ANNUAL INFORMATION FORM

March 30, 2020

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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.

"**2015 Credit Facility**" means the Cdn$100 million second amended and restated credit agreement among the Corporation, Medical Facilities America and Medical Facilities Holdings (as borrowers) and National Bank of Canada (as lender) dated July 7, 2015, which was replaced by the 2018 Credit Facility.

"**2018 Credit Facility**" means the $150 million credit agreement among the Corporation, Medical Facilities America and Medical Facilities Holdings (as borrowers) and a syndicate of financial institutions (as lenders) dated August 31, 2018, with a maturity date on August 31, 2023.

"**2019 Internal Reorganization**" means the restructuring of the Corporation's wholly-owned subsidiaries completed on July 23, 2019.

"**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% 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.

"**Brookside**" means Ambulatory Surgery Associates, LLC, a Michigan limited liability company doing business as Brookside Surgery Center.

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

"**Central Arkansas**" means Central Arkansas Surgical Center, LLC, a Delaware limited liability company.

"**City Place**" means Meridian Missouri Surgery Center, LLC, a Delaware limited liability company doing business as City Place Surgery Center.

"**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% in ASH and 35% in each MFC Hospital (other than UMASH)) 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.

"**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.

"**Debentures**" means the 5.9% convertible unsecured subordinated debentures of the Corporation.

"**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.

"**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 (other than UMASH) 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 Facility, the beneficial holders of the non-controlling interests in that MFC Facility.

"**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.

"**HMOs**" means health maintenance organizations.

"**Holdco**" means collectively the SCNC Holdco and ASH Holdco.

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

"**IMD**" means Integrated Medical Delivery, L.L.C., a Delaware limited liability company.

"**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 each Original 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 Facility**" or "**MFC Facilities**" means, individually and collectively, the MFC Hospitals and MFC Surgical Centers.

"**MFC Facility 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, UMASH, OSH, BHSH, and SFSH, which are licensed under applicable law as specialty hospitals.

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

"**MFC Nueterra Partnership**" means MFC Nueterra Holding Company, LLC, a Delaware limited liability company, which is a partnership between Medical Facilities Holdings and Nueterra MF Holdings, LLC, in which Medical Facilities Holdings owns a 90% interest and Nueterra MF Holdings, LLC owns a 10% interest.

"**MFC Nueterra Partnership Holding Company**" or "**MFC Nueterra Partnership Holding Companies**", individually and collectively, six holding companies wholly-owned by MFC Nueterra Partnership, each of which holds an interest in a respective MFC Nueterra ASC.

"**MFC Original Partnership**" or "**MFC Original Partnerships**" means, individually and collectively, BHSH and SFSH.

"**MFC Partnership**" or "**MFC Partnerships**" means, individually and collectively, ASH, UMASH, OSH, BHSH, SFSH, SCNC and MFC Nueterra ASCs.

"**MFC Surgical Centers**" means SCNC, an ASC located in California, and the MFC Nueterra ASCs.

"**Miracle Hills**" means Miracle Hills Surgery Center, LLC, a Delaware limited liability company.

"**MRI**" means magnetic resonance imaging.

"**Newport**" means SCNC doing business as Newport Center Surgical.

"**Nueterra Manager**" means NueHealth, LLC, a Delaware limited liability company, which provides management services to each MFC Nueterra ASC on behalf of the applicable MFC Nueterra Partnership Holding Company, and certain administrative services to MFC Nueterra Partnership and MFC Nueterra Partnership Holding Companies as stipulated in the Management Services Agreement dated February 1, 2018 between MFC Nueterra Partnership and NueHealth, LLC.

"**Original Exchange Agreement**" means the agreement dated March 29, 2004 among the Corporation, Medical Facilities USA and each Original Subco providing for the Exchangeable Interests in each MFC Original Partnership.

"**Original Holding Entity**" in respect of an MFC Original Partnership means the South Dakota limited liability company that holds 100% of the membership interests in its related Original Subco.

"**Original Subco**" or "**Original Subcos**" in respect of an MFC Original Partnership means the South Dakota limited liability company that holds a 49% partnership interest in its related MFC Original Partnership (prior to any exchange of Exchangeable Interests).

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

"**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.

"**PAM**" means Physician's ASC Management, LLC, an Indiana limited liability company that holds an 86.0% interest in UMASH

"**Partnership Agreement**" in respect of an MFC Partnership (other than UMASH) 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% 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.

"**RRI Mishawaka**" means RRI Mishawaka Hospital, L.P., a Delaware limited partnership, which owns the real estate assets underlying UMASH.

"**RSU Plan**" means the Corporation's Restricted Share Unit Plan, effective February 10, 2017, providing for the issuance of RSUs to eligible participants.

"**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 Holdco**" means the California limited liability company that holds a 49% interest in the related MFC Partnership.

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

"**South Dakota MFC Hospital**" or "**South Dakota MFC Hospitals**" means, individually and collectively, the surgical facilities owned by each of BHSH and SFSH, which are licensed under South Dakota Law as specialty hospitals.

"**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.

"**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 and UMASH) means the South Dakota or Oklahoma limited liability company that holds a 49% 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 (other than UMASH) 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, speciality 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.

"**Two Rivers**" means Northwest Neurospine Institute, LLC, a Delaware limited liability company doing business as Two Rivers Surgery Center.

"**UMASH**" means United Surgeons, LLC, an Indiana limited liability company.

"**Unity Sale Transaction**" means the sale of a majority of the Corporation's indirect interests in UMASH described under "General Development of the Business – Recent Developments".

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, 2019 or for the year ended December 31, 2019, 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 Facility Management regarding future growth, 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 Facility 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" beginning on page 66 below. Although the forward-looking statements contained in this Annual Information Form are based on what Management and MFC Facility 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.

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 830 Crescent Centre Drive, Suite 200, Franklin, 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 830 Crescent Centre Drive, Suite 200, Franklin, 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 830 Crescent Centre Drive, Suite 200, Franklin, 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% partnership interest in each of the MFC Original Partnerships. 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 830 Crescent Centre Drive, Suite 200, Franklin, Tennessee. Medical Facilities Holdings is a wholly-owned subsidiary of Medical Facilities America Holdco 2.

MFC Nueterra Partnership

MFC Nueterra Holding Company, LLC was formed under the laws of the State of Delaware on December 21, 2017. The registered office of MFC Nueterra Partnership is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware and the head office is located at 830 Crescent Centre Drive, Suite 200, Franklin, Tennessee. MFC Nueterra Partnership is a partnership between Medical Facilities Holdings and Nueterra MF Holding, LLC, in which Medical Facilities Holdings owns a 90.00% membership interest. MFC Nueterra Partnership was formed to acquire interests in the MFC Nueterra ASCs.

MFC Partnerships

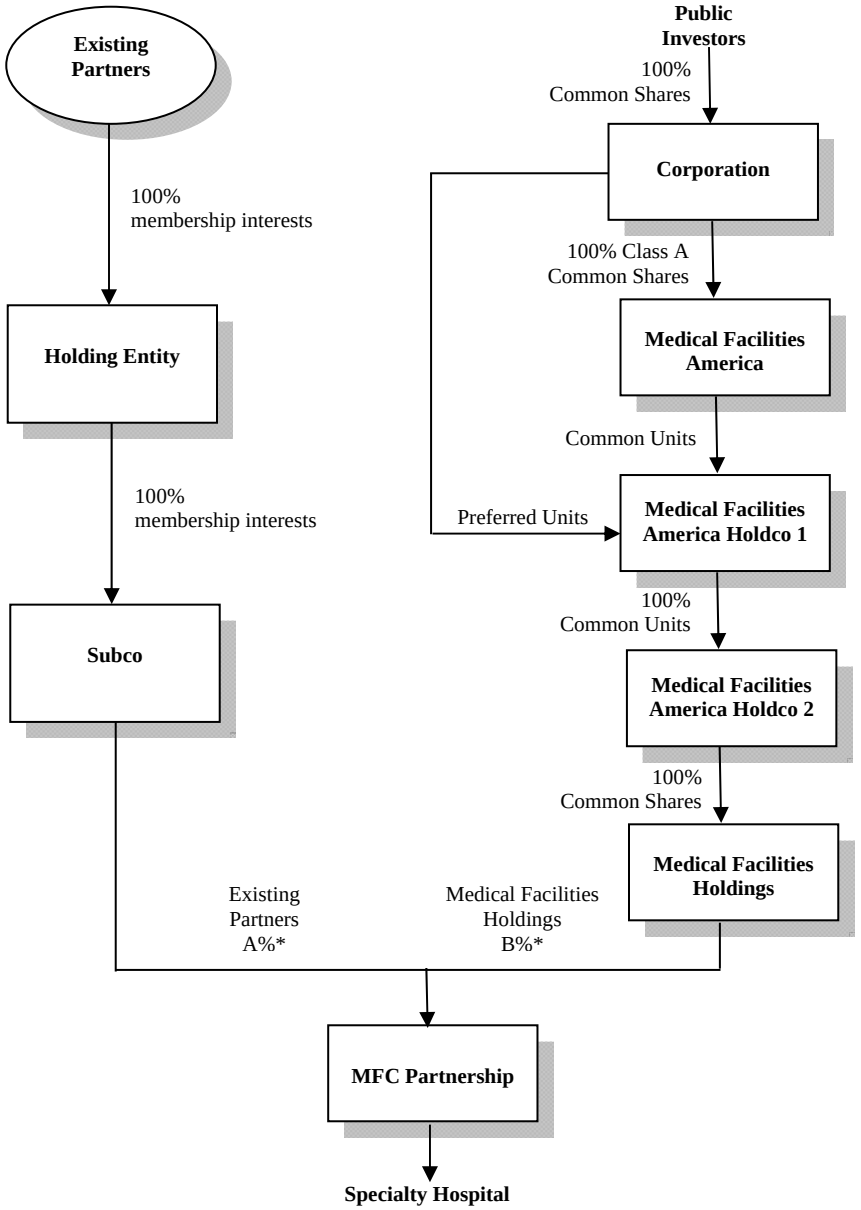
Jurisdiction and form of incorporation, and the registered and head office of each MFC Partnership as of the date of this Annual Information Form are as follows:

