refer patients to any other facility or in any way impede the exercise of the physician's medical judgment.

ASH, ASH Holdco, the Corporation, Medical Facilities America and Medical Facilities Holdings entered into a non-solicitation and non-competition agreement pursuant to which each of the Corporation, Medical Facilities America and Medical Facilities Holdings (hereinafter "**MF Parties**") agrees that, during the period beginning on the closing date of the ASH Acquisition and extending until the earlier of (a) five years following the date on which no MF Party will own any interest in ASH or (b) the cessation of the business of the ASH in Pulaski County, Arkansas and its contiguous counties (the "**Market Area**"), (the "**Restricted Period**"), it will not, directly or indirectly (except as the owner of 5.0% or less of the stock of a publicly-owned corporation), (i) engage in a business that owns or operates a surgical or specialty hospital, general hospital, ASC, pain management facility, surgery center or other facility that provides surgical care, pain management or ancillary hospital services (a "**Competing Business**"), (ii) maintain any financial relationship with a Competing Business, (iii) develop, own, operate, lease, manage, invest in or finance any Competing Business, or (iv) provide financial consulting or managerial assistance relating to the formation and/or operation of any Competing Business to any other person or business that owns, operates or manages a Competing Business, each within the Market Area.

The agreement provides for certain exclusions from the non-competition and non-solicitation restrictions. In particular, the agreement provides that the MF Parties are not prevented from acquiring an interest in any person which at the time of ASH Acquisition (i) had securities publicly listed and trading on a stock exchange, and/or (ii) had a direct or indirect ownership interest (10.0% or greater) in not less than four businesses that qualify as a Competing Business. During the Restricted Period, each MF Party agrees that it will not, directly or indirectly, on its own behalf or in the service of or on behalf of others, solicit or induce or attempt to solicit or induce any person employed by ASH to leave such employment for employment with a Competing Business, or wilfully dissuade or discourage any person or entity from using, employing or conducting business with ASH, or intentionally disrupt or interfere with, or seek to disrupt or interfere with, ASH or contractual relationship between ASH and any supplier who during the term of the agreement supplies or supplied materials or services to ASH, or during the six-month period preceding the transactions contemplated by the purchase agreement supplied materials or services to ASH.

ASH, ASH Holdco, Medical Facilities Holdings and individual members of ASH Holdco entered into a non-solicitation, non-disclosure and non-competition agreement in favour of Medical Facilities Holdings pursuant to which each such member agreed that, during the period beginning on the closing date of the ASH Acquisition and extending until the earlier of (a) five years following the date on which such member terminates his, her or its interest in ASH or (b) the cessation of the business of ASH in Market Area, he, she or it will not, directly or indirectly, on his, her or its behalf or in the service of or on the behalf of others, as a director, governor, manager, officer, trustee, owner (except as the owner of 5.0% or less of the stock of a publicly-owned corporation), employee, consultant, advisor, independent contractor, or in any other similar capacity (i) engage in a Competing Business, (ii) maintain any financial relationship with a Competing Business, (iii) develop, own, operate, lease, manage, invest in or finance any Competing Business, or (iv) provide financial, consulting or managerial assistance relating to the formation and/or operation of any Competing Business to any other person or business that owns, operates or manages a Competing Business, each within the Market Area.

Each non-solicitation and non-competition agreement includes provisions providing for the assignment (by power of attorney) of the holder's membership interest in such Holding Entity (and any entitlement to undistributed distributions) in the event of a breach of the agreement.

## DIRECTORS, OFFICERS AND MANAGEMENT

### The Corporation

#### *Directors of the Corporation*

The Corporation's articles of incorporation provide for a minimum of three directors, provided that the Corporation is a public company. The directors of the Corporation are Adina Storch (Chair), Peter Brimm, Jeremy Klaperman, Michael Gisser, and Jason Redman, a majority of whom are independent of (for regulatory purposes) the Corporation and its subsidiaries. Further information on each director is provided in the section entitled "Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries".

The term of office for each of the directors of the Corporation will expire at the time of the next annual meeting of shareholders of the Corporation. Directors are elected at each annual meeting of shareholders of the Corporation. A director may be removed by a resolution passed by a majority of the shareholders or may resign. The vacancy created by the removal of a director must be filled at the shareholder meeting at which he or she was removed. A vacancy not so filled at a shareholder meeting, or created by the resignation of a director, may be filled by a quorum of the remaining directors. A quorum for meetings of directors is two directors. If there is no quorum of directors, a special shareholder meeting must be called to fill the vacancy.

The directors supervise the activities and manage the affairs of the Corporation, including acting for, voting on behalf of and representing the Corporation as a parent of Medical Facilities America.

#### *Committees of the Board of Directors*

*Audit Committee.* The Corporation's Audit Committee is comprised of Jeremy Klaperman (Chair), Peter Brimm, and Adina Storch, all of whom are independent of (for regulatory purposes) the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships. A more detailed description of the Audit Committee is provided in the section entitled "Audit Committee and Auditors' Fees".

*Corporate Governance, Nominating and Compensation Committee.* Effective as of April 25, 2025, the Board reconstituted the CGNC Committee. The members of the CGNC Committee are Peter Brimm (Chair), Adina Storch, and Jeremy Klaperman. All of the members of the committee are independent of (for regulatory purposes) the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships. The CGNC Committee (i) develops and recommends appropriate corporate guidelines for the Corporation, (ii) annually reviews the performance of the Board and Board Chair, its committees and committee chairs, and individual directors, (iii) develops and recommends criteria for selecting new Board members and identifying and considering candidates, (iv) recommends the director nominees for each annual meeting of shareholders and makes recommendations concerning membership of each committee of the Board, (v) recommends the form and quantum of compensation for non-executive directors, committees and chairs of the Board and committees, (vi) reviews and oversees the evaluation of the performance of the Corporation's senior executives, (vii) designs and recommends the compensation framework of the Corporation's senior executives, including compensation plans, benefits plans, policies and program, (viii) oversees succession planning and development with respect to the Corporation's senior executives, and (ix) oversees the executive performance of the Corporation's direct subsidiaries.

#### *DSU Plan*

As part of the Board's compensation review process in 2024 (the "**Compensation Review Process**"), the Board approved certain changes to Board compensation, which included a change in the form of equity compensation paid to directors. While the Board previously maintained a DSU Plan providing for the issuance of DS Units to eligible directors of the Corporation, directors are now issued RSUs, pursuant to the Second Amended RSU Plan. Further information on the Second Amended RSU Plan is provided in the section entitled "Directors, Officers and Management – Long-Term Incentive Plans – Second Amended and Restated Restricted Share Unit Plan".

Although the Company no longer issues DS Units to directors, any directors who were previously issued DS Units continue to hold DS Units, which accrue dividends. When the holder of DS Units ceases to serve as a director

of the Corporation, such holder's entitlement in respect of the DS Units then held will be settled in cash based on a formula tied to the value of the Common Shares at the relevant time.

### ***Management***

The Corporation has two executive officers. Jason Redman is President and Chief Executive Officer, and David Watson is Chief Financial Officer. They hold similar positions in Medical Facilities America and Medical Facilities Holdings. Further information on each officer of the Corporation is provided in the section entitled "Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries".

Primary responsibility for managerial and executive oversight of the business of the Corporation's subsidiaries is delegated to and discharged by Medical Facilities Holdings, including but not limited to oversight of the business operations of the MFC Hospitals, budgeting processes, control procedures and policies, and acquisition activities if such are undertaken.

### ***Policies***

The Board is also responsible for adopting and periodically reviewing and updating the policies of the Corporation. Such policies, among other things:

- articulate the legal obligations of the Corporation, its affiliates and their respective directors, officers, and employees with respect to confidential information;
- identify spokespersons of the Corporation who are the only persons authorized to communicate with third parties such as analysts, media, and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by senior executives of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information, and to ensure that if selective disclosure does occur, a news release is issued immediately; and
- establish blackout periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods the Corporation, its subsidiaries (including the MFC Partnerships), and (pursuant to undertakings in favour of the Corporation) the Subcos and Holding Entities and their respective managers, officers, employees and consultants may not purchase or sell Common Shares or securities exchangeable for or convertible into same.

### **Medical Facilities America**

#### ***Directors and Officers***

Medical Facilities America is governed in accordance with its constating documents and its Management Agreement. The Management Agreement provides for a board of directors consisting of up to eleven directors of Medical Facilities America with the Corporation having the right to appoint the majority of directors. As at the date of this Annual Information Form, the board of directors of Medical Facilities America is comprised as follows:

- five representatives of the Corporation; and
- two representatives of SFSH.

SFSH's representation on the Medical Facilities America board of directors will be adjusted if their Retained Interests are reduced or diluted, pursuant to the Management Agreement.

The board of directors of Medical Facilities America, subject to the provisions of the Management Agreement, has full power to manage the business and affairs of Medical Facilities America, to make all decisions regarding Medical Facilities America and to bind Medical Facilities America.

Medical Facilities America has two officers. Jason Redman is President and Chief Executive Officer, and David Watson is Chief Financial Officer. They hold similar positions in the Corporation and Medical Facilities Holdings.

Further information on each director and officer of Medical Facilities America is provided in the section entitled “Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries”.

### **Medical Facilities America Holdco 1**

#### ***Managers and Officers***

Medical Facilities America Holdco 1 is a Delaware partnership and is governed in accordance with its operating agreement and applicable law. Jason Redman and David Watson are managers of Medical Facilities America Holdco 1 and hold the positions of President and Chief Executive Officer, and Chief Financial Officer, respectively.

Further information on each manager and officer of Medical Facilities America Holdco 1 is provided in the section entitled “Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries”.

### **Medical Facilities America Holdco 2**

#### ***Managers and Officers***

Medical Facilities America Holdco 2 is a Delaware partnership and is governed in accordance with its operating agreement and applicable law. Jason Redman and David Watson are managers of Medical Facilities America Holdco 2 and hold the positions of President and Chief Executive Officer, and Chief Financial Officer, respectively.

Further information on each manager and officer of Medical Facilities America Holdco 2 is provided in the section entitled “Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries”.

### **Medical Facilities Holdings**

#### ***Directors and Officers***

Medical Facilities Holdings is a Delaware corporation and is governed in accordance with its constating documents and applicable law. Medical Facilities Holdings’ board of directors replicates the board of directors of Medical Facilities America as at the date of this Annual Information Form. Medical Facilities Holdings has two officers. Jason Redman is President and Chief Executive Officer, and David Watson is Chief Financial Officer. They hold similar positions in the Corporation and Medical Facilities America.

Further information on each director and officer of Medical Facilities Holdings is provided in the section entitled “Directors, Officers and Management – Directors and Officers of the Corporation and its Subsidiaries”.

#### ***Committees***

Executive officers of Medical Facilities Holdings sit as representative members on the respective MFC Partnerships’ management committees.

## Directors and Officers of the Corporation and its Subsidiaries

The following table sets out the name, province/state and country of residence, position(s) with the Corporation, Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, and Medical Facilities Holdings, and principal occupation during the past five years of directors and executive officers of the Corporation and its corporate subsidiaries.

