

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Medical Facilities Corporation (the “**Company**”)
4576 Yonge Street, Suite 701
Toronto, Ontario
M2N 6N4

Item 2 **Date of Material Change**

September 13, 2022

Item 3 **News Release**

The Company issued and filed a news release on September 13, 2022. A copy of the news release is attached as Schedule “A” hereto and is available on SEDAR at www.sedar.com.

Item 4 **Summary of Material Change**

On September 13, 2022, the Company announced that it made a determination to shift its focus away from deploying a growth strategy through acquisitions. The Company plans to suspend acquisitions, divest its non-core assets, pursue overhead cost reductions, and evaluate and implement strategies to return capital to its shareholders, including the commencement of a substantial issuer bid, as described below. In connection with the change in corporate strategy, Stephen Dineley and Lois Cormack determined to resign from the board of directors of the Company (the “**Board**”) and Michael Gisser was appointed as the new Chair of the Board. The Company also announced the addition of Adina Storch and Yanick Blanchard as independent directors of the Company, subject to regulatory clearance.

The Company also announced its intention to commence a substantial issuer bid (the “**Offer**”) to repurchase for cancellation up to \$34.5 million of its common shares (the “**Common Shares**”). The Offer will commence on September 16, 2022 and will expire at 5:00pm (Eastern Time) on October 24, 2022, unless extended, varied or withdrawn. The Offer will be funded through existing cash on hand and available credit facilities.

Details of the Offer, including instructions for tendering shares, will be included in the formal offer to purchase and issuer bid circular, letter of transmittal and the notice of guaranteed delivery (collectively, the “**Offer Documents**”). The Offer Documents will be mailed to shareholders and filed with applicable Canadian securities regulatory authorities on or about September 16, 2022 and made available without charge on SEDAR at www.sedar.com, as well as being posted on the Company’s website at www.medicalfacilitiescorp.ca.

Item 5 Full Description of Material Change

Change in Corporate Strategy

In recent months, the Company has engaged in constructive discussions with Converium Capital Inc., a shareholder of the Company, and other shareholders to gather feedback on the strategic direction of the Company. The announcement reflects the results of these productive discussions and the Board's thorough evaluation of available options. As part of this change in corporate strategy, the Company plans to suspend acquisitions, divest its non-core assets, pursue overhead cost reductions, and evaluate and implement strategies to return capital to its shareholders, including the commencement of a substantial issuer bid, as described below.

In connection with the change in corporate strategy, Stephen Dineley and Lois Cormack determined to resign from the Board. Mr. Dineley joined the Board as an independent director in 2016, served as Chair of the Audit Committee and a member of the Investment Committee and was appointed as Chair of the Board in 2022. Ms. Cormack joined the Board as an independent director in 2020 and served as Chair of the Corporate Governance, Nominating and Compensation Committee and as a member of both the Audit Committee and Investment Committee. Mr. Michael Gisser was appointed as the new Chair of the Board. Mr. Gisser has been an independent director since May 2022 and is a member of the Audit Committee and Governance, Nominating and Compensation Committee.

The Company also announced the addition of Adina Storch and Yanick Blanchard as independent directors of the Company, subject to regulatory clearance.

Ms. Storch is a seasoned attorney and advisor to corporate boards with over 22 years' experience, including serving as General Counsel to two publicly traded U.S. companies, and in private practice advising corporations in Europe and the U.S. on international capital markets transactions, regulatory compliance, corporate governance and litigation matters. Ms. Storch is presently the Senior Vice President, General Counsel & Corporate Secretary of Global Industrial Company. Ms. Storch holds a J.D. from The Yale Law School.

Mr. Blanchard has over 20 years' experience in the finance sector. He is an experienced executive who most recently served as Executive Vice-President, Managing Director and Global Head of Corporate & Investment Banking for National Bank of Canada where he was responsible for overseeing of all investment banking, M&A, credit capital market and loan structuring & syndication activities. He holds a CFA and a bachelor's degree (Finance) from the University H.E.C.

Details of the Offer

The Offer is being made by way of a "modified Dutch auction", which allows shareholders who choose to participate in the Offer to individually select the price, within a price range of not less than \$10.00 per Common Share and not more than \$11.50 per Common Share (in increments of \$0.10 per Common Share), at which they are willing to sell their Common Shares. Upon expiry of the Offer, the

Company will determine the lowest purchase price (the “**Purchase Price**”) (which will not be more than \$11.50 per Common Share and not less than \$10.00 per Common Share) that will allow it to purchase the maximum number of Common Shares properly tendered to the Offer, and not properly withdrawn, having an aggregate purchase price not exceeding \$34.5 million. All Common Shares purchased by the Company pursuant to the Offer (including Common Shares tendered at prices below the Purchase Price) will be purchased at the same Purchase Price, subject to the terms and conditions of the Offer Documents. Common Shares not taken up in connection with the Offer, including Common Shares deposited pursuant to auction tenders at prices above the Purchase Price, will be returned to the shareholders.