MFC Partnership	Jurisdiction and Form of Incorporation	Registered and Head Office
Specialty Hospitals		
ASH	Arkansas limited liability company	5201 North Shore Drive North Little Rock, Arkansas
UMASH	Indiana limited liability company	4455 Edison Lakes Parkway Mishawaka, Indiana
OSH	Oklahoma limited liability company	Two Leadership Square, 10th Floor 211 North Robinson Oklahoma City, Oklahoma
BHSH	South Dakota limited liability partnership	216 Anamaria Drive Rapid City, South Dakota
SFSH	South Dakota limited liability partnership	910 East 20th Street Sioux Falls, South Dakota
Ambulatory Surgery Centers		
Newport	Delaware limited liability company	17 Corporate Plaza, Suite 120 Newport Beach, California

MFC Partnership	Jurisdiction and Form of Incorporation	Registered and Head Office
Brookside	Michigan limited liability company	3600 Capital Avenue SW, Suite 101 Battle Creek, Michigan
City Place	Delaware limited liability company	845 Ballas Court, Suite 100 Creve Coeur, Missouri
Miracle Hills	Delaware limited liability company	11819 Miracle Hills Drive, Suite 201 Omaha, Nebraska
Eastwind Surgical	Delaware limited liability company	955 Eastwind Drive, Suite 150 Westerville, Ohio
Two Rivers	Delaware limited liability company	74 B Centennial Loop, Suite 200 Eugene, Oregon
Riverview	Delaware limited liability company	423 Third Street, Suite D Kingston, Pennsylvania

Ownership Structure

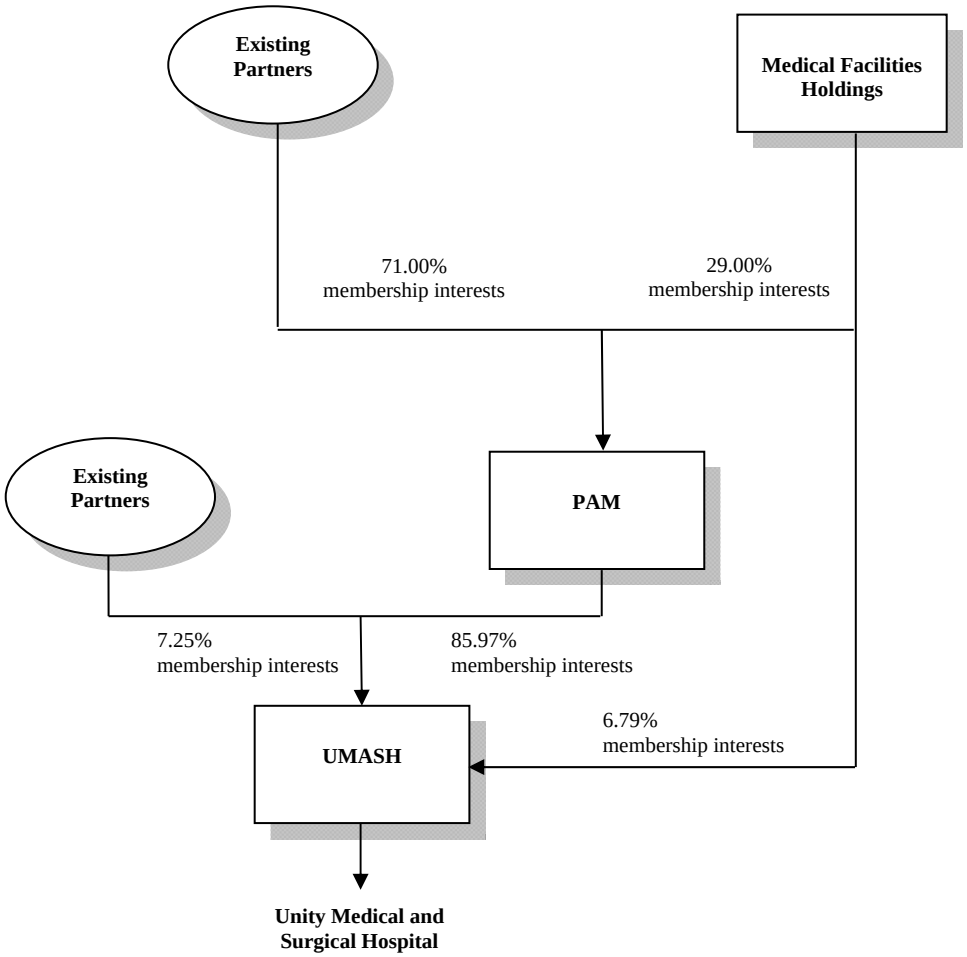
The following chart illustrates the ownership structure of each MFC Hospital (other than ASH, which has no Subco in its ownership structure but rather has the applicable Holding Entity directly holding its Retained Interest in ASH, and other than UMASH, which is illustrated in the next chart below):



(*) Breakdown of ownership in the MFC Partnerships. Percentage A represents the Retained Interest, comprised of an Exchangeable Interest and a 35% Continuing Interest (except in the case of ASH, in which the Continuing Interest is 44%), 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.

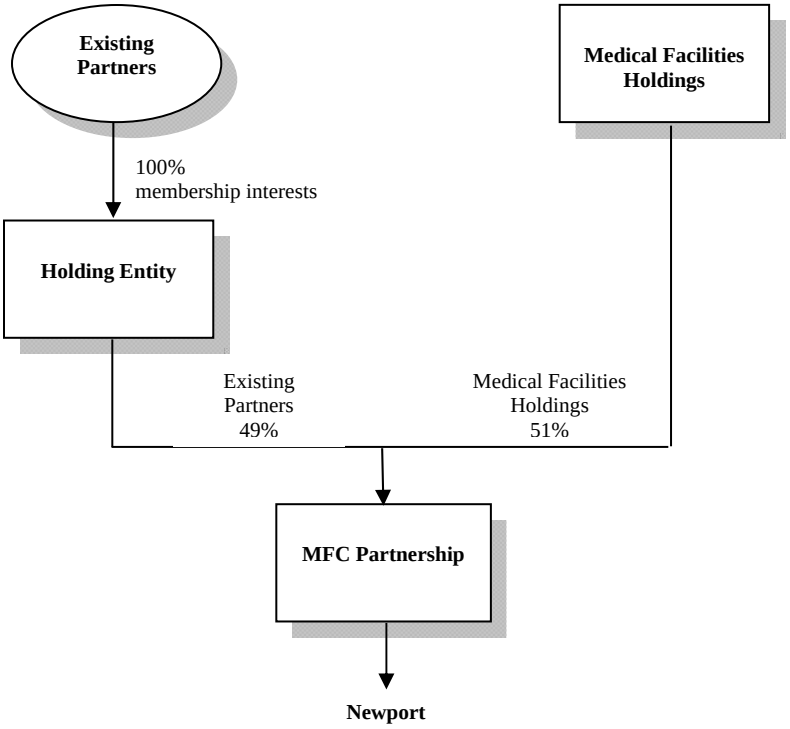
MFC Partnership	A%	B%
ASH	49.00%	51.00%
OSH	36.04%	63.96%
BHSH	45.78%	54.22%
SFSH	49.00%	51.00%