<u>Name and Province/State and Country of Residence</u>	<u>Position(s) / Director Since</u>	<u>Principal Occupation During the Past Five Years</u>
<b>ADINA G. STORCH</b> New York, U.S.A.	Director of MFC, MFA and MFH since September 2022 <sup>(2)(3)(4)(5)</sup>	Senior Vice President General Counsel & Corporate Strategy, Global Industrial Company Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary, Cedar Realty Trust, Inc., 2014 – 2021
<b>PETER C. BRIMM</b> Ontario, Canada	Director of MFC, MFA and MFH since March 2025 <sup>(2)(3)(4)(5)</sup>	President, Envoy Holdings Executive Vice President of Strategy and Innovation, Shiplake Properties Chief Growth Officer, Leap Tools Inc.
<b>JEREMY KLAPERMAN</b> New York, U.S.A.	Director of MFC, MFA and MFH since March 2025 <sup>(2)(3)(4)(5)</sup>	Chief Financial Officer, WordPress VIP, Automatic Principal, Thayer Street Partners, 2023 – 2024 Chief Financial Officer, Rho, 2022 – 2023 Portfolio Manager, Citadel, 2018 – 2021
<b>MICHAEL V. GISSER</b> Washington, U.S.A.	Director of MFC, MFA and MFH since May 2022 <sup>(2)</sup>	Corporate Director and Advisor Chief Executive Officer, eResonate, 2019 – 2021
<b>JASON P. REDMAN</b> Ontario, Canada	President and Chief Executive Officer of MFC, MFA, MFH, MFA Holdco 1 and MFA Holdco 2 since October 2023, director of MFC, MFA and MFH since May 2022, manager of MFA Holdco 1 and MFA Holdco 2 since October 2022, and manager (since October 2022) <sup>(2)</sup>	President and Chief Executive Officer, MFC Interim President and Chief Executive Officer, MFC, 2022 – 2023
<b>DR. R. BLAKE CURD</b> South Dakota, U.S.A.	Director of MFA since June 2011 and MFH since April 2012 <sup>(1)</sup>	Chief Executive Officer of Sioux Falls Specialty Hospital and Orthopedic Surgeon
<b>DR. BRADLEY THAEMERT</b> South Dakota, U.S.A.	Director of MFA and MFH since June 2021 <sup>(1)</sup>	General and Trauma Surgeon
<b>DAVID N.T. WATSON</b> Tennessee, U.S.A.	Chief Financial Officer of MFC, MFA and MFH since June 2019, and manager and Chief Financial Officer of MFA Holdco 1 and MFA Holdco 2 since July 2019	Chief Financial Officer, MFC

(1) Representatives of SFSH on the Board.

(2) Representatives of the Corporation.

(3) Independent of (for regulatory purposes) the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships.

(4) Indicates member of the Audit Committee of the Corporation.

(5) Indicates member of the CGNC Committee of the Corporation.

### Biographies

**Adina G. Storch** is a seasoned executive with over 27 years of international and domestic experience, including leading the legal teams of two publicly-traded U.S. companies. Ms. Storch is Chair of the Board of Medical Facilities Corporation (TSX: DR), a role she has occupied since November 2024. Ms. Storch also currently serves as the SVP, General Counsel & Corporate Secretary of Global Industrial Company (NYSE: GIC), an international distributor of industrial equipment and supplies. Ms. Storch serves on the national legal advisory board for the wholesale distribution industry and sits on multiple academic advisory boards in higher education, including the Yale Alumni Fund Board, where she is Vice Chair of the Nominating Committee, and the Yale Law School Executive Committee, where she serves as Vice President. She also currently serves on the Board of Directors of a non-profit that employs neurodiverse individuals. Ms. Storch is a frequent speaker and press contributor on various topics, including corporate governance, negotiation strategy and risk management, and has received numerous peer awards

for her innovative leadership style. Previously, Ms. Storch served as EVP, General Counsel & Corporate Secretary of Cedar Realty Trust, Inc., a former U.S. shopping center REIT (NYSE: CDR). In private practice, Ms. Storch was a litigation partner at Kasowitz, Benson, Torres & Friedman LLP and an international capital markets lawyer in the Paris office of Shearman & Sterling LLP. Ms. Storch holds a J.D. from the Yale Law School and a B.A. *summa cum laude* from Yale College.

**Peter C. Brimm** is a director and Chair of the CGNC Committee of MFC (TSX: DR), and has over 26 years of capital allocation, investing, and operating experience across multiple industries as a strategy and operations consultant, C-Suite executive, and investor. Mr. Brimm is also a member of the board of directors and the audit and compensation committee, and is the chair of the corporate, governance and nominating committee of Pitney Bowes Inc. (NYSE: PBI). Mr. Brimm is currently the President of Envoy Holdings, a family office. Prior to this position, Mr. Brimm was the Executive Vice President of Strategy and Innovation for Shiplake Properties, a Toronto-based real estate firm. Previously to that, Mr. Brimm served as the Chief Growth Officer at the augmented reality startup Leap Tools Inc., where he helped build out the business capabilities that lead the business to significant revenue growth (qualifying for the Deloitte Fast50 for three consecutive years). He has also held various roles working as a portfolio manager for several leading hedge funds in the US and in Canada, including Relational Investors and West Face Capital Inc., among others. Mr. Brimm holds an MBA from the Stanford University Graduate School of Business with certificates in Global Management and Public Management and a B.A. *cum laude* in Business Economics from the University of California at Los Angeles. Mr. Brimm also holds a CFA Charter and is based in Toronto, Ontario, Canada.

**Jeremy Klaperman** has over 24 years of experience in financial leadership, investment management and investment banking roles. In addition to being a member of the Board of Directors of MFC and Chair of the Audit Committee (TSX: DR), Mr. Klaperman currently serves as CFO of WordPress VIP, a provider of website content management and analytics systems to enterprises and governments. He was previously CFO of Rho Technologies, a provider of financial services and integrated spend management software. Prior to his role as CFO of Rho Technologies, Mr. Klaperman worked for over 15 years at leading investment firms, including portfolio manager positions at Citadel and D.E. Shaw, where he led teams managing large portfolios of public equity investments. He spent the first five years of his career in the Investment Banking Division of Goldman Sachs. Mr. Klaperman spent 6 years of his career based in Europe and 3 years based in Asia, and has invested in or advised a wide range of successful companies across all major industries and developed market regions. Mr. Klaperman graduated Cum Laude from Yale University with a B.S. in Mathematics.

**Michael V. Gisser** is an experienced executive, board member and advisor. In addition to being a member of the Board of Directors of MFC (TSX: DR), he is Chairman of the Compensation Committee and a member of the audit committee at Continental General Insurance, a Texas-regulated underwriter of long-term care insurance. Mr. Gisser is also a Co-Founder and Chairman of the Board of VRD HealthTech Inc. (a marketplace for virtual reality and digital healthcare products), and Senior Advisor at Cognitive Leap (a digital medicine company) and Atomico (Europe's largest venture capital firm). As a lawyer, Mr. Gisser led the development of the Asia Pacific region for Skadden over 20 years as the firm's senior M&A partner in Greater China. He is a leader in global change of control transactions and fundraising, as well as a recognized expert on financial and governance matters.

**Jason P. Redman** is the President and Chief Executive Officer of the Corporation (TSX: DR), Medical Facilities America, and Medical Facilities Holdings. He is also a manager and President and Chief Executive Officer of Medical Facilities America Holdco 1 and Medical Facilities America Holdco 2. Mr. Redman brings over 25 years of experience in operations and financial management as well as a proven ability to execute growth strategies and complete complex M&A transactions across numerous sectors. He is an experienced C-suite executive who has served as Chief Financial Officer at Newstrike Brands Ltd. (TSX-V: HIP), Chief Financial Officer at SiriusXM Canada (TSE: XSR) and President at Armtec Infrastructure Inc. (TSE: ARF). Mr. Redman holds a Master of Accounting from the University of Waterloo in addition to an MBA from the Kellogg School of Management at Northwestern University. He is a Canadian Chartered Accountant, Chartered Professional Accountant, and a U.S. Certified Public Accountant-Delaware.

**R. Blake Curd, M.D.** is the Chief Executive Officer of Sioux Falls Specialty Hospital and is a practicing orthopedic surgeon specializing in hand, upper extremity and micro vascular surgery. He is also the Chief Medical Officer of the Corporation. Dr. Curd serves on the Executive Committee of The Orthopedic Institute, and is Chairman and a past Chief of Orthopedic Surgery for Avera-McKenna Hospital and University Health Center in Sioux Falls,

South Dakota. Dr. Curd is a Clinical Assistant Professor for the University of South Dakota School of Medicine and is a frequent guest lecturer for graduate medical education, community education, and peer surgeon educational meetings. Dr. Curd spent ten years in the United States Air Force serving as a flight surgeon for a B-1 Bomber Squadron and as an orthopedic surgeon. Dr. Curd graduated from the University of Missouri at Kansas City School of Medicine with a Bachelor of Arts in both Biology and Chemistry and a Medical Doctorate. Dr. Curd completed his Orthopedic Surgery Residency Training in San Antonio, Texas and completed his fellowship in Hand, Upper Extremity, and Microvascular Surgery at the Indiana Hand Center/Indiana University.

**Bradley Thaemert, M.D.** is a general and trauma surgeon in Sioux Falls, South Dakota, who has been a practicing surgeon for over 26 years. He is also a Chairman of the Board of Dakota Healthcare Partners and Chair of the Board of Sioux Falls Surgical Physicians. Dr. Thaemert practices at the Avera McKennan Hospital, also located in Sioux Falls, South Dakota. Dr. Thaemert completed his residency at the Gunderson Medical Foundation - Lutheran Hospital in LaCrosse, Wisconsin. Dr. Thaemert received a bachelor's degree from the University of Minnesota, Duluth and a Doctor of Medicine from University of Minnesota.

**David N.T. Watson** is the Chief Financial Officer of the Corporation, Medical Facilities America, and Medical Facilities Holdings. He is also a manager and Chief Financial Officer of Medical Facilities America Holdco 1 and Medical Facilities America Holdco 2. Mr. Watson has extensive senior financial experience, primarily with multi-site and multi-state healthcare operations. Prior to joining Medical Facilities, he was the Chief Financial Officer for the Florida-based Clearway Pain Solutions Institute, and for Correct Care Solutions, LLC before that. From 2011 to 2015, Mr. Watson served as Senior Vice President and Chief Financial Officer for National Surgical Hospitals, a leading owner and manager of physician-partnered surgical hospitals and ambulatory surgical centers. His depth of industry experience also includes leadership in key areas of accounting and financial reporting, mergers and acquisitions, scaling organizations for growth, and navigating capital markets. Mr. Watson holds a Bachelor of Arts degree in Economics from the University of Virginia and an MBA in Accounting from Rutgers, The State University of New Jersey.

### **Management of the MFC Partnerships**

Each MFC Partnership is governed by its Partnership Agreement. The management committee for each MFC Partnership is comprised of individuals appointed by the management committee of the applicable Subco or Holdco and one representative of Medical Facilities Holdings. Each MFC Partnership's business and affairs are managed by its management committee, subject to the terms of its governing Partnership Agreement. The terms of the Partnership Agreements provide that certain matters will be subject to the approval of Medical Facilities Holdings' board of directors, including any reduction in distributions, certain budgeting matters, material deviations from budget and specified fundamental transactions.

### **Shareholdings of Directors and Officers**

The directors and executive officers of the Corporation and its corporate subsidiaries hold, either directly or indirectly through their ownership of Exchangeable Interests, approximately 149,459 Common Shares in the aggregate (0.7% of all Common Shares on a Fully Diluted Basis, which includes the number of Common Shares issued and outstanding as of December 31, 2025, the number of Common Shares underlying the stock options granted to the former executive officers of the Corporation as of December 31, 2025, and the number of Common Shares potentially issuable for the Exchangeable Interests).

The stated number of Common Shares owned, directly or indirectly or under the control of a director or an executive officer, including by associates or affiliates, has been furnished by the respective directors and executive officers as at December 31, 2025.