Shareholders who wish to participate in the Offer will be able to do so through (i) auction tenders in which they will specify the number of Common Shares being tendered at a specific price per Common Share or (ii) purchase price tenders in which they will agree to have a specified number of Common Shares purchased at the purchase price to be determined pursuant to the auction and have their Common Shares considered as having been tendered at the minimum price of \$10.00 for the purposes of determining the purchase price. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a purchase price tender.

No director, officer or insider of the Company has advised the Company that he, she or it intends to deposit Common Shares under the Offer. However, they may decide to deposit Common Shares to the Offer in the event that the circumstances or decisions of any such persons change and, subject to applicable securities laws, such persons may sell their Common Shares through the facilities of the Toronto Stock Exchange or otherwise during the period prior to the Expiry Date.

The Offer is not conditional upon any minimum number of Common Shares being tendered but is subject to various other conditions disclosed in the Offer Documents.

The Company reserves the right, subject to applicable laws, to withdraw or amend the Offer, if certain events occur. The Offer is open for acceptance until 5:00 p.m. (Eastern Time) on October 24, 2022, unless extended, varied or withdrawn.

A full description of the material change is provided in the news release attached as Schedule “A”.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

The material change report is not being filed on a confidential basis.

Item 7 Omitted Information

No information has been omitted.

Item 8 Executive Officer

For further information, please contact:

David Watson
Chief Financial Officer
Medical Facilities Corporation
416.848.7380

Item 9 Date of Report

September 16, 2022

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

This report may contain “forward-looking information” as defined under applicable securities laws (“**forward-looking statements**”). These statements relate to future events or future performance and reflect management’s expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and the Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company’s interim condensed and annual consolidated financial statements, its annual report and its annual information form (“**AIF**”) filed on www.sedar.com as well as the factors discussed in the sections entitled “Risk Management” and “Risk Factors” in the AIF, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking statements contained in this report include, but are not limited to, those set out in the Fiscal 2022 Outlook section in the annual MD&A and those discussed from time to time in the Company’s interim condensed and annual consolidated financial statements, its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking statements contained in this report are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this report are made as of the date of this report and should not be relied upon as representing the Company’s views as of any date subsequent to the date of this report. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, further developments or otherwise.

Schedule “A”

(See attached)

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NEWS RELEASE

Medical Facilities Corporation Announces Change in Corporate Strategy, Changes to Board of Directors and Substantial Issuer Bid for up to \$34.5 million of its Common Shares

TORONTO, Ontario, September 13, 2022 – Medical Facilities Corporation (“Medical Facilities” or the “Company”) (TSX: DR) announced today that it has made a determination to shift its focus away from deploying a growth strategy through acquisitions.

In recent months, MFC has engaged in constructive discussions with Converium Capital Inc. (“Converium”), a shareholder of the Company, and other shareholders to gather feedback on the strategic direction of the Company. The announcement today reflects the results of these productive discussions and the Board’s thorough evaluation of available options. As part of this change in corporate strategy, MFC plans to suspend acquisitions, divest its non-core assets, pursue overhead cost reductions, and evaluate and implement strategies to return capital to its shareholders, including the commencement of a substantial issuer bid, as described below.

In connection with the change in corporate strategy, Stephen Dineley and Lois Cormack determined to resign from the Board. Mr. Dineley joined the Board as an independent director in 2016, served as Chair of the Audit Committee and a member of the Investment Committee and was appointed as Chair of the Board in 2022. Ms. Cormack joined the Board as an independent director in 2020 and served as Chair of the Corporate Governance, Nominating and Compensation Committee and as a member of both the Audit Committee and Investment Committee. Mr. Michael Gisser was appointed as the new Chair of the Board. Mr. Gisser has been an independent director since May 2022 and is a member of the Audit Committee and Governance, Nominating and Compensation Committee.

“On behalf of Medical Facilities and its Board, I would like to thank both Stephen and Lois for their dedicated service and significant contributions to the Company. We wish them all the best in their future endeavours,” Robert O. Horrar, President and CEO of Medical Facilities commented.