The following chart illustrates the ownership structure of UMASH pursuant to the Unity Sale Transaction (without replicating the ownership of Medical Facilities Holdings itself, as reflected on page 9 above):

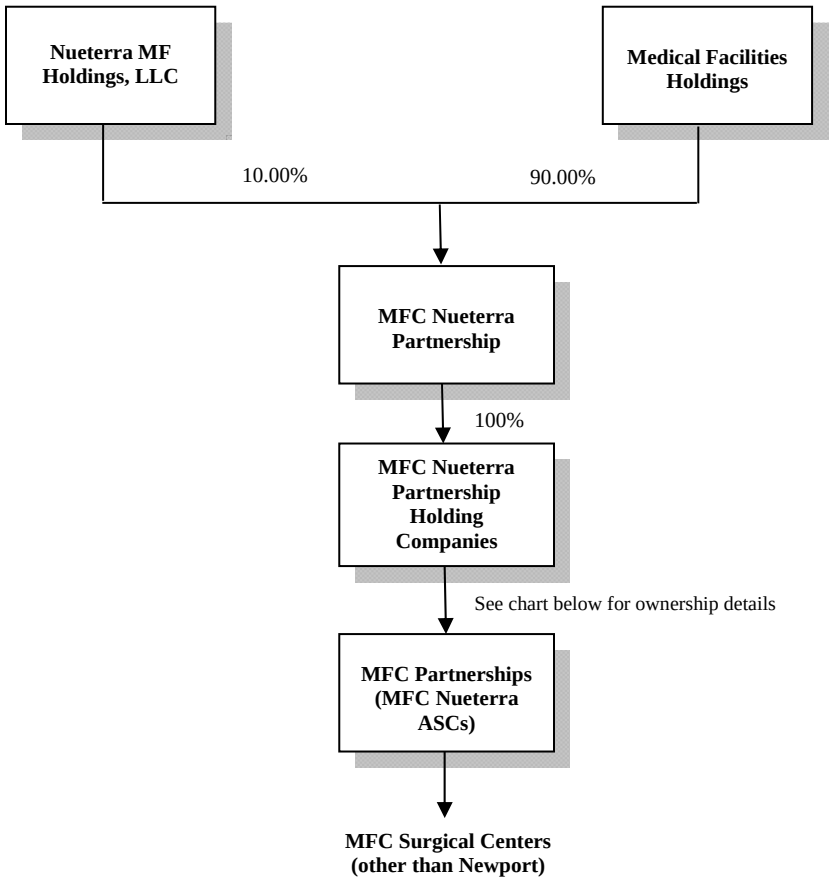


Medical Facilities Holdings, following the Unity Sale Transaction, has an aggregate (direct and indirect) 31.72% economic interest in UMASH. UMASH is also indebted to Medical Facilities Holdings in the amount of $20.0 million.

The following chart illustrates the ownership structure of Newport, an ASC in California in which the Corporation has indirect controlling interest (without replicating the ownership of Medical Facilities Holdings itself, as reflected on page 9 above):



The following chart illustrates the ownership structure of the MFC Nueterra ASCs (without replicating the ownership of Medical Facilities Holdings itself, as reflected on page 9 above):



MFC Nueterra Partnership's ownership (and Medical Facilities Holdings' indirect ownership) in each MFC Nueterra ASC as of the date hereof is as follows:

MFC Nueterra Partnership Holding Company[1]	MFC Nueterra ASC	MFC Nueterra Partnership's Ownership in MFC Nueterra ASC	Medical Facilities Holdings' Indirect Ownership in MFC Nueterra ASC
Meridian Surgical Partners-Michigan, LLC	Brookside (Battle Creek, Michigan)	52.97%	47.67%
Meridian Surgical Partners-Missouri, LLC	City Place (Creve Coeur, Missouri)	29.04%	26.14%
Meridian Surgical Partners-Nebraska, LLC	Miracle Hills (Omaha, Nebraska)	62.03%	55.83%
Meridian Surgical Partners-Ohio, LLC	Eastwind Surgical (Westerville, Ohio)	43.70%	39.33%
Meridian Surgical Partners-Oregon, LLC	Two Rivers (Eugene, Oregon)	58.64%	52.78%
Meridian Surgical Partners-Pennsylvania II, LLC	Riverview (Kingston, Pennsylvania)	59.01%	53.11%

(1) Holds 49% interest in SLH/MNH, LLC which in turn holds 63% interest in St. Luke's Surgery Center of Chesterfield, LLC, an ASC set to open in 2020.

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 five MFC Partnerships, which own either a specialty hospital or an ASC. In addition, the Corporation owns an indirect non-controlling interest in UMASH and, through the MFC Nueterra Partnership, indirect interests in six MFC Nueterra ASCs, which range from approximately 26% to 56%. The Corporation derives substantially all of its income from its specialty hospitals and ASCs.

Three Year History

2017

On January 1, 2017, Mr. Tyler Murphy was appointed Chief Financial Officer, replacing Mr. Michael Salter following his retirement on December 31, 2016. On June 12, 2017, Mr. Britt Reynolds resigned his employment from the Corporation after which Mr. Jeffrey Lozon was appointed as interim President and Chief Executive Officer. On October 25, 2017, Mr. Robert Horrar, who joined the Corporation on May 5, 2017 as Chief Operating Officer, was appointed as President and Chief Executive Officer.

2018

On January 1, 2018, Mr. James Porter joined the Corporation as Vice-President, Operations.

On January 12, 2018, Medical Facilities Holdings entered into an agreement with Nueterra MF Holdings, LLC to form a partnership (MFC Nueterra Partnership) to cause MFC Nueterra Partnership to acquire an ownership interest in seven ASCs (MFC Nueterra ASCs) pursuant to a purchase agreement with Meridian Surgical Partners, LLC. As at December 31, 2018, Medical Facilities Holdings owned a 90.00% interest in MFC Nueterra Partnership.

On February 1, 2018, MFC Nueterra Partnership completed the acquisition of a majority interest in MFC Nueterra ASCs for a total purchase price of $46.5 million, of which the Corporation's portion was $43.9 million. The Corporation funded its portion of the purchase price by cash on hand ($23.9 million) and by a draw on its 2015 Credit Facility ($20.0 million).

The Corporation was not required to file Form 51-102F4 (Business Acquisition Report) in respect of this acquisition.

On June 1, 2018, IMD sold its assets to N. Harris Computer Corporation, which is a wholly-owned subsidiary of Constellation Software Inc. The Corporation recorded a pre-tax loss of $0.5 million on proceeds of sale of $3.1 million.

On August 31, 2018, the Corporation entered into an agreement providing for a new $150 million syndicated revolving credit facility. The 2018 Credit Facility matures on August 31, 2023, and replaced the Corporation's 2015 Credit Facility, which was due to mature at the end of 2018.

2019

On May 28, 2019, MFC Nueterra Partnership formed a partnership with St. Luke's Episcopal-Presbyterian Hospitals ("**St. Luke's Hospital**") to develop a new ambulatory surgery center, St. Luke's Surgery Center of Chesterfield, LLC ("**St. Luke's ASC**"), on the west campus of St. Luke's Hospital in Chesterfield, MO. MFC Nueterra Partnership invested $0.5 million for a 30.0% non-controlling ownership interest in St. Luke's ASC. As part of this transaction, MFC Nueterra Partnership sold 49.0% of its ownership interest in the MFC Nueterra Partnership Holding Company that holds interest in City Place to St. Luke's Hospital, reducing MFC Nueterra Partnership's indirect ownership interest in City Place from 51.3% to 26.1%.

On June 24, 2019, Mr. David Watson was appointed Chief Financial Officer of the Corporation, replacing Mr. Murphy who resigned his employment with the Corporation.

On July 23, 2019, Medical Facilities America completed the 2019 Internal Reorganization, pursuant to which Medical Facilities America Holdco 1 and Medical Facilities America Holdco 2 were interposed in the corporate structure, and changes were made to the intercompany holdings.

On November 7, 2019, the Corporation announced that its dividend payment would be changed from monthly to quarterly, at an annual rate of Cdn$0.28 per Common Share, versus the previous annual rate of Cdn$1.125 per Common Share.