### **Insurance Coverage for the Corporation and Related Entities and Indemnification**

The Corporation has obtained policies of liability insurance for the directors and officers of the Corporation and its direct and indirect subsidiaries. The aggregate limit of liability applicable to the insured directors and officers under the policies is \$60 million, including defence costs. Under the policies, each entity has reimbursement coverage to the extent that it has indemnified its directors and officers. The policies include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Corporation and its direct

and indirect subsidiaries. The aggregate limit of liability is shared among the Corporation and its direct and indirect subsidiaries and any of their respective directors and officers so that the limit of liability is not exclusive to either of the entities or their respective directors and officers.

The by-laws of the Corporation and its direct and indirect subsidiaries and the Partnership Agreements for each MFC Partnership provide for the indemnification of their respective directors, managers, and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties or office, subject to certain limitations.

### **Long-Term Incentive Plans**

The long-term incentive program recognizes key employees' role in driving the Corporation's business growth, increasing shareholder value, and supporting the Corporation's continued success. Previously, the Corporation's compensation program consisted of an equity component paid in the form of DS Units. The Corporation has shifted its strategic objectives over the past few years and in order to align its objectives with its long-term incentive program, the Corporation has determined that moving forward, granting RSUs, instead of DS Units, will best achieve these goals. On June 26, 2025, in connection with the Compensation Review Process, the CGNC Committee approved the Second Amended RSU Plan pursuant to which the Corporation is focusing its long-term incentive program on the granting of RSUs.

### ***Amended and Restated Performance Share Unit Plan***

The Board adopted a PSU Plan for key employees (as defined in the PSU Plan). The purposes of the PSU Plan are: to (i) reward key employees of the Corporation for the creation of economic value for the shareholders; (ii) align the interests of key employees of the Corporation with those of the shareholders; and (iii) provide key employees of the Corporation with total compensation which is competitive with that of similar positions in markets where the Corporation competes for managerial and professional talent.

#### *Eligibility*

In connection with the Compensation Review Process, on November 26, 2024, the Board (prior to the reconstitution of the CGNC Committee) approved the termination of the share ownership guidelines for key employees and directors. Prior to the termination of the share ownership guidelines, key employees were eligible to participate in the PSU Plan ("**PSU Eligible Participants**"). The Board determined the number of share units (the "**Share Units**") that were to be granted to PSU Eligible Participants, or delegated to Management such determination and the allocation of the Share Units among PSU Eligible Participants. The Board had discretion to establish at the time of each grant, within the restrictions set forth in the PSU Plan, the date of grant, the vesting date, the level of performance which had to be attained over a specific time period for the vesting of all or some of the Share Units, and other particulars applicable to awards granted thereunder. PSU Eligible Participants received DS Units until they achieved their share ownership requirements, after which time, they could elect to receive either DS Units or performance share units. Following the termination of the share ownership guidelines, the Corporation no longer issues Share Units under the PSU Plan.

#### *Non-Assignability*

Rights and privileges granted under the PSU Plan are non-assignable and non-transferable, in whole or in part, either directly or by operation of law other than by will or pursuant to the laws of succession.

#### *Vesting*

Share Units granted to a PSU Eligible Participant (a "**PSU Award**") vest three years following the date on which such Share Units are granted, or on such earlier date or series of earlier dates, as may be determined by the CGNC Committee and specified in the award letter (as defined in the PSU Plan), provided that applicable considerations set out in the PSU Plan and any conditions set forth by the CGNC Committee are met. In no case will the vesting date of a PSU Award occur more than three years after the date such PSU Award is granted. The CGNC Committee includes performance objectives as a condition for the vesting of all or some of the Share Units.

The PSU Plan provides that PSU Awards may vest before their vesting date or expire, as the case may be, in several circumstances, including in the case of death of a Share Unit holder, termination as a result of a permanent long-term disability (as defined in the PSU Plan), retirement, voluntary termination of employment, or termination for cause or without cause (as defined in the PSU Plan). In the case of death of a Share Unit holder, retirement, or termination of a Share Unit holder's employment as a result of a permanent long-term disability or without cause, the Share Unit holder (or his or her legal representative, as applicable) will be entitled to receive cash settlements based on a pro-rated vesting calculation as specified in the PSU Plan.

#### *Cash Settlement*

Unless a PSU Award has expired prior to the vesting date, and subject to certain provisions in the PSU Plan, the Corporation will settle (a) a PSU Award of PSUs as reasonably promptly as possible following the end of the vesting period of PSUs and (b) a PSU Award of DS Units as reasonably promptly as possible following the date that such DS Unitholder ceases to be an employee of the Corporation, in each case by paying to the Share Unit holder (or, if deceased, his or her legal representative) an amount in cash equal to: (i) the number of Share Units forming part of the vested PSU Award, adjusted pursuant to the PSU Plan, multiplied by (ii) the level of achievement of performance objectives, multiplied by (iii) the weighted average trading price per Common Share on the TSX for the five days preceding the date on which the Share Units are vested or, in the case of DS Units, the date of death or termination, as applicable. The PSU Plan is non-dilutive and will not rely upon Common Shares from treasury, nor are there any corresponding Common Shares reserved in treasury for purposes of the PSU Plan.

#### *Amendment*

The CGNC Committee may amend, suspend, or terminate the PSU Plan in whole or in part at any time and from time to time, provided no such amendment, suspension or termination impairs the rights of any Share Unit holder accrued to the date of the amendment, suspension or termination without the consent or deemed consent of the Share Unit holder.

#### ***Second Amended and Restated Restricted Share Unit Plan***

The CGNC Committee has approved the Second Amended RSU Plan for key employees (as defined in the Second Amended and Restated RSU Plan effective June 26, 2025). The purposes of the Second Amended RSU Plan are to (i) reward key employees of the Corporation for the creation of economic value for the shareholders of the Corporation, (ii) align the interests of key employees of the Corporation with those of the Corporation's shareholders, and (iii) provide key employees of the Corporation with total compensation which is competitive with that of similar positions in markets where the Corporation competes for managerial and professional talent.

#### *Eligibility*

Key employees are eligible to participate in the Second Amended RSU Plan ("**RSU Eligible Participants**"). The CGNC Committee may from time to time determine the number of RSUs to be granted to RSU Eligible Participants. The CGNC Committee has discretion to establish at the time of each grant, within the restrictions set forth in the Second Amended RSU Plan, the date of grant, the vesting date, and other particulars applicable to awards granted thereunder.

#### *Non-Assignability*

Rights and privileges granted under the Second Amended RSU Plan are non-assignable and non-transferable, in whole or in part, either directly or by operation of law other than by will or pursuant to the laws of succession.

#### *Vesting*

RSUs granted to an RSU Eligible Participant (an "**RSU Award**") will vest on such dates, as may be determined by the CGNC Committee and specified in the award letter (as defined in the Second Amended RSU Plan).

The Second Amended RSU Plan provides that RSU Awards will vest before their vesting date or expire, as the case may be, in several circumstances. RSU Awards will vest in the case of death, termination due to long-term

disability, or termination without cause, and in each case the RSU holder (or his or her legal representative, as applicable) will be entitled to receive cash settlements based on a pro-rated vesting calculation as specified in the Second Amended RSU Plan. In the event of termination without cause within 24 months of a change of control, the RSU holder (or his or her legal representative, as applicable) will be entitled to receive cash settlements based on full vesting. RSU Awards will expire on voluntary termination of employment or termination for cause.

#### *Cash Settlement*

Unless an RSU Award has expired prior to the vesting date, and subject to certain provisions in the Second Amended RSU Plan, the Corporation will settle an RSU Award as reasonably promptly as possible following the end of the vesting period of such RSU Award by paying to the RSU holder (or, if deceased, his or her legal representative) an amount in cash equal to the number of RSUs forming part of the vested RSU award, adjusted as prescribed under the Second Amended RSU Plan, multiplied by the value of the shares on the vesting date, in respect of RSUs granted on or prior to December 31, 2025. If the RSUs are granted on or after January 1, 2025, the Corporation will settle an RSU Award as reasonably promptly as possible following the end of the vesting period of such RSU Award by paying the RSU holder (or, if deceased, his or her legal representative) an amount in cash equal to: (i) the number of RSUs forming part of the vested RSU Award, adjusted pursuant to the Second Amended RSU Plan, multiplied by the buyback portion, multiplied by the buyback price, (ii) the number of RSUs forming part of the vested RSU Award, adjusted pursuant to the Second Amended RSU Plan, multiplied by the remaining portion, multiplied by the value of the shares on the vesting date, and (iii) the number of RSUs forming part of the vested RSU Award, adjusted pursuant to the Second Amended RSU Plan, multiplied by the remaining portion in the case of any dividends paid after a buyback, multiplied by the sum of all regular and special dividends per share paid between the date of the grant and the vesting date. The Second Amended RSU Plan is non-dilutive and will not rely upon Common Shares from treasury, nor are there any corresponding Common Shares reserved in treasury for purposes of the Second Amended RSU Plan.

#### *Amendment*

The CGNC Committee may amend, suspend, or terminate the Second Amended RSU Plan in whole or in part at any time and from time to time, provided no such amendment, suspension or termination impairs the rights of any RSU holder accrued to the date of the amendment, suspension or termination without the consent or deemed consent of the RSU holder.

The following table summarizes the issuance of RSUs to the directors of the Corporation during the year ended December 31, 2025:

<u>Date of Issuance</u>	<u>Number of RSUs Issued</u>	<u>Issue Price (Cdn\$)</u>	<u>Total Value of RSUs Issued (Cdn\$)</u>
June 26, 2025.....	30,472	15.5358	473,407
<b>Total 2025.....</b>	<b>30,472</b>		<b>473,407</b>

#### *Stock Option Plan*

The Board has adopted a Stock Option Plan, the purposes of which are to (i) reward key employees (as defined in the Stock Option Plan) of the Corporation for the creation of economic value for the shareholders; (ii) align the interests of key employees of the Corporation with those of the shareholders; and (iii) provide key employees of the Corporation with total compensation which is competitive with that of similar positions in markets where the Corporation competes for managerial and professional talent. The Corporation makes grants of options under the Stock Option Plan only upon the initial engagement of key employees and not as an element of regular or ongoing compensation.

#### *Eligibility*

Employees of the Corporation who contribute significantly to the financial success of the Corporation are eligible to voluntarily participate in the Stock Option Plan (for greater certainty, non-employee directors are not

eligible to participate). The CGNC Committee will administer the Stock Option Plan and the Board will make the final determination, at its discretion, as to who is eligible to receive options under the Stock Option Plan.

#### *Non-Assignability*

Options granted pursuant to the Stock Option Plan, or any right in respect thereof, may not be assigned or transferred, other than by will or pursuant to the laws of succession. Options may not be exercised by anyone other than the person to whom an option has been granted pursuant to the Stock Option Plan (the “**Optionee**”).

#### *Shares Offered*

The total number of authorized and unissued Common Shares of the Corporation available for options under the Stock Option Plan is equal to 3,100,000.

The Stock Option Plan provides that any one individual cannot receive options under the Stock Option Plan which will entitle such individual to receive more than 5.0% of the number of Common Shares issued and outstanding. Common Shares in respect of which options are granted but not exercised prior to the termination of such options due to the expiration, termination, or lapse of such options or otherwise, are to be available for new grants of options pursuant to the provisions of the Stock Option Plan.

#### *Exercise Price*

The exercise price for an option granted pursuant to the Stock Option Plan will be determined by the Board and may not be less than the volume weighted average trading price per Common Share on the TSX for the five days preceding the date on which the option is granted.