Medical Facilities also announces the addition of Adina Storch and Yanick Blanchard as independent directors of the Company, subject to regulatory clearance.

Ms. Storch is a seasoned attorney and advisor to corporate boards with over 22 years’ experience, including serving as General Counsel to two publicly traded U.S. companies, and in private practice advising corporations in Europe and the U.S. on international capital markets transactions, regulatory compliance, corporate governance and litigation matters. Ms. Storch is presently the Senior Vice President, General Counsel & Corporate Secretary of Global Industrial Company. Ms. Storch holds a J.D. from The Yale Law School.

Mr. Blanchard has over 20 years’ experience in the finance sector. He is an experienced executive who most recently served as Executive Vice-President, Managing Director and Global Head of Corporate & Investment Banking for National Bank of Canada where he was responsible for overseeing of all investment banking, M&A, credit capital market and loan structuring & syndication activities. He holds a CFA and a bachelor’s degree (Finance) from the University H.E.C.

Medical Facilities also announces today, in furtherance of its change in strategic direction and focus on returning capital to shareholders, its intention to commence substantial issuer bid (the "Offer") to purchase, for cancellation, a number of common shares of the Company ("Common Shares") for an aggregate purchase price not exceeding \$34.5 million. The Company anticipates that the Offer will commence on or about September 16, 2022 and will expire at 5:00 p.m. (Toronto time) on October 24, 2022 (the "Expiry Date"), unless extended, varied or withdrawn by Medical Facilities. The Offer will be funded through existing cash on hand and available credit facilities.

Details of the Offer

Details of the Offer, including instructions for tendering shares, will be included in the formal offer to purchase and issuer bid circular, letter of transmittal and the notice of guaranteed delivery (collectively, the "Offer Documents"). The Offer Documents will be mailed to shareholders and filed with applicable Canadian securities regulatory authorities on or about September 16, 2022 and made available without charge on SEDAR at www.sedar.com, as well as being posted on the Company's website at www.medicalfacilitiescorp.ca. Shareholders should carefully read the Offer Documents prior to making a decision with respect to the Offer.

Auction Process

The Offer will proceed by way of a "modified Dutch auction". Shareholders who wish to participate in the Offer will be able to do so through either one of the two following options: (i) auction tenders, which will allow shareholders who choose to participate in the Offer to individually select the price, within a range of not less than \$10.00 and not more than \$11.50 per Common Share (in increments of \$0.10 per Common Share), at which they are willing to sell their Common Shares, or (ii) purchase price tenders in which participating shareholders will agree to have a specified number of Common Shares purchased at a purchase price to be determined pursuant to the auction and have their Common Shares considered as having been tendered at the minimum price of \$10.00 per Common Share. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering such Common Shares will be deemed to have made a purchase price tender.

Purchase Price Determination

Upon expiry of the Offer, Medical Facilities will determine the purchase price of the Common Shares (the "Purchase Price") (which will not be less than \$10.00 per Common Share and not more than \$11.50 per Common Share) that will allow it to purchase the maximum number of Common Shares properly tendered to the Offer pursuant to the auction tenders and the purchase price tenders outlined above, with an aggregate purchase price under the Offer not exceeding \$34.5 million. All Common Shares purchased by the Company pursuant to the Offer (including Common Shares tendered at prices below the Purchase Price) will be purchased at the same Purchase Price, subject to the terms and conditions of the Offer Documents. Common Shares not taken up in connection with the Offer, including Common Shares deposited pursuant to auction tenders at prices above the Purchase Price, will be returned to the shareholders.

Medical Facilities believes that the purchase of Common Shares is in the best interest of the Company and permits Medical Facilities to return up to \$34.5 million of capital to shareholders who elect to tender their Common Shares to the Offer.

After giving effect to the Offer, Medical Facilities will continue to have sufficient financial resources and working capital to conduct its ongoing business and operations in accordance with the change in strategy described above.

As of the date of the Offer, Medical Facilities had 29,414,759 Common Shares issued and outstanding. If the Purchase Price is determined to be \$10.00 per Common Share (which is the minimum price per Common Share under the Offer), the maximum number of Common Shares that may be purchased by the Company is 3,450,000 Common Shares or approximately 11.73% of the total number of Common Shares issued and outstanding. If the Purchase Price is determined to be \$11.50 per Common Share (which is the maximum price per Common Share under the Offer), the maximum number of Common Shares that may be purchased by the Company is 3,000,000 Common Shares or approximately 10.20% of the total number of Common Shares issued and outstanding.