On November 27, 2019, the Corporation, Medical Facilities America and Medical Facilities Holdings entered into an amendment of the 2018 Credit Facility with the lenders thereto under which, among other things, the borrowers' financial covenants were varied.

On December 11, 2019, Mr. James Porter, the Corporation's Vice-President, Operations, resigned his employment with the Corporation.

On December 19, 2019, MFC Nueterra Partnership sold its indirect ownership interest in Central Arkansas.

On December 31, 2019, the Debentures matured, and the outstanding principal amount of Cdn$41.7million was repaid in cash using a combination of proceeds drawn from the 2018 Credit Facility and internal cash balances.

In 2019, the Corporation increased its ownership interest in PAM to 94.0% (representing an indirect 80.8% in UMASH) as well as acquired 6.8% direct ownership interest in UMASH.

Recent Developments

On January 6, 2020, Mr. John Schario was appointed as Chief Operating Officer of the Corporation.

On February 25, 2020, Medical Facilities Holdings sold its majority interest in UMASH, reducing its ownership interest in UMASH to 31.7% from 87.6%, for $1.1 million, subject to customary adjustments, to a group of local investors. The Corporation also announced an agreement for the sale of the real estate assets of RRI Mishawaka, for approximately $25 million, subject to adjustments. The sales of the UMASH interests and the RRI Mishawaka real estate assets are together referenced herein as the "**Unity Sale Transaction**". The closing of the real estate assets is subject to customary conditions, and is expected to be completed in the second quarter of 2020. The disclosure in this Annual Information Form has been prepared to reflect the completion of the Unity Sale Transaction.

DESCRIPTION OF THE BUSINESS

Business of the Corporation, Medical Facilities America and Medical Facilities Holdings

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% partnership interest or greater in each MFC Partnership, other than UMASH in which it holds an indirect interest of approximately 32%, and the MFC Nueterra ASCs, in which it holds indirect interests of between approximately 26% to 56%. The Corporation and its wholly-owned subsidiaries depend on the operations and assets of the MFC Facilities 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 Facility are under the operational control and direction of management of each facility or, in respect of MFC Nueterra ASCs, of the Nueterra Manager, Medical Facilities Holdings exercises control and general oversight over these facilities (other than UMASH) 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. In the case of UMASH, Medical Facilities Holdings holds approval rights in relation to specified fundamental transactions.

The board of directors of the Corporation consists of seven members, the majority of whom are unrelated to the Corporation and its subsidiaries. The boards of directors of Medical Facilities America and Medical Facilities Holdings each consists of nine members, five of whom are unrelated to Medical Facilities America, Medical Facilities Holdings and the MFC Partnerships. Five of the directors are nominees of the Corporation with the remaining being nominees of BHSH and SFSH. Medical Facilities America has the right to appoint the majority of managers of Medical Facilities America Holdco 1. Medical Facilities America Holdco 1 has the right to appoint the majority 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 Facilities to realize potential synergies among them, and identifying strategic acquisition opportunities. The surgical facility industry is highly fragmented. As such, there are a number of specialty surgical hospitals and ASCs that may provide accretive growth opportunities for the Corporation. Management is responsible for identifying, negotiating and structuring the acquisition of additional surgical facilities, subject to oversight by the board of directors of Medical Facilities Holdings. Accretive acquisitions may increase the potential for synergies among the MFC Facilities and provide additional diversification.

The Corporation also has an indirect controlling interest in RRI Mishawaka (the assets of which are subject to sale pursuant to the Unity Sale Transaction), and an indirect majority interest in Mountain Plains Real Estate Holdings, LLC, an entity which owns the real estate assets underlying BHSH's urgent care location in Spearfish, South Dakota.

Business of the MFC Facilities

Business Overview

The MFC Partnerships own and operate the MFC Facilities. Each MFC Hospital is a licensed speciality surgical hospital which 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 five MFC Hospitals are located as follows: one is located in Arkansas, one is located in Indiana, one is located in Oklahoma, and two of the MFC Hospitals are located in South Dakota. Collectively, the MFC Hospitals have 48 operating rooms, 154 overnight stay rooms, 651 physicians with medical staff privileges, and a clinical staff of 1,119.

The seven MFC Surgical Centers, located in California, Michigan, Missouri, Nebraska, Ohio, Oregon, and Pennsylvania, are licensed ASCs which perform "same day" scheduled (as opposed to emergency) outpatient surgical and diagnostic procedures. Collectively, the MFC Surgical Centers have 18 operating rooms, 7 procedure rooms, 137 physicians with medical staff privileges, and a clinical staff of 106.

A detailed description of MFC Facilities is set forth below under section entitled "Description of Business – Business of the MFC Facilities – Facilities, Markets Served and Competitors" beginning on page 18 below.

The MFC Facilities 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 Facility 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 Facilities has been developed to encourage physicians to practice at the MFC Facilities. The scheduling, staffing, clinical procedures and protocols at each MFC Facility are designed to increase physician productivity and professional fee potential. MFC Facility 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 Facilities each year.

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

Three of the MFC Hospitals have urgent care operations which 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. MFC Hospitals' urgent care facilities primarily treat injuries or illnesses requiring immediate care, but not serious enough to require an emergency room visit. These services are priced differently than surgical procedures. MFC Hospitals own and operate six urgent care facilities.

Growth and Business Strategies

Management intends to continue the acquisition of additional facilities. Management believes that accretive acquisitions will enhance the potential for operational efficiencies, including the implementation of operational best practices, standardization of equipment and supplies and group purchasing programs. Furthermore, Management believes that acquisitions will enhance the stability of the MFC Facilities' operations on a combined basis through a broadened geographic base and diversification of their payor base and case mix and increase the Corporation's and the MFC Facilities' profile within the medical community in the United States, thereby enhancing its ability to identify and attract future acquisition opportunities.

In addition, Management and MFC Facility Management intend to continue to maintain and enhance the operating efficiency of each MFC Facility 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 Facility 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 Facility are designed to maximize operational efficiencies. By focusing on a limited number of specialized procedures, the MFC Facilities are able to develop and implement clinical and administrative best practices which increase physician productivity. Each MFC Facility 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 Facilities, including the implementation of best practices, standardizing reporting and information systems and equipment and supplies, participating in group purchasing programs, and consolidating the MFC Facilities' benefit programs.

- *Proactive Marketing*. The MFC Facilities 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 Facility 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 Facility and the overall patient satisfaction. The MFC Facilities 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 Facilities emphasize the high quality of care, cost advantages and convenience of the facilities.

- *Expansion of Procedures and Facilities*. The MFC Facilities 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 Facilities' financial performance and provide a platform for future growth:

- *Physician Preference*. Physician loyalty is a key to the success of the MFC Facilities. Physicians prefer practicing at the MFC Facilities 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 Facility are designed to improve the patient experience and ensure a high degree of patient satisfaction. Management believes that patients prefer the MFC Facilities 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 Facilities consistently rank high in industry-leading surveys and studies of patient satisfaction.

- *Payor Preference*. The MFC Facilities 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 Facility is well established in its service area. As of the date of this Annual Information Form, the MFC Facilities operated by ASH, UMASH, OSH, BHSH, and SFSH have been in operation for 14, ten, 20, 23 and 34 years, respectively. The MFC Surgical Center operated by SCNC has been in operation for sixteen years. The MFC Nueterra ASCs have been in operation between thirteen and twenty-three years. MFC Facility Management believes that the reputation of the MFC Facilities for providing high quality clinical outcomes and excellent patient service has provided the MFC Facilities with the ability to attract quality physicians and additional patients to the MFC Facilities.

- *Strong and Experienced Management.* The MFC Facilities 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 Facilities in attracting and retaining physicians. The executive officers of the MFC Facilities, other than MFC Nueterra ASCs, collectively have an average of over ten years of experience in healthcare administration. Management services for MFC Nueterra ASCs are provided by the Nueterra Manager, an established, nationally trusted surgical healthcare partner specializing in full-service operations management services. Management and the members of the board of directors of the Corporation have extensive financial and corporate development experience and extensive relationships throughout the healthcare industry.

Facilities, Markets Served and Competitors

Arkansas Surgical Hospital

ASH is located in North Little Rock, Arkansas. Arkansas has a population of 3,017,804 (U.S. Census Bureau 2019 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 14 years and has a well-established reputation in North Little Rock and 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 49 beds, 11 operating rooms, two procedure rooms and a clinical staff of 238. There are currently 100 physicians who have medical staff privileges at ASH.