#### *Vesting*

Unless otherwise determined by the Board, options granted pursuant to the Stock Option Plan will be subject to the vesting schedule specified in the option agreement (the “**Option Agreement**”) between the Corporation and the Optionee. The vesting schedule in the Option Agreement will be determined by the Board in order to fulfil the purposes of the Stock Option Plan. The Board expects that options will typically vest after five years of employment subject to certain early vesting triggers.

#### *Term*

Unless otherwise provided in the Stock Option Plan or the Option Agreement, each option may be exercised only during the period commencing as per the vesting schedule specified in the Option Agreement and expiring on the last day of the tenth year following the date on which the option is granted (the “**Option Period**”). If the Option Period expires during a period self-imposed by the Corporation during which directors, officers and certain employees of the Corporation shall not trade the securities of the Corporation (a “**Blackout Period**”), the expiry of the Option Period shall be extended for ten business days after the end of the Blackout Period.

#### *Cessation*

##### Leaves, Retirement or Permanent Long-Term Disability

If an Optionee, before the expiration of the Option Period: (i) is granted authorized leave of absence for sickness or other reasons; (ii) becomes a retiree (as defined in the Stock Option Plan); or (iii) voluntarily terminates his or her employment as a result of permanent Long-Term Disability (as defined in the Stock Option Plan), the Optionee will be entitled to exercise his or her options in accordance with the regular vesting and exercise schedule.

##### Death

If an Optionee dies before the expiration of the Option Period, his or her legal representatives will be entitled to exercise his or her vested options within a period of one year following such death. A pro-rata amount of the

unvested options will vest as of the date of death based upon the length of time between the grant date and death as a percentage of the length of time between the grant date and the vesting date of the options.

#### Termination of Employment or Resignation

Except as described above or otherwise provided in the Option Agreement, if an Optionee's employment is terminated, or if an Optionee resigned from his or her employment with the Corporation, all of the Optionee's unvested options will expire effective on the date of such termination or resignation. The Optionee will have a period of 30 days from the date of such termination or resignation to exercise his or her unexercised vested options.

If an Optionee's employment is terminated without cause within 24 calendar months following a change of control, as defined in the Stock Option Plan: (i) each unexercised vested option held by the Optionee will remain exercisable for a period of 24 calendar months from the date of termination, but not later than the end of the Option Period; and (ii) each unvested option then held by the Optionee will become exercisable upon such termination and will remain exercisable for a period of 24 calendar months from the date of termination, but not later than the end of the Option Period.

#### Competing Activities

The rights of an Optionee (or his or her legal representatives) with respect to his or her options in the event of retirement, permanent long-term disability, death, termination of employment or resignation are subject to the Stock Option Plan's provisions regarding competing activities.

The unexercised vested options of an Optionee will be forfeited and his or her unvested options will expire immediately, if: (i) during the Optionee's employment with the Corporation or at any time within the two-year period following the end of such employment, the Optionee, without the prior written consent of the Corporation: (a) engages in any activity that directly or indirectly competes with any business carried on by the Corporation; (b) directly or indirectly acts as a consultant to any other person, firm or corporation, who or which competes with any business carried on by the Corporation; or (c) engages in any other activity which is prejudicial to the interests of the Corporation; (ii) during the Optionee's employment with the Corporation or at any time thereafter, the Optionee discloses any confidential information, trade secrets, records, intellectual property or other private affairs of the Corporation to any person, without the prior written consent of the Corporation; or (iii) the Optionee's employment with the Corporation is terminated for cause (as defined in the Stock Option Plan).

#### *Insider Participation Limit*

The number of Common Shares issuable to insiders, at any time, and the number of Common Shares issued to insiders within any one-year period, in each case under the Stock Option Plan, or when combined with all of the Corporation's other security-based compensation arrangements, shall not exceed 10.0% of the issued Common Shares.

#### *Amendment*

The Board has the sole discretion, subject to receipt of requisite regulatory approval where required, to make the following amendments, without having to obtain shareholder approval. Such changes include, without limitation: (i) amendments of a "housekeeping" or clerical nature; (ii) amendments clarifying any provision of the Stock Option Plan; (iii) a change to the vesting provisions of an option; (iv) a change to the termination provisions of an option which does not entail an extension beyond the original Option Period, as extended by the Blackout Extension Term (as defined in the Stock Option Plan), if applicable; (v) a change to the number of options granted to an Optionee and the options' exercise price, in the event of a declaration of a stock dividend or a subdivision, consolidation or reclassification, or other change or action affecting the Common Shares; and (vi) suspending or terminating the Stock Option Plan.

The Stock Option Plan provides that shareholder approval will be required in the case of: (i) any amendments to the number of Common Shares issuable under the Stock Option Plan subject to the terms of the Stock Option Plan; (ii) any change which would allow non-employee directors to participate in the Stock Option Plan; (iii) any amendment which would permit any option granted under the Stock Option Plan to be transferable or

assignable other than by will or pursuant to the laws of succession; (iv) any reduction in the exercise price of an option after the option has been granted or any cancellation of an option and the substitution of that option by a new option with a reduced exercise price (other than in connection with a declaration of a stock dividend or a subdivision, consolidation or reclassification, or other change or action affecting the Common Shares); (v) any extension to the term of an option beyond the original Option Period, unless the term is being extended by the Blackout Extension Term (as defined in the Stock Option Plan); (vi) any increase to the insider participation limit referenced above subject to the terms of the Stock Option Plan; and (vii) any change to the Stock Option Plan's amendment provision other than amendments of a "housekeeping" or clerical nature or to clarify such provision.

### AUDIT COMMITTEE AND AUDITORS' FEES

As at the date of this Annual Information Form, the Corporation's Audit Committee is comprised of three directors: Jeremy Klaperman (Chair), Peter Brimm, and Adina Storch, each of whom is "independent" of the Corporation, and its direct and indirect subsidiaries, including the MFC Partnerships, and "financially literate" within the meaning of National Instrument 52-110, *Audit Committees*. The Audit Committee is responsible for oversight of the accounting and financial reporting practices and procedures of the Corporation, monitoring the adequacy of internal accounting controls and procedures, and reviewing the quality and integrity of financial statements of the Corporation. The independent auditors of the Corporation report directly to the Audit Committee. In addition, the Audit Committee is responsible for reviewing and approving the auditors' examination and for recommending to the Board the selection of independent auditors of the Corporation. The charter of the Audit Committee is attached hereto as Schedule "A".

#### Relevant Education and Experience of Audit Committee Members

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Corporation to prepare its annual and interim financial statements.

<u>Audit Committee Member</u>	<u>Relevant Education and Experience</u>
Jeremy Klaperman (Chair)	Mr. Klaperman has spent his career managing asset portfolios and teams alike. He has overseen companies through external audits and upholds the integrity of the audit procedure. He has experience streamlining accounting inefficiencies and working with the auditors to ensure proper procedures are in place and are followed.
Peter C. Brimm	Mr. Brimm currently serves on the audit committee of Pitney Bowes Inc. (NYSE: PBI) and previously served on the audit committee of Dye & Durham Ltd. (TSXR: DND), and has experience to enable the Audit Committee to appropriately oversee audit procedures and internal control protocols. Mr. Brimm has extensive knowledge and experience in securities regulation and governance matters.
Adina G. Storch	In her 12 years as a public company senior executive, and 27 years of legal practice, Ms. Storch has gained thorough familiarity with U.S. and international regulatory disclosure and reporting standards and routinely interfaces with both internal and external auditors in the conduct of their audit and review procedures. Having served as chief compliance officer, general counsel and advisor to multiple public companies, she has extensive experience with internal controls, compliance oversight and remediation.

#### Non-Audit Services

The Corporation's Audit Committee has adopted specific policies and procedures for the engagement of external auditors for all services, including non-audit services. The policies require Audit Committee approval of all such engagements, but the Audit Committee may delegate pre-approval authority to the Chair of the Audit Committee.

## External Auditors' Service Fees

The table below provides greater disclosure of the services provided and fees earned by the Corporation's external auditors over the two most recently completed fiscal years, dividing the services into the three categories of work performed.

Type of Work	2025 Fees <sup>(1)</sup>		2024 Fees <sup>(1)</sup>	
Audit fees <sup>(2)</sup> .....	US\$	138,500 (i)	US\$	113,000 (i)
	US\$	201,000 (ii)	US\$	195,000 (ii)
	US\$	136,500 (iv)	US\$	18,750 (iii)
		-	US\$	132,000 (iv)
<b>Total audit fees billed in U.S. dollars</b>		<b>476,000</b>		<b>458,750</b>
Tax fees <sup>(3)</sup> .....	Cdn\$	-	Cdn\$	76,363

(1) Fees shown are net of Canadian Public Accountability Board fees, expenses, technology and support charges, administrative fee, and taxes.

(2) Audit fees billed for professional services rendered by the auditors for the:

- (i) audit of the Corporation's consolidated financial statements for the years ended December 31, 2025, and December 31, 2024;
- (ii) audit of three MFC Partnerships for the year ended December 31, 2025 and four for the year ended December 31, 2024;
- (iii) review of an MFC Partnership for the year ended December 31, 2024;
- (iv) review of the interim consolidated financial statements of the Corporation for Q1, Q2 and Q3 2025 and the same periods in 2024.

(3) Tax fees billed for professional services rendered by the auditors for Canadian tax compliance in 2024. The Corporation used other advisors in 2025, therefore no tax fees were billed by the auditors.

## Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate external auditors not been adopted by the Board.

## RISK FACTORS

### Risks Related to the Business and the Industry of the MFC Partnerships

#### *Reliance on Third-Party Payors for Revenue and Profitability*

The revenue and profitability of the MFC Partnerships depend heavily on payments from third-party payors, including government healthcare programs (Medicare and Medicaid) and managed care organizations. Payments from government and private insurance payors represent a significant portion of the revenues of the MFC Partnerships. If payments from these third-party payors were reduced or eliminated, the revenue and profitability of the MFC Partnerships may be adversely affected.

Details regarding some of the key third-party payors are described below.

#### *Medicare and Medicaid Programs*

Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the United States federal *Social Security Act*. Medicare is an exclusively federal program, while Medicaid is a combined federal and state program. Medicare provides certain healthcare benefits primarily to beneficiaries who are 65 years of age or older. Medicaid is a federal/state program designed to provide certain healthcare benefits to low-income individuals.

Healthcare providers have been affected significantly by recent changes in healthcare laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to limit or reduce healthcare costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to healthcare providers under both the

Medicare and Medicaid programs have been enacted and have caused significant reductions in payments from these programs to healthcare providers, including the MFC Partnerships.

These reductions have included “site-neutral” payment policies that have reduced reimbursement for inpatient services relative to outpatient services, and there have been recent efforts to expand “site-neutral” payment policies to a broader range of services which, if enacted, could further reduce reimbursement to hospitals. In addition, CMS makes annual updates to the Inpatient Only List, which is a list of procedures eligible to be reimbursed by Medicare only if performed in an inpatient setting. On November 21, 2025, the CMS released the *Hospital Outpatient Prospective Payment System and Ambulatory Surgical Centre Payment System Final Rule*, which became effective January 1, 2026, and includes the phase-out of the Inpatient-Only List over a three-year period, beginning with 285 surgical procedures removed for the calendar year 2026, as well as the application of the site-neutral rate to drug administration services. To the extent procedures are removed from the Inpatient Only List and become eligible to be reimbursed by Medicare if performed in outpatient settings, demand for outpatient services may increase in comparison to demand for inpatient services. In addition, the United States Congress has reduced the level of reimbursement by Medicare to ASCs. In the future, the United States Congress may consider a reduction in payment to specialty hospitals for Medicare services. The efforts to reduce the costs of the Medicare and Medicaid programs are likely to continue, and there can be no assurance that such efforts will not adversely affect the financial condition of the MFC Partnerships. In addition, the number of Medicaid enrollees decreased substantially in 2025 and is projected to continue to decrease substantially throughout 2026 due to the resumption of routine eligibility redeterminations that were suspended due to the COVID-19 pandemic. Furthermore, proposals by the current U.S. administration to reduce government spending could potentially impact Medicaid and other government-funded plans, if enacted. It is not known how quickly such disenrolled individuals will obtain commercial health insurance coverage in lieu of Medicaid coverage, it is difficult to project whether the ongoing decrease in Medicaid enrollees will cause at least a temporary decline in revenues.