No director, officer or insider of the Company has advised the Company that he, she or it intends to deposit Common Shares under the Offer. However, they may decide to deposit Common Shares to the Offer in the event that the circumstances or decisions of any such persons change and, subject to applicable securities laws, such persons may sell their Common Shares through the facilities of the Toronto Stock Exchange (the “TSX”) or otherwise during the period prior to the Expiry Date.

The Offer is not conditional upon any minimum number of Common Shares being properly deposited under the Offer. The Offer is, however, subject to other conditions and Medical Facilities reserves the right, subject to applicable laws, to withdraw, extend or vary the Offer if, at any time prior to the payment of any Common Shares, certain events occur.

The Company was authorized by the TSX to purchase up to 3,101,774 Common Shares pursuant to a normal course issuer bid (the “NCIB”) that commenced on December 1, 2021 and expires on November 30, 2022. The Company has purchased 1,703,900 Common Shares through the NCIB. There will be no further purchases of Common Shares under the NCIB until after the expiry of the Offer or date of termination of the Offer.

Medical Facilities has engaged National Bank Financial to act as financial advisor and Computershare Investor Services Inc. to act as depositary for the Offer. Any questions or requests for information regarding the Offer may also be directed to the depositary.

This press release is for informational purposes only and does not constitute an offer to buy or the solicitation of an offer to sell Medical Facilities’ Common Shares. The solicitation and the offer to buy the Common Shares will only be made pursuant to the Offer Documents to be filed with the applicable securities regulatory authorities in Canada. The Offer will be optional for all shareholders, who will be free to choose whether to participate, how many Common Shares to tender and, in the case of auction tenders, at what price to tender within the specified range. Any shareholder who does not deposit any Common Shares (or whose Common Shares are not repurchased under the Offer) will realize a proportionate increase in its percentage equity interest in Medical Facilities, to the extent that Common Shares are purchased and cancelled under the Offer. The Offer will not be made to, nor will tenders be accepted from or on behalf of, holders of Common Shares in any jurisdiction in which the making or acceptance of offers to sell Common Shares would not be in compliance with the laws of that jurisdiction. Medical Facilities’ Board of Directors has approved the Offer. However, none of Medical Facilities or its Board of Directors,

the financial advisor or the depositary makes any recommendation to any shareholder as to whether to deposit or refrain from depositing any or all Common Shares under the Offer. Shareholders are urged to evaluate carefully all information in the Offer, consult their own financial, legal, investment and tax advisors and make their own decisions as to whether to deposit Common Shares under the Offer, and, if so, how many shares to deposit. **Shareholders are strongly urged to review and evaluate carefully all information in the Offer Documents, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Common Shares under the Offer. Shareholders should carefully consider the income tax consequences of accepting the Offer and depositing Common Shares under the Offer.**

About Medical Facilities

Medical Facilities, in partnership with physicians, owns a diverse portfolio of highly rated, high-quality surgical facilities in the United States. MFC's ownership includes a controlling interest in four specialty surgical hospitals located in Arkansas, Oklahoma, and South Dakota, and an ambulatory surgery center located in California. In addition, through a partnership with NueHealth LLC, Medical Facilities owns a controlling interest in five ambulatory surgery centers located in Michigan, Missouri, Nebraska, Ohio and Pennsylvania. MFC also owns non-controlling interests in a specialty surgical hospital in Indiana and an ASC in Missouri. The specialty surgical hospitals perform scheduled surgical, imaging, diagnostic and other procedures, including primary and urgent care, and derive their revenue from the fees charged for the use of their facilities. The ambulatory surgery centers specialize in outpatient surgical procedures, with patient stays of less than 24 hours. For more information, please visit www.medicalfacilitiescorp.ca.

Caution concerning forward-looking statements

Statements made in this news release, other than those concerning historical financial information, may be forward-looking and therefore subject to various risks and uncertainties. Some forward-looking statements may be identified by words like "may", "will", "anticipate", "estimate", "expect", "intend", or "continue" or the negative thereof or similar variations and include statements about the Company's normal course issuer bid. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Factors that could cause results to vary include those identified in Medical Facilities' filings with Canadian securities regulatory authorities such as legislative or regulatory developments, intensifying competition, technological change and general economic conditions. All forward-looking statements presented herein should be considered in conjunction with such filings. Medical Facilities does not undertake to update any forward-looking statements; such statements speak only as of the date made.

For further information, please contact:

David Watson

Trevor Heisler

Chief Financial Officer

Investor Relations

Medical Facilities Corporation

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