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.

In January 2018, ASH opened ASH Urgent Care and Occupational Medicine in Sherwood, Arkansas. The clinic provides time-sensitive treatment of minor illnesses and injuries such as broken bones, sore throat, and flu, offers pre-employment services such as physicals, drug screenings, and vaccinations, and provides medical treatment for work-related injuries for local employers.

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 Infirmary, 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 and Arkansas Specialty Orthopaedics.

Unity Medical and Surgical Hospital

UMASH is located in Mishawaka, Indiana. Indiana has a population of 6,732,219 (U.S. Census Bureau 2019 estimate). Management believes that the market served by UMASH is attractive for the following reasons:

- *Specialization.* UMASH partners with local physicians to provide a unique patient-centered care model. UMASH's surgeons offer a wide range of specialties including, but not limited to, spine, orthopedics, general/vascular, urology, and ophthalmology. UMASH's partnerships with physicians have enabled it to maintain a five-star patient experience rating and obtain exceptional quality scores. Management believes that UMASH's focus on physician partnerships and expanding of surgical specialties will allow it to continue to be able to compete effectively with other local and regional facilities.

- *Established Reputation*. UMASH has been in operation for ten years and has a well-established reputation in Mishawaka and adjacent areas. UMASH is one of the top performing hospitals in the United States and routinely tops the charts in local, state and national awards for patient healthcare. Management believes that UMASH'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.

UMASH opened in November 2009 as a medical and surgical hospital with related services and ancillary capacities to serve both medical and surgical patients. While UMASH specializes in orthopedic and spine procedures, it also has highly trained specialists in ophthalmology, ear, nose and throat, sports medicine, oral

surgery, podiatry, gastroenterology, general surgery, gynecology, bariatrics, and pain management, and provides primary care services. UMASH operates in a 49,000 square foot facility located on 4.83 acres with 29 overnight rooms and beds, four operating rooms, two procedure rooms and clinical staff of 81. There are currently 102 physicians who have medical staff privileges at UMASH.

UMASH leases the underlying land and building from RRI Mishawaka, which is majority owned by Medical Facilities Holdings; those real estate assets are subject to a definitive agreement of sale as part of the Unity Sale Transaction.

Mishawaka, Indiana and the immediately adjacent area (South Bend, Indiana) have five acute care providers that serve as primary competition for UMASH. Both St. Joseph Regional Medical Center and Memorial Hospital of South Bend are full service acute care hospitals, each located within a five-mile radius of UMASH. Other providers in the marketplace who are not primary competitors of the services provided by UMASH include a long-term acute care facility and a neuropsychiatric facility which focuses on behavioral health services.

Oklahoma Spine Hospital

OSH is located in Oklahoma City, the state capital of Oklahoma. Oklahoma City has a population of 649,021 (U.S. Census Bureau 2018 estimate) and the State has a population of 3,956,971 (U.S. Census Bureau 2019 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 20 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, 14 pre-op and post-op outpatient beds, a category IV emergency services room and a clinical staff of 194. There are currently 147 physicians who have medical staff privileges at OSH.

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 expires in November 2024. OSH also leases approximately 7,000 square feet of administrative office space in an adjacent building owned by a physician-owner of OSH Holdings, LLC.

OSH is located in a major metropolitan centre 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.

South Dakota MFC Hospitals

The South Dakota MFC Hospitals are located in Rapid City and Sioux Falls, South Dakota, each servicing a largely rural market. South Dakota has a population of 884,659 (U.S. Census Bureau 2019 estimate). The South Dakota MFC Hospitals service 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 South Dakota MFC Hospitals 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, the South Dakota MFC Hospitals can often negotiate reimbursement rates with managed care plans that are more favourable, in general, than those available in urban markets.

Black Hills Surgical Hospital

BHSH is located in Rapid City, South Dakota's second largest city, and has been operating as a licensed specialty hospital since January 1997. BHSH is a multi-specialty facility serving patients primarily in western South Dakota, Nebraska, North Dakota and Wyoming. The majority of revenue is generated from orthopedic and neurosurgery procedures. Additional service lines include ear, nose and throat, general surgery, gynecology, ophthalmology, cosmetic surgery and podiatry. The facility is conveniently located with access to both public and private transportation.

BHSH is approximately 75,000 square feet with 11 operating rooms (licensed for 12 operating rooms), 26 beds, and clinical staff of 356. There are currently 99 physicians who have medical staff privileges at BHSH. The hospital offers MRI and CT services, utilizing the latest available technology. BHSH commenced operation of urgent care and occupational medicine clinics in 2012, adding a second urgent care clinic in 2013, a third urgent care location in Spearfish, South Dakota in 2016, and a fourth location in Gillette, Wyoming in 2018. The lower level of the Spearfish facility houses the urgent care clinic with seven exam rooms, a digital x-ray machine, and a lab. The upper level is leased to various specialists who serve patients in the Spearfish market region, including the Northwestern Black Hills area, Eastern Wyoming, and Eastern Montana. The Gillette location also includes an orthopedic specialty clinic.

The hospital facility and the underlying land are owned by BHSH. Two of the urgent care clinics are owned, one is leased from an independent third party, and the Spearfish location is owned by Mountain Plains Real Estate Holdings, LLC, an entity which is indirectly owned by the Corporation and Medical Center Land Holdings, LLC. Medical Center Land Holdings, LLC is owned by physicians, some of whom are also owners in BHSH related Holdco.

The primary competing facilities for BHSH are the not-for-profit Monument Health Rapid City Hospital and its affiliated specialty hospital, Same Day Surgery Center, and Regional Health Orthopedic & Specialty Hospital opened in January 2019. Other facilities in the area include the Sioux San Hospital primarily servicing Native Americans, Black Hills Regional Eye Institute, Rapid City Community Health Center and numerous clinics that provide healthcare services in every specialty.

Sioux Falls Specialty Hospital

Opened in 1985, SFSH has established itself as the leader in both patient satisfaction and surgical outcomes within the region. Located in the heart of Sioux Falls, South Dakota, SFSH is a multi-specialty hospital providing services in orthopedics, ear, nose and throat, urology, neurosurgery, gynecology, plastic surgery, gastroenterology, general surgery, ophthalmology, and dental and pain management procedures.

SFSH is licensed for 33 overnight patient rooms and 15 surgical suites, encompassing approximately 76,000 square feet. With expansion and remodel projects, including recently finished renovations, the hospital has updated the patient rooms and operating room suites in order to accommodate new technology and allow for greater efficiency and better care. SFSH employs a staff of 354, which services a current roster of 203 physicians who have medical privileges at the facility.

For continued growth, SFSH is constantly assessing areas of opportunity in the region. Imaging services continue to expand as SFSH is the only facility in the region to have MRI services offering both 3T high field and Open Upright MRI technology. In conjunction with MRI, SFSH added CT services in 2017 as a focused need for its orthopedic and urology service lines. In December 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. In addition, SFSH operates two occupational health clinics addressing work-related cases, including pre-employment physicals, workers compensation claims, and department of transportation drug testing.

The hospital facility and the MRI are owned by SFSH and the SFUC facility is leased from related parties of SFSH.

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 over 400,000 in a 30-mile radius and attracts patients from all over South Dakota as well as Iowa, Minnesota, and Nebraska.

The MFC Surgical Centers

The Surgery Center of Newport Coast

SCNC is located in Newport Beach, Orange County, California and has been operating since 2004 as a Medicare Deemed Multi-Specialty Facility accredited by the Accreditation Association for Ambulatory Health Care. Management believes that the market served by SCNC is attractive for the following reasons:

- *Above-average Household Income*. Based on the U.S. Census Bureau's estimate (2014-2018), the median household income in Newport Beach is $122,709 and in Orange County is $85,398 compared to the U.S. median household income of $60,293. Management believes the relative affluence of Newport Beach and Orange County residents creates a favourable environment for SCNC, with such residents being more likely able to incur the personal costs associated with the procedures offered by this MFC Facility.

- *Diverse Payor Base.* Management believes that the densely populated nature of Orange County, together with the relative affluence of its residents, has resulted in the creation of a market having a diverse payor base of private insurance plans, including managed care plans and self-insured employer plans.

SCNC is a 7,000 square foot facility with two operating rooms, one procedure room and eight pre-op and post-op recovery beds. SCNC focuses primarily on orthopedic, gastroenterology, pain management, cosmetic and gynecology procedures. There are currently 22 clinical staff and 25 physicians who have medical staff privileges at SCNC. The facility is conveniently located near four major medical office towers in Newport Beach and is leased by SCNC from an unrelated third party.