#### *Managed Care Plans/Third-Party Payors*

Providers of managed care plans and third-party commercial health insurance plans generally seek to enter into agreements with healthcare providers which provide for discounts and other economic incentives to reduce or limit the cost and utilization of the healthcare services which are paid for under those plans. As a result, payments to healthcare providers from managed care plans and third-party commercial health insurance plans typically are lower than billed charges from the provider.

Each of the MFC Hospitals has entered into a number of contracts with managed care providers and third-party commercial health insurance plans. There can be no assurance that the MFC Hospitals will maintain their current contracts or obtain other similar contracts in the future. In addition, Management expects that managed care providers and third-party commercial health insurance plans will continue to focus on cost containment measures, and this could have a negative impact on the revenues and profitability of the MFC Hospitals in the future.

Managed care organizations and other third-party payors continue to consolidate, which enhances their ability to influence the delivery of healthcare services. Consequently, the healthcare needs of patients in the United States are increasingly served by a smaller number of managed care organizations. These organizations generally enter into service agreements with a limited number of providers. The MFC Hospital’s revenues and profitability could be materially adversely affected if these organizations terminate them as providers and/or engage with their competitors as a preferred or exclusive provider.

#### ***Licensing, Certification and Accreditation Requirements***

Healthcare facilities, such as the MFC Hospitals, are subject to numerous legal, regulatory, professional, and private licensing, certification, and accreditation requirements. These include, but are not limited to, requirements imposed by Medicare, Medicaid, state licensing authorities and private payors. Receipt and renewal of such licenses, certifications and accreditations are often based on inspections, surveys, audits, investigations, or other reviews, some of which may require affirmative compliance actions by the MFC Partnerships that could be burdensome and expensive.

Management believes that the MFC Partnerships are currently in material compliance with all applicable licensing, certification, and accreditation requirements. The applicable standards may change in the future. Annual

changes to the Inpatient Only list to make more procedures eligible for Medicare reimbursement in an outpatient setting may make it more difficult for the MFC Hospitals to satisfy Medicare certification standards. There can be no assurance that the MFC Partnerships will be able to maintain all necessary licenses or certifications or that they will not be required to incur substantial costs in doing so. The failure to maintain all necessary licenses, certifications and accreditations, or the requirement to incur substantial costs to maintain them, could have a material adverse effect on the business of the MFC Partnerships.

In addition, in order to perform medical procedures in the states where MFC Hospitals operate, physicians must be licensed by the applicable state board of medical and osteopathic examiners. There can be no assurance that any particular physician who has medical staff privileges at the MFC Hospitals will not have their license suspended or revoked by the applicable state board of medical and osteopathic examiners. If such a license is suspended or revoked, the physician will not be able to perform surgical procedures at the MFC Hospitals which may have a material adverse impact on the operations and business of that MFC Partnerships.

### ***Regulatory Requirements***

The regulatory requirements of the MFC Hospitals are fundamental to the operation of the hospitals and financial performance of the MFC Partnerships.

There are a number of United States federal and state regulatory initiatives which specifically apply to healthcare providers, including the MFC Partnerships. Among the most significant are:

- the federal Anti-Kickback Statute;
- the federal Stark Law;
- the ACA;
- the FCA; and
- the federal rules relating to management and protection of patient records and patient confidentiality.

Investors are encouraged to read this Annual Information Form's detailed description and discussion of the requirements of the Anti-Kickback Statute, the Stark Law, the ACA, the FCA, and the rules relating to patient records and confidentiality in the section entitled "Description of the Business – Regulation".

While Management believes the MFC Partnerships are currently in compliance with the requirements of these regulatory frameworks and expects such compliance will continue in the future, there can be no assurance that the MFC Partnerships will not violate the requirements of one or more of these laws or that they will not have to expend significant amounts to ensure compliance or to defend allegations of non-compliance. A violation of these requirements could subject the MFC Partnerships to criminal or civil penalties and/or exclusion from future participation in programs such as Medicare or Medicaid. Any of these outcomes could have a material adverse impact on the business of the MFC Partnerships.

In addition to the regulatory initiatives described above, healthcare facilities, including the MFC Hospitals, are subject to a wide variety of federal, state, and local environmental and occupational health and safety laws and regulations that affect their operations, facilities, and properties. Violations of these laws could subject the MFC Partnerships to liability for investigating and remedying any contamination by hazardous substances, as well as civil or other damages and penalties. Typical hospital operations include the handling, use, storage, transportation, disposal, and discharge of hazardous, infectious, toxic, radioactive, flammable, and other hazardous materials, wastes, pollutants, or contaminants. Although Management believes the MFC Partnerships are currently in material compliance with all applicable environmental laws and regulations, and expects such compliance will continue in the future, there can be no assurance that the MFC Partnerships will not violate the requirements of one or more of these laws or that they will not have to expend significant amounts to ensure compliance. A violation of these requirements could have a material adverse impact on the business of the MFC Partnerships.

### ***Dependence on Physician Relationships***

The success of each MFC Partnership depends, in part, on the ability of that MFC Partnership to attract and retain surgeons and other physicians in the MFC Partnership's service area to perform surgical procedures at the MFC Hospital. Although the MFC Partnerships have had success in attracting surgeons and other physicians in the past, there can be no assurance that such success will continue in the future. In addition, there can be no assurance that physician groups performing procedures at the MFC Hospitals will maintain successful medical practices or that one or more key members of a particular physician group will continue practicing with that group or that the members of that group will continue to perform procedures at the MFC Hospitals at current levels, or at all.

### ***Lack of Diversification in the Business of the Corporation and the MFC Partnerships***

The only business of the MFC Partnerships is the operation of the three MFC Hospitals. The MFC Partnerships and the Corporation are, therefore, dependent upon the success of these three hospitals. Investors will not have the benefit of any further diversification of operations or risk.

### ***Litigation, Professional Liability Claims and Availability of Insurance***

The MFC Partnerships are, from time to time, subject to litigation claims in the ordinary course of their business. In particular, the MFC Partnerships can be subject to claims relating to actions of medical personnel performing services at the MFC Partnerships. Historically, the MFC Partnerships have been able to obtain what Management believes is adequate insurance to cover these risks. However, the cost of this insurance is increasing and there can be no assurance that the MFC Partnerships will be able to obtain adequate insurance in the future on economically reasonable terms, or at all. If the insurance which the MFC Partnerships have in place from time to time is not sufficient to cover claims which are made, the resulting shortfall could have a material adverse impact on the business and operations of the MFC Partnerships.

### ***Access to Capital Resources for Expansion of Facilities***

The growth strategy of the MFC Partnerships includes expanding the procedures offered by each MFC Hospital and increasing capacity available for use at the MFC Hospitals. Any such expansions will require additional capital which may be funded through additional debt or equity financings. To the extent that financing is raised through the issuance of Common Shares or other securities of the Corporation, current holders of Common Shares may experience ownership dilution. To the extent debt is incurred, either the Corporation or the MFC Partnerships may incur significant interest expense and may be subject to covenants in the related debt agreements that affect the conduct of business. Without sufficient capital resources to implement this strategy, the MFC Partnerships' future growth could be limited and operations impaired. There can be no assurance that additional financing will be available to fund this growth strategy or that, if available, the financing will be on terms that are acceptable to the MFC Partnerships and the Corporation.

### ***Regulations Affecting Expansion of Facilities***

In some states, prior regulatory approval is required for the expansion of healthcare facilities or the services those facilities offer. In granting such approvals, regulators may consider, among other things, the need for additional or expanded healthcare facilities or services in the local area.

If the MFC Partnerships are unable to obtain required approvals, they may not be able to expand current facilities or expand the breadth of services offered. This could have a material adverse impact on the growth strategy and the business of the MFC Partnerships.

The ACA also places significant restrictions on expansion. Refer to the discussion of ACA in the section entitled "Description of the Business – Regulation".

### ***Competition from Other Healthcare Providers***

The healthcare business is highly competitive. The MFC Partnerships compete with other healthcare providers (primarily traditional hospitals and specialty hospitals) in recruiting physicians to utilize their facilities and

in contracting with managed care payors in each of their markets. Some of the competing facilities have long-standing and well-established relationships with physicians and third-party payors. Some are also significantly larger than the MFC Partnerships and have access to more marketing and other resources than are available to the MFC Partnerships. In addition, other healthcare facilities may not allow physicians who are on the medical staff of the MFC Partnerships to have medical privileges at their facilities. This restriction on a physician's practice may cause physicians to not seek medical staff privileges at the MFC Partnerships and may restrict the MFC Partnerships' ability to attract new or additional doctors to practice at their facilities.

If the MFC Partnerships are unable to compete effectively with these entities to recruit new physicians or enter into arrangements with managed care payors, the ability of the MFC Partnerships to implement their growth strategies successfully could be adversely affected.

### ***Competition for Physicians and Clinical Personnel and Labour Costs***

MFC Partnerships' operations are dependent on the efforts, abilities and experience of their physicians and clinical personnel. MFC Partnerships compete with other healthcare providers, primarily hospitals and other surgical facilities, in attracting physicians to utilize MFC Hospitals, nurses and medical staff to support MFC Hospitals and recruiting and retaining qualified management and support personnel responsible for the daily operations of MFC Hospitals. In some markets, the lack of availability of clinical personnel, such as nurses or Certified Registered Nurse Anesthetists, has become a significant operating issue facing all healthcare providers. This shortage may require MFC Partnerships to enhance wages and benefits to recruit and retain qualified personnel or to contract for more expensive temporary personnel. If labour costs increase, MFC Partnerships may not be able to raise rates to offset these increased costs. MFC Partnerships' failure to recruit and retain qualified management and medical personnel, or to control labour costs, could have a material adverse effect on MFC Partnerships' business, prospects, results of operations and financial condition.

### ***Public Health Crises and Disease Outbreaks***

The Corporation's and MFC Partnerships' operations and financial results could be materially adversely impacted by public health crises relating to viruses, flus, pandemics, epidemics, or outbreaks of infectious diseases.

A public health crisis such as the COVID-19 pandemic could result in a general or acute decline in economic activity in the regions where MFC Partnerships operate, increased unemployment, staff shortages, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the temporary closure of one or more of the MFC Hospitals in accordance with governmental restrictions and/or to protect patients, hospital staff and the communities in which they operate. In addition, treatment of patients with highly contagious diseases at the MFC Hospitals, or infection of physicians and/or hospital staff, or because of physical distancing or other precautionary measures, could result in patients cancelling or deferring elective procedures or otherwise avoiding medical treatment, leading to reduced patient volumes and revenues. All of these occurrences may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to pay dividends to its Common Share holders. Although the Corporation and MFC Partnerships have disaster plans in place and operate pursuant to infectious disease protocols, the extent to which a public health crisis will impact the business is difficult to predict and will depend on many factors beyond Management's and MFC Hospital Management's control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel and other activity, and public reactions to these factors.