SCNC's market area is highly fragmented with many surgical facilities competing for physicians, employees and patients. In the Newport Beach area, SCNC's key competitors include two ASCs: Hoag Orthopedic Institute Surgery Center and Newport Beach Surgery Center.

MFC Nueterra ASCs

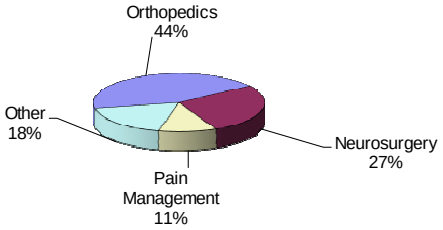
MFC Nueterra ASCs are six well-established surgical facilities located in six states: Michigan, Missouri, Nebraska, Ohio, Oregon, and Pennsylvania. MFC Nueterra ASCs collectively have 16 operating rooms, six procedure rooms, and 63 pre-op and post-op recovery beds. The physicians at MFC Nueterra ASCs specialize in orthopedics, neurosurgery, ophthalmology, pain management, otolaryngology, gastroenterology, cosmetic surgery, general surgery and podiatry. Collectively, there are currently 84 clinical staff and 112 physicians who have medical staff privileges at MFC Nueterra ASCs. Within their respective markets, MFC Nueterra ASCs compete with traditional hospitals, specialty hospitals and other ASCs to attract both physicians and patients.

Case Mix

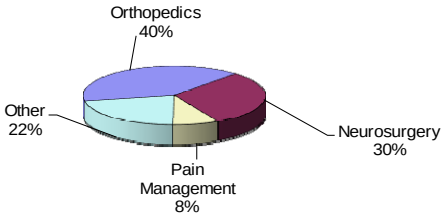
The MFC Hospitals focus on a limited number of high-volume non-emergency surgical procedures and diagnostic and imaging services. The MFC Surgical Centers focus on orthopedics, neurosurgery, ophthalmology, pain management, otolaryngology, gastroenterology, general surgery, podiatry, gynecology, and cosmetic surgery. The case mix at each MFC Facility 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 Facilities 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 2019 and 2018 at the MFC Facilities.

Case Mix
(2018 Patient Gross Revenue)



Case Mix
(2019 Patient Gross Revenue)



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

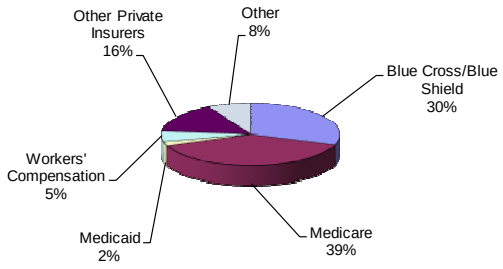
Management believes that historical levels of growth at the MFC Facilities were achieved substantially through increasing procedure volume and by focusing on clinical specialties which enhance operating efficiency and productivity. Management believes that through further refinement of scheduling, incremental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

Revenue Model and Payor Mix

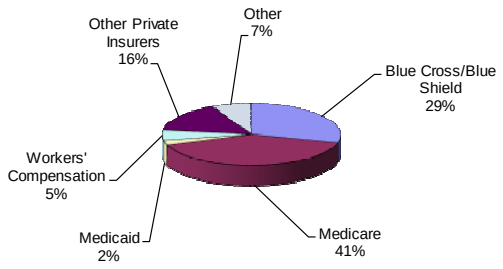
Fees earned by the MFC Facilities vary depending on the surgical procedure or related service performed and who is paying for the services. Revenues are generated and separately invoiced on a per-procedure basis. Generally, there are at least two fees for most surgical procedures and diagnostic and imaging services performed at the MFC Facilities — a facility fee and a professional fee. The facility fee is paid directly to the MFC Facility 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 Facilities, except for certain fees for MRI and CT scans and anesthesia services that are paid directly to the MFC Facilities. 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 Facilities 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 2019 and 2018 from each primary payor group. Although these percentages have remained relatively stable over the past five years, the MFC Facilities, similar to many healthcare providers, have seen the percentage of services paid for by governmental plans such as Medicare and Medicaid increase above historical norms and, by inference, a decrease in the proportion of services covered by private insurance.

Payor Mix
(2018 Patient Gross Revenue)



Payor Mix
(2019 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 Facility.

The majority of patient service revenues generated by the MFC Facilities 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 Facilities 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 Facilities 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 Facilities 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 Facilities 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 Facilities.

The diversity and credit strength of the MFC Hospitals' payor mix has led to a bad debt ratio averaging 1% of net revenues for ASH and the South Dakota MFC Hospitals, and 2% 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. UMASH's bad debt ratio averaged 2% of net revenues for three and a half years since its acquisition by the Corporation. The MFC Surgical Centers generally attempt to collect the patient portion up-front with the balance receivable primarily due from the third-party payor so there are typically low amounts of bad debt expense.

Seasonality

MFC Facilities' 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 could also be impacted by an increased utilization of services due to annual deductibles which are not usually met until later in the year and also 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 Facilities, a physician must meet certain professional credentialing requirements established by each MFC Facility. Physicians practicing at the MFC Facilities include both physicians with an indirect ownership interest in the facilities and non-investor physicians. As at December 31, 2019, there were a total of 205 physician investors and 788 physicians credentialed at MFC Facilities.

Management and Employees

Each MFC Partnership (other than UMASH and MFC Nueterra ASCs) 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. UMASH has a board of managers that is responsible for overseeing the overall management of the hospital. Management services to MFC Nueterra ASCs are provided by the Nueterra Manager in accordance with a management services agreement for which it receives management services fees. 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 Facility generally includes registered nurses, operating room technicians, radiology technicians and clerical and other support staff. None of the MFC Facilities' employees are represented by a collective bargaining agreement. Management believes that each MFC Facility has a good relationship with its employees and each offers its employees a competitive compensation package. As at December 31, 2019, there were a total of 1,721 full-time and part-time clinical and non-clinical employees at MFC Facilities.

The MFC Facilities 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 Facility Management believes that the MFC Facilities provide a less institutionalized work environment than traditional hospitals and improved working conditions for both nurses and staff as a result of 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 and ambulatory surgery industry is highly competitive. In each market in which the MFC Facilities operate, there is competition with traditional hospitals and other ASCs, specialty hospitals and urgent care centers to attract both physicians and patients. Patients in the MFC Facilities' 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 Facilities, physician referrals or coverage by applicable insurance programs. MFC Facility 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 Facilities enjoy in the markets where they are located, MFC Management believes that the MFC Facilities 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 Facilities, 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 Facilities 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 Facilities for the past five years and maintenance capital expenditures as a percentage of net revenues.

	Years Ended December 31,					
	2019	**2018**	**2017**	**2016**	**2015**	**Average**
			(US$ Millions)			
Maintenance Capital Expenditures (net).....	2.7	3.0	4.8	2.6	2.8	3.2
Growth Capital Expenditures (net)	9.9	18.8	6.4	12.4	4.6	10.4
Total	12.6	**21.8**	**11.2**	**15.0**	**7.4**	13.6
Maintenance Capital Expenditures as Percentage of Net Revenues	**0.63%**	**0.70%**	**1.25%**	**0.75%**	**0.90%**	**0.84%**

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 Facilities routinely replace existing operating equipment and surgical devices. The management information systems of the MFC Facilities 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" beginning on page 26 below, and other capital improvements. Growth capital expenditures are intended to increase productivity and cash flows, enhance margins and/or increase capacity.

In 2017, ASH spent $0.7 million on leasehold improvements and $0.2 million on developing urgent care clinic. In 2018, ASH's growth capital expenditures totalled $3.1 million, of which $1.3 million was spent on medical equipment, $1.0 million on information technology infrastructure, software and licenses, and $0.3 million on urgent care clinic. In 2019, ASH's growth capital expenditures totalled $3.1 million, of which $3.0 million was spent on medical equipment and $0.1 million on information technology.

UMASH did not incur growth capital expenditures over the last three years.

In 2018, OSH spent $2.8 million on medical equipment, including purchase of MRI and C-Arm, and $0.5 million on information technology costs. In 2017 and 2019, OSH did not incur growth capital expenditures.

In 2017, BHSH spent $1.8 million to replace an MRI. In 2018, BHSH spent $4.1 million on construction of and equipment for an urgent care clinic in Gillette, WY, and $0.5 million on capacity expansion. In 2019, BHSH spent $3.5 million on facility improvements.