The U.S. government implemented various legislation and programs to provide support to businesses financially impacted by COVID-19, including programs targeting healthcare facilities, which have been fully exhausted or terminated.

### ***Cyber Security Incidents***

As providers of healthcare services, information technology is a critical component of the day-to-day operation of the MFC Partnerships. The MFC Partnerships rely on information technology to create, process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. The MFC Partnerships utilize electronic health records,

payment processing platforms, and other health information technology, along with additional technology systems, in connection with their operations, including for, among other things, medical systems, billing and supply chain and labour management. The MFC Partnerships' information systems and applications also require continual maintenance, upgrading and enhancement to meet their operational needs. If MFC Partnerships experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand their systems properly, MFC Partnerships could suffer from, among other things, operational disruptions, regulatory problems and increases in administrative expenses.

As described in the section entitled "Description of the Business – Regulation", MFC Partnerships are subject to compliance with HIPAA and applicable state laws. As such, MFC Partnerships have privacy and security processes in place to protect sensitive health and business information. The systems used by the MFC Partnerships, in turn, interface with and rely on third-party systems. Additionally, HIPAA requires third-party vendors (business associates) of MFC Partnerships to comply with HIPAA whenever protected health information is created, received, transmitted, or maintained. Incident response policies and processes are in place at MFC Partnerships that strive to identify and provide for prompt identification and management of security incidents to facilitate maintenance and/or restoration of business continuity. The Corporation is not aware of the MFC Partnerships having experienced a material data breach.

The preventive actions taken to reduce the risk of such incidents and protect information and technology resources may not be sufficient. In general, MFC Partnerships' information systems are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, human acts, cyber attacks, break-ins, and similar events. MFC Partnerships' business is at risk from and may be impacted by information security incidents, including ransomware, malware, phishing, social engineering, distributed denial of service attacks, zero-day attacks, and other security events suffered by the MFC Partnerships or their business associates. Such incidents can range from individual attempts to gain unauthorized access to information technology systems to more sophisticated security threats. These events can also result from internal compromises, such as human error or malicious acts. These events can occur on MFC Partnerships' systems or on the systems of their partners and subcontractors. Problems with, or the failure of, MFC Partnerships' technology and systems or any system upgrades or programming changes associated with such technology and systems could have a material adverse effect on MFC Partnerships' operations, patient care, data capture, medical documentation, billing, collections, assessment of internal controls and management and reporting capabilities. The trade secrets or confidential business information of the MFC Partnerships could also be exposed as a result of a security incident.

As cyber security threats continue to evolve, the MFC Partnerships may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities in information systems and infrastructure, or invest in new technology designed to mitigate security risks. Third parties to whom the MFC Partnerships outsource certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. By way of example, one MFC Partnership previously detected a data breach due to third-party human error which compromised the data of certain patients. While this incident was not determined to be material, and the MFC Partnership's operations were not impacted by the incident, the MFC Partnership issued notices to the affected individuals among other efforts to mitigate impact on affected parties. A breach or attack affecting a third-party service provider or partner, such as the one noted above, could harm the Corporation's and MFC Partnerships' business even if the Corporation or MFC Partnership does not control the service that is attacked. Further, successful cyber attacks at other healthcare services companies, whether or not the Corporation or MFC Partnerships are impacted, could lead to a general loss of customer confidence in the industry that could negatively affect the Corporation and MFC Partnerships, including harming the market perception of the effectiveness of the MFC Partnerships' security measures or of the healthcare industry in general, which could result in reduced use of the MFC Partnerships' services.

Although the Corporation and MFC Partnerships have insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event. Any cyber security breach or system interruption could result in harm to patients, inability to service patients, inability to run day-to-day operations of the MFC Partnerships, or the unauthorized disclosure, misuse or loss of confidential, sensitive or proprietary information, could negatively impact the ability of the MFC Partnerships to conduct normal business operations (including the collection of revenues), and could result in investigations and potential liability under privacy, security, consumer protection or

other applicable laws, regulatory penalties, class action litigation, negative publicity and damage to the Corporation's and MFC Partnerships' reputation, any of which could have a material adverse effect on the Corporation's and MFC Partnerships' business, financial position, results of operations or cash flows.

### ***Disasters and Similar Events***

The occurrences of natural and man-made disasters and similar events in the regions where MFC Hospitals operate, including hurricanes, tornadoes, earthquakes, wildfires, or other factors beyond the Corporation's control, may damage some or all of the MFC Hospitals, interrupt utility service to some or all of the MFC Hospitals, disrupt patient scheduling, displace patients, employees and physician partners, or otherwise impair the operation of some or all of the MFC Hospitals or the generation of revenues from the MFC Hospitals. Furthermore, the impact, or impending threat, of a natural disaster may require evacuation of one or more MFC Hospitals, which may be costly and may involve risks for the patients.

### ***Other Risk Factors***

In addition to the foregoing risk factors, the following additional risk factors may affect the operations of the MFC Partnerships:

- The MFC Partnerships are employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with other employers, the MFC Partnerships bear a wide variety of risks in connection with their employees. These risks include work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients, and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance, and such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the MFC Partnerships.
- Certain key physicians at the MFC Hospitals are not investors and, as a result, are not subject to the non-competition and non-solicitation agreements described above.
- Scientific and technological advances, new procedures, drugs, preventive medicine, occupational health and safety and outpatient healthcare delivery may reduce utilization and revenues of the MFC Partnerships. Technological advances in recent years have accelerated the trend toward the use by hospitals and surgical centers of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in utilization, but the ability of the MFC Hospitals to offer the equipment or services may be subject to the availability of equipment or specialists, governmental approval, or the ability to finance these acquisitions or operations.
- Reduced demand for the MFC Hospitals' services that might result from decreases in population in the service areas of the MFC Hospitals.
- The United States has from time to time experienced a severe shortage of nursing staff. The failure of the MFC Hospitals to hire and retain qualified personnel could have a material adverse impact on the operations and business of the MFC Hospitals.
- Increased unemployment or other adverse economic conditions in the MFC Hospitals' service areas may impact the volume of services performed, cause shifts to payors with lower reimbursements (e.g., Medicare) and/or result in higher uncollectible accounts.
- The rapid expansion and evolution of AI capabilities poses economic risks such as those relating to employment disruption and the potential for vastly increased energy costs, pressures for the MFC Partnerships to invest substantial capital into AI tools to remain competitive, risks of issues arising from

algorithmic bias allegedly affecting patient care, and other risks that may be difficult to accurately foresee given the pace of AI's evolution.

## **Risks Related to the Structure of the Corporation**

### ***The Corporation is Dependent on the MFC Partnerships for all Cash Available for Distribution***

The Corporation is a holding company with no material assets other than cash distributed up by the MFC Hospitals and the shares of the Corporation's operating subsidiaries. As such, the Corporation is dependent on the operations and assets of the MFC Partnerships through its indirect ownership of those partnerships. Dividends to holders of Common Shares are dependent on the ability of the Corporation's wholly-owned subsidiaries to make distributions, which are ultimately dependent on the ability of the MFC Partnerships to make distributions to Medical Facilities Holdings. The actual amount of cash available for distribution to holders of Common Shares will depend on numerous factors relating to each of the MFC Partnerships, including profitability, changes in revenues, fluctuations in working capital, the sustainability of operating income margins, capital expenditure levels, applicable laws, and contractual restrictions contained in the instruments governing any indebtedness. Any reduction in the amount of cash available for distribution, or actually distributed, by the MFC Partnerships will reduce the amount of cash available for the Corporation to make dividend payments to holders of Common Shares. As a result, cash distributions by the Corporation are not guaranteed and will fluctuate with the performance of the MFC Partnerships.

### ***Limited Management and Operational Controls***

The Corporation has (subject to increase on the exchange of Exchangeable Interests) indirect interests between 51.0% and 64.0% in MFC Partnerships through its indirect subsidiary, Medical Facilities Holdings. Medical Facilities Holdings is an indirectly wholly-owned subsidiary of the Corporation which exercises its control of each MFC Partnership through its contractual rights. However, Medical Facilities Holdings has the right to appoint only one member to each MFC Partnership's management committee and, as such, except in the circumstances of a default and through the exercise of its contractual rights, it does not have the ability to direct day-to-day management of the MFC Partnerships.

### ***Distribution of all Available Cash May Restrict Potential Growth of the MFC Partnerships and the Corporation***

The payout by the MFC Partnerships of substantially all of their operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of these funds could limit the future growth of each MFC Partnership and its cash flow.

### ***Future Distributions are not Guaranteed***

The Corporation's, the Corporation's corporate subsidiaries', and the MFC Partnerships' boards of directors or managers, as applicable, may, in their discretion, amend or repeal their existing distribution policies. Future distributions from these entities, if any, will depend on, among other things, the results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the boards of directors or managers, as applicable, may deem relevant. Any of these boards of directors or managers, as applicable, may decrease the level of distributions provided for in their existing distribution policies or entirely discontinue distributions.

### ***Exchange Rate Fluctuations May Impact the Amount of Cash Available for Distribution by the Corporation***

The Corporation's dividend payments to holders of Common Shares are denominated in Canadian dollars. Conversely, all of the MFC Partnerships' revenues and expenses, together with distributions received by the Corporation from and by its subsidiaries, are denominated in U.S. dollars. As a result, the Corporation is exposed to currency exchange rate risks.

Although the Corporation may enter into hedging arrangements to mitigate this exchange rate risk, there can be no assurance that these arrangements are sufficient to fully protect against this risk. If the hedging transactions do not fully protect against this risk, a change in the currency exchange rate between U.S. and Canadian dollars could

have a material adverse effect on the Corporation's ability to maintain a consistent level of distributions in Canadian dollars.

***Substantial Indebtedness Could Negatively Impact the Business of the Corporation and the MFC Partnerships***

The degree to which the Corporation is leveraged on a consolidated basis could have important consequences to the holders of the Common Shares, including:

- the Corporation's and its subsidiaries' ability in the future to obtain additional financing for working capital, capital expenditures or other purposes may be limited;
- the Corporation, the Corporation's corporate subsidiaries, or MFC Partnerships may be unable to refinance indebtedness on terms acceptable to them or at all;
- a significant portion of the Corporation's cash flow (on a consolidated basis) from operations is likely to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures and/or dividends on its Common Shares;
- increases in interest rates may increase the amount of the Corporation's and MFC Partnerships' debt payments and reduce cash flow; and
- the MFC Partnerships may be vulnerable to economic downturns and be limited in their ability to withstand competitive pressures.

***Restrictive Covenants in Credit Facilities Could Impact the Business of the Corporation and the MFC Partnerships***

The Corporation's 2025 Credit Facility and MFC Partnerships' credit facilities contain restrictive covenants that limit the discretion of the Management and MFC Hospital Management with respect to certain matters. The ability of the Corporation and MFC Partnerships to make distributions will be subject to the restrictive covenants contained in each credit facility.

***Future Issuances of Common Shares Could Result in Dilution***

The Corporation's articles of incorporation authorize the issuance of an unlimited number of Common Shares for that consideration and on those terms and conditions as are established by the Board without the approval of any shareholders. Additional Common Shares may be issued by the Corporation pursuant to the exercise of stock options, Exchange Agreements or in connection with a future financing or acquisition by the Corporation. The issuance of additional Common Shares may dilute an investor's investment in the Corporation and reduce dividends per Common Share.