In 2017, SFSH spent $1.1 million on operating room remodelling, $1.1 million on new operating room equipment, $0.9 million on remodelling of MRI facility, and $0.6 million on developing an urgent care clinic. In 2018, SFSH spent $7.1 million on operating room remodelling and equipment. In 2019, growth capital expenditures at SFSH totalled $2.8 million, of which $2.2 million was spent on purchasing an MRI facility, which was previously leased.

In 2018, growth capital expenditures by MFC Nueterra ASCs totalled $0.6 million, which primarily related to expenditures for medical equipment, leasehold improvements, and information technology equipment and software. In 2019, collectively MFC Nueterra ASCs spent $0.5 million on growth capital expenditures, which primarily related to medical equipment and leasehold improvements.

Outlook

Maintenance capital expenditures have averaged $3.2 million (or 0.8% of the average annual net revenues) over the past five years. MFC Facility Management anticipates that in order to sustain the current capacity and utilization of the facilities, infrastructure and equipment of the MFC Facilities, maintenance capital expenditures will range between 0.6% and 1.5% of net revenues for the foreseeable future. However, there can be no assurance that actual expenditures will be within this range or that they will not be materially different from this range. In addition to cash generated from operations, the MFC Facilities have the ability to utilize vendor financing and third-party leasing arrangements to fund capital expenditures in the future. MFC Facility 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, 2019, 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 Facilities that could be burdensome and costly. Each of the MFC Facilities and its affiliated physicians and allied healthcare professionals hold all licenses and accreditations necessary for its operation and the MFC Facility 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. Designated health services do not include ASC services. A financial relationship is defined to include ownership or investment in, or a compensation relationship with, an entity. In addition, California has self-referral statutes similar to the Stark Law. The Corporation believes that physician-ownership of Newport is not prohibited by the California 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 Facilities have relied on this exception as permitting their physician investors to refer patients to the MFC Facilities. 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.

CMS has issued regulations interpreting the Stark Law, clarifying that services that would otherwise constitute a designated health service, but that are paid by Medicare as a part of the ASC payment rate, are not a designated health service for purposes of the Stark Law. In addition, the Stark Law contains an exception covering implants, prosthetics, implanted prosthetic devices and implanted durable medical equipment provided in an ASC setting under certain circumstances. CMS has expanded the ASC exemption by excluding from the definition of "radiology and certain other imaging services" any radiology and imaging procedures that are integral to a covered ASC surgical procedure and performed immediately before, during, or immediately after the surgical procedure. Similarly, CMS has excluded from the Stark Law definition of "outpatient prescription drugs" any drugs that are "covered as ancillary services" under the revised ASC payment system. This includes drugs furnished during the immediate post-operative recovery period to a patient to reduce suffering from nausea or pain. CMS cautioned, however, that only items and services that are integral to an ASC procedure and performed on the same day qualify for the ASC exemption. The Stark Law prohibits a physician-owned ASC from furnishing outpatient prescription drugs ordered by a physician-owner for use in a Medicare patient's home. The MFC Facilities have relied on these regulations as permitting physician-ownership or investment interests in ASCs to which they refer patients.

In addition, there are exceptions that protect various service arrangements, such as medical director agreements, that MFC Facilities 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 Facilities, or which would prohibit or restrict the future growth of the MFC Partnerships. If the physician investors in the MFC Partnerships are prohibited from making referrals to the MFC Facilities, 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.

Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* ("**PPACA**") contains provisions intended to strengthen fraud and abuse enforcement and expands existing efforts to tie Medicare and Medicaid payments to performance and quality. PPACA 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 PPACA. The MFC Partnerships have updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the PPACA.

Fraud and Abuse Prevention

Under the federal Anti-Kickback Statute (the "**Anti-Kickback Statute**"), it is a criminal felony offence 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 Office of the Inspector General ("**OIG**") of the Department of Health and Human Services ("**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 may 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 for 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 where MFC Facilities 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 and Management anticipates that they will not satisfy all of the requirements of a safe harbor in the future. However, the MFC Partnerships are in substantial compliance with several elements of safe harbors that are available for physician-owned ASCs and 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 Facilities, resulting in termination of, or other adverse consequences to, the operations of the MFC Facilities. In addition, the MFC Facilities 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 pre-claim penalties up to $21,563. 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 $10,781 to $21,563 per claim. Violations of the Stark Law and the Anti-Kickback Statute are 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 PPACA, 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 PPACA 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 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 has 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 Department of Justice ("**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 PPACA 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 recognized standard of care, and 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 noncompliance with certain standards be excluded from Medicare.

Patient Records and Personal Information: Confidentiality and Cybersecurity

The *Health Insurance Portability and Accountability Act of 1996*, as amended, ("**HIPAA**") includes a number of "administrative simplification" provisions designed to: (i) streamline the electronic transmission of health claims and other standard transactions; (ii) protect the privacy and security of personal health information; and (iii) 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 in greater detail 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. 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. 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 strict 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 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 organizations to evaluate existing security and confidentiality policies, and technical practices and procedures, including 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.

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 2018, a nation-wide health benefit company paid $16 million to HHS following a data breach. Prior to this record payment, the largest HIPAA fine was $5.5 million. 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.

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*, grant individual rights with respect to their information, and the Corporation and/or MFC Partnerships may be required to expend significant resources to comply with these 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. Some state breach notification 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' privacy, security and data breach laws, including, for example, the *California Consumer Privacy Act*, include a private right of action that may expose the Corporation and/or 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 from and may be impacted by information security incidents, including ransomware, malware, phishing, social engineering and other security events. Breaches of personal information can result from deliberate acts or unintentional events, and they can be from an employee, subcontractor or hacker. More recently, there has been increased enforcement with large settlement agreements and 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 in confidence in the covered entity of business associate.

As of December 31, 2019, the Corporation believes that 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 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, and the Corporation and 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 personal health information or personal 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. 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 Compliance Program Guidance for Hospitals, 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 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.

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.

Environmental Issues

Each MFC Partnership's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment, and health and safety. The operations of the MFC Partnerships include the use, storage, transportation, generation and disposal of hazardous and toxic materials. MFC Partnerships also generate medical waste that must be disposed of in compliance with statutes and regulations that vary from state to state. In addition, although MFC Partnerships are not engaged in manufacturing or other activities that produce meaningful levels of greenhouse gas emissions, the Corporation's operating expenses could be adversely affected if legal and regulatory developments related to climate change or other initiatives result in increased energy or other costs. The Corporation, including MFC Partnerships, could also be affected by climate change and other environmental issues to the extent such issues adversely affect the general economy or result in severe weather affecting the communities in which MFC Facilities are located.

Management and MFC Facility Management believe that the operations of the MFC Partnerships have been in substantial compliance with the terms of applicable environmental laws and that no liabilities exist, including relating to climate change issues, that could reasonably be expected to have a material adverse effect on the MFC Partnerships' business or financial position. No MFC Partnership has reported any existing or potential environmental issues at any of the MFC Facilities, nor has it received any inquiry or notice that has resulted, or may reasonably be expected to result in, actual or potential proceedings, claims, lawsuits or losses related to environmental liabilities.

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, 2019, there were 31,106,259 Common Shares issued and outstanding.

Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors 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.

Limitations on U.S. Licensed Physician Ownership

The Stark Law exception on which the Corporation generally relies, among other things, prohibits the MFC Partnerships (as owners of MFC Hospitals) from having physician investors if a physician-owned hospital accepts

referrals from any physicians (or their immediate family members) who are not authorized to perform services at the hospital. A separate exception protects physician ownership in certain publicly traded companies.

2018 Credit Facility

On August 31, 2018, the Corporation, Medical Facilities America and Medical Facilities Holdings (as borrowers) entered into a 2018 Credit Facility with a syndicate of financial institutions in the amount of $150 million. The 2018 Credit Facility matures on August 31, 2023 and may be used for acquisitions and other general corporate purposes. The 2018 Credit Facility is guaranteed by the Corporation's wholly-owned subsidiaries, and the obligations in respect of the 2018 Credit Facility are secured by the assets of the borrowers. In November 2019, the financial covenants of the 2018 Credit Facility were modified by agreement with the lenders. As at December 31, 2019, $84.8 million was drawn under the 2018 Credit Facility. A copy of the 2018 Credit Facility and 2019 Amending Agreement are available on SEDAR at www.sedar.com.