***Limitations on Enforcement of Certain Civil Judgments by Canadian Investors***

Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2 and Medical Facilities Holdings are organized under the laws of the State of Delaware and each MFC Partnership is formed under the laws of Arkansas, Oklahoma, South Dakota, or Delaware, as applicable. All of the assets of the MFC Partnerships are located outside of Canada and certain of the Corporation's directors and officers are residents of the United States. As a result, it may be difficult or impossible for investors to effect service within Canada upon Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, Medical Facilities Holdings, the MFC Partnerships or their directors and officers who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, Medical Facilities Holdings and each MFC Partnership have been advised by counsel in the United States that there is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws.

In addition, SFSH has agreed to indemnify the Corporation for breaches of representations and warranties given by it under the Investment Agreement. However, the indemnification obligations are limited as described in the Investment Agreement (a copy of which may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)) and, accordingly, the Corporation may not be able to recover the full amount of any losses or damages suffered by it as a result of such breach to the detriment of the Corporation and ultimately holders of Common Shares of the Corporation. Further, the Corporation indirectly owns 51.0% of SFSH which will further reduce any recovery. Finally, there can be no assurance that SFSH will have sufficient assets to satisfy any indemnification liability.

### ***Investment Eligibility and Canadian Federal Income Tax Risks***

There can be no assurance that the Common Shares will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit-sharing plans, registered education savings plans, tax-free savings accounts and registered disability savings plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

### ***The Corporation is Subject to Canadian Tax***

As a Canadian corporation, the Corporation is generally subject to Canadian federal, provincial, and other taxes. There can be no assurance that Canadian federal income tax laws and Canada Revenue Agency administrative policies respecting the Canadian federal income tax consequences generally applicable to the Corporation or to a holder of Common Shares will not be changed in a manner which adversely affects holders of the Common Shares.

### ***New Tax on Repurchases of Equity in Canada***

Effective January 1, 2024, publicly-listed Canadian-resident corporations and similar entities are subject to a 2.0% tax on the net value of repurchases of their equity in a taxation year, subject to certain limited exceptions. This new tax may have an adverse impact on the Corporation by increasing the cost of any future repurchase of its Common Shares, including pursuant to NCIBs.

### ***Certain U.S. Federal Income Tax Issues***

Medical Facilities America is subject to U.S. federal income tax on its consolidated taxable income (generally, this is the taxable income allocable to Medical Facilities America through its direct and indirect interest in the MFC Partnerships), at the U.S. federal corporate tax rate (currently 21.0%). Medical Facilities America is also subject to certain U.S. state and local taxes (which will not be addressed herein). Medical Facilities America will claim certain deductions, including an interest deduction related to the interest paid on its debt and interest arising on other debt in the consolidated group, to the extent allowed by law, in computing its taxable income for U.S. federal income tax purposes.

Certain provisions in the U.S. Internal Revenue Code (“Code”), if applicable, may affect the U.S. federal tax liability of Medical Facilities America, although the extent to which that occurs is dependent on the future factual situation of Medical Facilities America and the interpretation of, and potential changes to, U.S. tax rules. For example, there are restrictions on the deductibility of interest, including generally limiting such deduction to 30.0% of “adjusted taxable income”, although disallowed interest expense can be carried forward to future years. There may be other restrictions on use of interest deductions as well. There are limitations on the use of net operating losses (generally, those can only be utilized to the extent of 80.0% of taxable income in any given year, although unused net operating losses can be carried forward indefinitely). Moreover, Code section 59A, known as “BEAT”, which is the acronym for “base erosion anti-abuse tax”, is designed to potentially limit the tax effectiveness of deductions for payments between U.S.- and non-U.S.-related parties by imposing a minimum tax on the U.S. corporation. The BEAT regime generally does not apply unless the payor U.S. corporation has average annual gross receipts for the three-tax-year period ending with the preceding tax year that are at least \$500 million. While an excise tax has been enacted by the U.S. on certain stock repurchases of public companies, including non-U.S. corporations in limited circumstances, recent U.S. Treasury Regulations have been enacted that would limit the applicability of these rules to Common Share repurchases by the Corporation.

If interest deductibility is limited, the use of net operating losses is restricted, or the BEAT regime applies, the result is likely to be an increase in the U.S. federal tax liability of Medical Facilities America. If the U.S. federal

tax liability of Medical Facilities America is increased, this may reduce the amount of after-tax cash generated by Medical Facilities America that could otherwise be available to make distributions to the Corporation and thereafter to pay dividends to holders of Common Shares.

U.S. federal, state and local tax rules are complex and subject to future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, and there can be no assurance that changes to the U.S. federal, state or local tax rules will not adversely affect Medical Facilities America, its subsidiaries or holders of the Common Shares. There is also a risk that prior U.S. federal, state or local tax positions taken by Medical Facilities America or its subsidiaries may be challenged by the applicable taxing authorities, which challenge, if sustained by the applicable authority, could also adversely impact Medical Facilities America, its subsidiaries or the holders of Common Shares.

#### ***United States Investment Company Act of 1940***

While the Corporation believes that through its subsidiaries and affiliates it is actively engaged in operating businesses and does not meet the definition of an investment company for purposes of the *United States Investment Company Act* of 1940, as amended (the “1940 Act”), depending on the composition and valuation of the Corporation’s assets and the sources of the Corporation’s income from time to time, the Corporation could fall within the technical definition of the term “investment company” in the 1940 Act. Moreover, the determination of whether a company, like the Corporation, is an “investment company” involves complex analysis of regulations and facts, and the Corporation has not sought and does not anticipate seeking confirmation from the Securities and Exchange Commission (the “SEC”) that it agrees with the Corporation’s analysis. If the SEC were to disagree with the Corporation’s analysis or the Corporation otherwise were to determine that it is an “investment company” as defined in the 1940 Act, the Corporation may, among other steps, prudently acquire or sell assets or equity interests in order to avoid remaining an “investment company” as defined under the 1940 Act. Such acquisitions or sales could be on terms other than those on which the Corporation would otherwise acquire or sell such assets or equity interests or the timing of such transactions could be disadvantageous to the Corporation. If the Corporation were unable to avoid being an “investment company” and were therefore required to register as such under the 1940 Act, the Corporation would become subject to substantial regulation with respect to its capital structure (including its ability to use leverage), management, operations, transactions with affiliated persons, portfolio composition (including restrictions with respect to diversification), and other matters.

#### ***The Non-Solicitation and Non-Competition Agreements of the Existing Partners May Not be Enforceable***

Each Subco, Holding Entity and member of each Holding Entity has entered into a non-solicitation and non-competition agreement in favour of the Corporation, Medical Facilities Holdings or its predecessor, and Medical Facilities America, as applicable. The non-solicitation and non-competition agreements may not be enforceable in certain states where MFC Partnerships are located. The Corporation cannot provide any assurance that these agreements will be enforceable and, if they are not enforceable, the Existing Partners could own and operate alternative surgical facilities in the markets where the MFC Partnerships are located which may materially adversely affect the operations and business of the MFC Partnerships.

#### ***The Market Price for the Common Shares May be Volatile***

The market price for Common Shares may be subject to general volatility. Factors such as variations in the Corporation’s financial results, announcements by the Corporation, the MFC Partnerships or others, developments affecting the business and customers, general interest rate levels, the market price of the Common Shares and general market volatility could cause the market price of the Common Shares to fluctuate significantly.

In addition, future sales or the availability for sale of substantial amounts of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and could impair the Corporation’s ability to raise capital through future sales of its securities.

#### ***Shareholder Activism May Negatively Impact the Corporation***

The Corporation may be subject to demands from activist shareholders advocating for changes to corporate governance practices or engaging in certain corporate actions. Shareholder activism could adversely affect the

Corporation’s business, future operations, and profitability, and may cause significant fluctuations in the market price for Common Shares. Responding to challenges from activist shareholders could be costly and time consuming, could have an adverse effect on the Corporation’s reputation and divert the attention and resources of Management and the Board, which could also have an adverse effect on the Corporation’s business and results of operations.

### MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the ticker symbol “DR”.

The monthly price ranges and volumes of trading of the outstanding Common Shares as reported by the TSX over the 2025 fiscal year are set forth in the following table:

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>2025</b>	<b>Cdn\$</b>	<b>Cdn\$</b>	
January.....	16.87	15.01	46,569
February.....	17.94	15.90	119,860
March.....	17.97	14.99	125,601
April.....	17.08	14.28	52,597
May.....	16.18	14.50	25,897
June.....	16.26	15.16	30,159
July.....	16.79	14.15	26,169
August.....	15.45	13.99	29,966
September.....	15.18	14.23	24,399
October.....	15.07	13.77	28,874
November.....	16.34	13.59	26,232
December.....	16.42	15.23	16,305

There were no securities of the Corporation that were issued during the most recently completed fiscal year.

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, except as may be described elsewhere in this Annual Information Form, no director, manager or executive officer of the Corporation or any of its subsidiaries, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10.0% of any class or series of the outstanding voting securities of the Corporation and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any material transaction that has materially affected or will materially affect the Corporation since the closing of the IPO on March 29, 2004.

In connection with the BSHS Sale Transaction and in order to compensate the individuals who made significant contributions to the successful sale of BSHS, the Board determined to pay transaction bonuses in the amount of \$1,378,980 to Mr. Redman and \$742,528 to Mr. Gisser in accordance with the terms set forth in their respective transaction bonus agreements.

In connection with the SCNC Sale Transaction, a transaction bonus was given to Mr. Redman in the amount of \$33,750 and Mr. Watson in the amount of \$30,100, to be paid in accordance with the terms set forth in their respective transaction bonus agreements.

In connection with the OSH Sale Transaction, a total transaction bonus of \$1,554,120 was determined to be payable to Mr. Redman and \$470,595 to be payable to Mr. Watson. In accordance with the terms set forth in their respective transaction bonus agreements, as of the date of this Annual Information Form, 60% of the applicable transaction fees have been paid to each of Mr. Redman and Mr. Watson, with the remaining 40% payable on the 12-month anniversary of the closing date of the OSH Sale Transaction.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. located in Vancouver, British Columbia.

## **MATERIAL CONTRACTS**

The only material contracts, other than contracts entered into in the ordinary course of business, to which the Corporation, Medical Facilities America, Medical Facilities Holdings, or the MFC Partnerships are a party as of the date of this Annual Information Form (which material contracts are described herein and available for review on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)) are the following:

- Original Exchange Agreement;
- OSH Exchange Agreement;
- ASH Exchange Agreement;
- Subco and Holdco Operating Agreements;
- Non-Solicitation and Non-Competition Agreements;
- Partnership Agreements;
- Management Agreement;
- Credit Agreement in respect of the 2025 Credit Facility;
- BSHS Agreement and Plan of Merger;
- SCNC Agreement; and
- OSH Agreement.

## **LEGAL PROCEEDINGS**

In the ordinary course of business, the Corporation, Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, Medical Facilities Holdings and each MFC Partnership may, from time to time, be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. None of the Corporation, Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, Medical Facilities Holdings or the MFC Partnerships is involved in any legal proceedings which have a material effect on the Corporation. To the knowledge of Management, no legal proceedings of a material nature involving the Corporation, Medical Facilities America, Medical Facilities America Holdco 1, Medical Facilities America Holdco 2, Medical Facilities Holdings, or the MFC Partnerships are pending or have been threatened by any individuals, entities, or governmental authorities.

## **INTERESTS OF EXPERTS**

The Corporation's auditors, Raymond Chabot Grant Thornton LLP, have prepared the Independent Auditor's Report to Shareholders in respect of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2025. Raymond Chabot Grant Thornton LLP are independent of the Corporation in accordance with the Rules of Professional Conduct/Code of Ethics of various institutes/orders.

### **ADDITIONAL INFORMATION**

Additional information including directors' and officers' remuneration and indebtedness and the principal holders of the Corporation's securities, is contained in the Corporation's Management Information Circular dated March 23, 2026, relating to the annual meeting of shareholders of the Corporation to be held on May 7, 2026. Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis of the Corporation's financial condition and results of operations for its most recently completed financial year. Copies of such documents and any additional information relating to the Corporation may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or the Corporation's website at [www.medicalfacilitiescorp.ca](http://www.medicalfacilitiescorp.ca). In the alternative, copies may be obtained from the Chief Financial Officer upon written request.

## SCHEDULE "A"

### AUDIT COMMITTEE CHARTER

#### I. PURPOSE

- 1.1 The Audit Committee of Medical Facilities Corporation (the "**Corporation**") is appointed by the board of directors of the Corporation (the "**Board**") to assist the Board in its oversight of the Corporation's financial reporting process, including:
  - (a) The quality, objectivity, and integrity of the financial reporting by the Corporation.
  - (b) The compliance by the Corporation with legal and regulatory requirements in respect of public financial disclosures.
  - (c) The qualifications, independence, and performance of the Corporation's independent auditor.
  - (d) The integrity of the Corporation's financial reporting control processes and the performance of the Corporation's Chief Financial Officer on financial reporting matters.
  - (e) The review and approval of management's identification of principal financial risks and monitoring the processes which manage such risks.
- 1.2 The Audit Committee is to provide an avenue for free and open communication between the independent auditor, financial management, other employees, and the Board concerning accounting and auditing matters.
- 1.3 The Audit Committee is directly responsible for the oversight of the relationship with the independent auditor, for recommending to the Board the nomination and compensation of the independent auditor and for the oversight of the performance and results of audit and audit related engagements.
- 1.4 The Audit Committee is responsible for reviewing and taking such action as it deems appropriate when a complaint is submitted under the Corporation's Whistle Blower Policy. The Audit Committee will be provided with periodic summary reports from the Chief Financial Officer to further assist in its oversight of complaints under the Corporation's Whistle Blower Policy.
- 1.5 The Audit Committee is responsible for the oversight of the Corporation's plan and business processes in the event of a cyber incident.
- 1.6 The Audit Committee is not responsible for:
  - (a) Planning or conducting audits.
  - (b) Certifying or determining the completeness, fairness, or accuracy of the Corporation's financial reporting or that the financial statements are in accordance with generally accepted accounting principles ("**GAAP**"). The fundamental responsibility for the Corporation's financial statements and financial disclosure rests with management.
  - (c) Guaranteeing the report of the Corporation's independent auditor.
  - (d) Conducting investigations, adjudicating disagreements (if any) between management and the independent auditor, or ensuring compliance with applicable legal and regulatory requirements.

#### II. REPORTS

- 2.1 The Audit Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Corporation of its quarterly and annual financial results. The reports of the Audit

Committee shall include any issues of which the Audit Committee is aware with respect to the quality or integrity of the Corporation's financial statements, its compliance with legal or regulatory requirements, and the performance and independence of the Corporation's independent auditor.

- 2.2 The Audit Committee shall also approve, as required by applicable law, any Audit Committee report required for inclusion in the Corporation's publicly filed documents, including this mandate.

### III. COMPOSITION

- 3.1 The members of the Audit Committee shall be three or more Board members who are appointed and may be removed by the Board on the recommendation of the Corporation's Corporate Governance, Nominating and Compensation Committee. The Chair of the Audit Committee shall be designated by the Board.
- 3.2 Each member of the Audit Committee shall meet the independence requirements of National Instrument 52-110 – *Audit Committees* (the "**Instrument**"), any other directly relevant regulatory authority or stock exchange on which the Corporation is listed, and shall be free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgement as a member of the Audit Committee.
- 3.3 All members of the Audit Committee shall be financially literate, as such term is defined in the Instrument (or acquire such literacy within a reasonable period after appointment).
- 3.4 No members of the Audit Committee shall receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries.
- 3.5 No member of the Audit Committee may serve simultaneously on the audit committee of more than two other public companies unless the Board determines that simultaneous service will not materially adversely affect such member from acting independently or from fulfilling his or her duties in accordance with this charter and applicable law.

### IV. RESPONSIBILITIES

#### 4.1 **Independent Auditor**

The Audit Committee shall:

- (a) Recommend to the Board the selection of the independent auditor to be put forward for shareholder approval at the Corporation's annual meeting of shareholders.
- (b) Obtain confirmation from the independent auditor that it ultimately is accountable and will report directly to the Board.
- (c) Review and approve the independent auditor's annual engagement letter and the proposals for related fees and review and discuss with the auditor the audit plans, the planned scope, areas of particular focus, materiality levels, the experience and qualifications of the senior members of the audit team and other matters of significance to the Audit Committee or auditor.
- (d) Review all reports and recommendations from the independent auditor and help to resolve any disagreements between management and the independent auditor regarding financial reporting.
- (e) Adopt policies and procedures for pre-approval by the Audit Committee of the retention of the independent auditor by the Corporation and any of its subsidiaries for all audit and permitted non-audit services (subject to any regulatory restrictions on such services) including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.

- (f) At least annually, review the qualifications, performance and independence of the independent auditor and the independent auditor's lead partners. In doing so, the Audit Committee should, among other things:
  - (i) review a report by the independent auditor describing: i) its internal quality-control procedures, ii) any material issues raised by recent firm-wide internal quality-control reviews, peer or professional body reviews of the independent auditor, iii) any material issues raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor, iv) any steps taken to deal with issues identified in ii) and iii) above, and v) all relationships between the independent auditor and the Corporation; and
  - (ii) review periodic reports from the independent auditor regarding its independence and actively discuss with the auditor whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- (g) Review and approve from time to time the Corporation's Enterprise Risk Framework ("ERF") and related policies that establish the appropriate approval levels for decisions and other measures to manage risk to which the Corporation is exposed, review the Corporation's risk profile and monitor the Corporation's major risks as set out in the ERF.

#### 4.2 **Financial Statements and Related Financial Disclosures**

The Audit Committee shall, as it determines to be appropriate:

- (a) Review with management and, where appropriate, with the independent auditor:
  - (i) the Corporation's annual audited financial statements and quarterly financial statements and the Corporation's accompanying disclosure of management's discussion and analysis and, in advance of public disclosure, make recommendations to the Board as to their approval and publication;
  - (ii) press releases which include financial information (such as earnings press releases), as well as financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not always take place in advance of the disclosure of each release or provision of guidance;
  - (iii) any significant financial reporting issues, estimates and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial reporting;
  - (iv) all critical accounting policies and practices used, including their application to unusual and material related party transactions;
  - (v) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - (vi) the use of "pro forma" or "adjusted" or other non-GAAP information;

- (vii) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements, and obligations (contingent or otherwise), on the Corporation's financial reports;
  - (viii) any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal financial controls or disclosure controls made to the Audit Committee by the Chief Executive Officer and the Chief Financial Officer during their approval process for forms filed with applicable securities regulators;
  - (ix) the adequacy of the Corporation's internal accounting controls and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - (x) the Corporation's guidelines and policies with respect to risk assessment, the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- (b) Review with the independent auditor:
- (i) the quality as well as the acceptability of the accounting principles that have been applied and of significant judgements made in estimating amounts;
  - (ii) accounting and/or auditing issues related to the Corporation which were discussed by the auditors with their national office;
  - (iii) any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Corporation's response to that letter or communication;
  - (iv) any changes to the Corporation's significant auditing and accounting principles and practices suggested by the independent auditor or other members of management;
  - (v) other matters required to be communicated to the Audit Committee under generally accepted auditing standards; and
  - (vi) the adequacy of procedures for the preparation of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.
- (c) Review the hiring and/or the termination of the Chief Financial Officer, the chief internal auditor, if one is appointed, the mandates of such officers and the adequacy of the human resources dedicated to financial and accounting functions, and communicate the results of the review to the Corporation's Corporate Governance, Nominating and Compensation Committee.

#### 4.3 **Compliance Procedures**

The Audit Committee shall, as it determines appropriate:

- (a) Obtain reports from management and/or the independent auditor that the Corporation and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements including disclosures of insider and affiliated party transactions.

- (b) Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
- (c) Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations affecting financial reporting and compliance with internal policies relating to employee conduct, conflicts, and integrity.
- (d) Review with the Corporation's in-house or outside counsel legal matters that may have a material impact on financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- (e) Review and approve the Corporation's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Corporation.
- (f) Establish procedures for:
  - (i) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters, as outlined in the Corporation's Whistle Blower Policy; and
  - (ii) the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.
- (g) With regards to the Corporation's Whistle Blower Policy, ensure that management has considered all risks that are likely to have a significant financial, reputational or regulatory impact on the Corporation. For such risks, an assessment shall be undertaken of the relevant internal controls to ensure the ability to detect or prevent fraud.
- (h) Establish and oversee the Corporation's plan in the event of a cyber-attack, including:
  - (i) reviewing the threat landscape to monitor and identify cyber security vulnerabilities;
  - (ii) determining the appropriate business processes and protocol for the Corporation to undertake in the event of a cyber-attack; and
  - (iii) reviewing cyber incident reports in a timely manner.
- (i) Review the expense accounts of senior officers of the Corporation and the Corporation's wholly-owned subsidiary, Medical Facilities America, Inc., as designated by the Board at least annually and the processes for their approval and reimbursement.

#### 4.4 **Delegation**

To avoid any confusion, the Audit Committee responsibilities identified above are the responsibilities of the Audit Committee and may not be delegated to a different committee.

### **V. MEETINGS**

- 5.1 The Audit Committee shall meet at least quarterly and more frequently as circumstances require. A quorum will consist of a majority of the members present in person or by telephone and all decisions of the Audit Committee require a majority of those present at a meeting of the Audit Committee at which a quorum is present. Except as otherwise provided herein, meetings of the Audit Committee shall be governed by the same rules regarding meetings that apply to meetings of the Board.
- 5.2 Minutes shall be maintained for all meetings together with materials relating to those meetings and copies will be provided to the Board.

- 5.3 Periodically, the Audit Committee shall meet separately with management, the independent auditors, and any internal auditor. At its own discretion, the Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend meetings of the Audit Committee or with any members of, or advisors to, the Audit Committee.
- 5.4 Except as otherwise provided above, the Audit Committee may form and delegate authority to individual members and/or subcommittees where the Audit Committee determines it is appropriate to do so. All matters dealt with by delegation shall be promptly reported to the full Audit Committee, no later than the subsequent meeting of the full Audit Committee.

#### **VI. INDEPENDENT ADVICE**

- 6.1 In discharging its mandate, the Audit Committee shall have the authority to retain and compensate, at the expense of the Corporation, special legal, accounting or other advisors as the Audit Committee, in its sole discretion, determines to be necessary to permit it to carry out its duties.

#### **VII. ANNUAL EVALUATION**

- 7.1 At least annually, the Audit Committee shall, in a manner it determines to be appropriate:
  - (a) Perform a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this charter.
  - (b) Review and assess the adequacy of its charter and recommend to the Board any improvements to this charter that the Audit Committee determines to be appropriate.

#### **VIII. NO RIGHTS CREATED**

- 8.1 This charter is a broad policy statement and is intended to be part of Audit Committee's flexible governance framework. While this charter should comply with all applicable laws, regulations and listing requirements and the Corporation's constating documents, this charter does not create any legally binding obligations on the Audit Committee, the Board, or the Corporation.