Dividend Policy

As of November 2019, the Corporation pays quarterly dividends on the Common Shares, if and to the extent dividends are declared by the Corporation's board of directors and permitted by applicable law, on the 15th 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 of directors 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 of directors may determine in its sole discretion.

The board of directors of the Corporation 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

Monthly dividends of Cdn$0.09375 were paid on the 15th day of each month from January to November 2019 (or the next Business Day, if such day was not a Business Day) to holders of record at the close of business on the last Business Day of the preceding month. Total dividends paid for 2019 were as follows:

2019 Record Dates	Dividend Per Common Share (Cdn$)
January 31	0.09375
February 28	0.09375
March 29	0.09375
April 30	0.09375
May 31	0.09375
June 28	0.09375
July 31	0.09375
August 30	0.09375
September 30	0.09375
October 31	0.09375
Total 2019 Dividends	**0.9375**

For the stub period from November 1 to December 31, 2019, the Corporation paid a dividend of Cdn$0.04667 per Common Share on January 15, 2020 to the holders of record at the close of business on December 31, 2019.

Monthly dividends of Cdn$0.09375 were paid on the 15th day of each month of 2018 (or the next Business Day, if such day was not a Business Day) to holders of record at the close of business on the last Business Day of the preceding month. Total dividends for 2018 were as follows:

2018 Record Dates	Dividend Per Common Share (Cdn$)
January 31	0.09375
February 28	0.09375
March 29	0.09375
April 30	0.09375
May 31	0.09375
June 29	0.09375
July 31	0.09375
August 31	0.09375
September 28	0.09375
October 31	0.09375
November 30	0.09375
December 31	0.09375
Total 2018 Dividends	**1.125**

Monthly dividends of Cdn$0.09375 were paid on the 15th day of each month of 2017 (or the next Business Day, if such day was not a Business Day) to holders of record at the close of business on the last Business Day of the preceding month. Total dividends for 2017 were as follows:

2017 Record Dates	Dividend Per Common Share (Cdn$)
January 31	0.09375
February 28	0.09375
March 31	0.09375
April 28	0.09375
May 31	0.09375
June 30	0.09375
July 31	0.09375
August 31	0.09375
September 29	0.09375
October 31	0.09375
November 30	0.09375
December 29	0.09375
Total 2017 Dividends	**1.125**

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 1,000 common shares with par value of $0.0001 each and 2,000 Class A common shares with par value of $0.0001 each. As at December 31, 2019, 300 outstanding Class A 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.

Dividend Committee

The board of directors of Medical Facilities America has a dividend committee comprised of Stephen Dineley. This committee declares dividends in accordance with the Delaware General Corporation Law, and, to the extent permitted by the Delaware General Corporation Law, Medical Facilities America's dividend policy.

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, 2019, 100 outstanding common units of Medical Facilities America Holdco 1 were owned by Medical Facilities America and 172,955,108 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%.

Distribution Policy

The board of directors 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 directors 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, 2019, 100 outstanding common units of Medical Facilities America Holdco 2 were owned by Medical Facilities America Holdco 1.

Distribution Policy

The board of directors 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 directors 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, 2019, 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.

Dividend Committee

The board of directors of Medical Facilities Holdings has a dividend committee comprised of Stephen Dineley. This committee declares dividends in accordance with the Delaware General Corporation Law, and, to the extent permitted by the Delaware General Corporation Law, Medical Facilities Holdings' dividend policy.

Business Development and Acquisition Committee

The board of directors of Medical Facilities Holdings has a business development and acquisition committee comprised of the following individuals: Erin Enright (Chair), Marilynne Day-Linton, Stephen Dineley, and Jeffrey Lozon. This committee is responsible for the oversight and guidance of Medical Facilities Holdings' business development and acquisition processes as well as the review of potential acquisition targets and recommendations to the board of directors of Medical Facilities Holdings regarding same.

THE MFC PARTNERSHIPS

For purposes of this section, UMASH and MFC Nueterra ASCs are excluded from the definition of "MFC Partnerships". Please refer to the sections below entitled "UMASH and PAM" and "MFC Nueterra Partnership" for a description of those entities.

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.

MFC Partnership	Subco / Holdco Interest	Medical Facilities Holdings Interest
ASH	49.00%	51.00%
OSH	36.04%	63.96%

MFC Partnership	Subco / Holdco Interest	Medical Facilities Holdings Interest
BHSH	45.78%	54.22%
SFSH	49.00%	51.00%
SCNC	49.00%	51.00%

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% 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% of revenue), (ii) contemplates a reduction in distributions over the previous year (or, in the case of ASH, a reduction in distributions of more than 8% 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% 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 each MFC Original Partnership, 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 the MFC Original Partnerships, 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, $5 million in respect of each of OSH, BHSH and SFSH, and $200,000 in respect of SCNC. 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 the MFC Original Partnerships; (ii) in respect of SCNC, any amount owing under the SCNC existing credit facility; (iii) any indebtedness incurred in the ordinary course secured by the MFC Partnerships' accounts receivable and/or inventory; (iv) capital equipment financing secured by the equipment; (v) any fixed asset mortgages incurred in the ordinary course; and (vi) 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/HOLDCOS

The Subco for each of BHSH and 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. SCNC's related Holdco is a California limited liability partnership.

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.

Ownership Restrictions

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% 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 Newport and ASH, in the related Holdco (please refer to the section entitled "Corporate Structure – Ownership Structure" beginning on page 9 above).

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% and 5%, 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% and 44% 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% of the distributions made by its related MFC Partnership, and Medical Facilities Holdings will receive 51% of such distributions. As of the date of this Annual Information Form, 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	0.00	5.00	49.00
OSH	12.95	1.05	36.04
BHSH	3.22	10.78	45.78
SFSH	0.00	14.00	49.00

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% 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% of the interests in Medical Facilities Holdings held indirectly by the Corporation pursuant to an agreement with the Corporation, or 20% 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% 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 the Corporation.

HOLDING ENTITIES

The Holding Entity related to each of BHSH and SFSH is a South Dakota limited liability company. OSH's related Holding Entity is an Oklahoma limited liability company.

Operating Agreement

The following is a summary of certain provisions of the Original Holding Entities' 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 each Original Holding Entity and OSH's related Holding Entity, as applicable, which summary is not intended to be complete. In respect of SCNC, the agreement entered into by the predecessor to Medical Facilities Holdings, the general partner of the SCNC Holding Entity and certain principals of the SCNC Holdco governs those certain matters relating to SCNC Holdco, similar to the other Holding Entities' Operating Agreements, as discussed below. 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. The SCNC and ASH related Holding Entities hold interests in their respective MFC Partnerships directly rather than through a Subco and, therefore, include 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 Original Holding Entities).

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 Original Holding Entity written notice (which must be received by the Holding Entity in such month) of the member's desire to compel the Original Holding Entity to repurchase a designated number of membership interests (a "**Put**") and, subject to the limitations described below, the Original 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% 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/Holdcos – Exchange Agreements" beginning on page 42 above, 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 an Original Holding Entity will be at fair market value as determined not less than annually by the governing board of the Original 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 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% 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 the MFC Original Partnerships 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, or cardiac 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 an Original Holding Entity or 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 Original 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% 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% 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% 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 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% 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.

SCNC's related non-solicitation and non-competition agreement restricts the Holdco member from engaging in a business that is in competition with and located within a 15-mile radius of SCNC. In connection with the acquisition of SCNC, only certain principal members of the SCNC Holdco, which principal members at the time

of acquisition, owned, directly and indirectly, in the aggregate a 61.23% interest in the SCNC Holdco, entered into the non-solicitation and non-competition agreement.

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.

UMASH AND PAM

Medical Facilities Holdings owns a 29.0% membership interest in PAM, which in turn owns an 86.0% membership interest in UMASH. The total interest of Medical Facilities Holdings in UMASH, taking into account the indirect interest through PAM and direct interests, totals 31.7%. The remainder of the membership interests in PAM and UMASH are held by local investors, including leading physicians affiliated with South Bend Orthopedics and South Bend Clinic and certain UMASH physicians and personnel. Certain of the other owners (the purchasers under the Unity Sale Transaction) have options to acquire more of Medical Facilities Holdings' equity interest in UMASH on both the first and second anniversaries of the Unity Sale Transaction closing for the greater of the current per share purchase price and the fair market value of the interest at the time the purchase option is exercised.

The membership interests carry such number of votes equal to the membership interest on all matters to be voted on at all meetings of members. Holders of membership interests are entitled to their pro rata distribution equivalent to their membership interest as and when declared by the board of managers of UMASH and PAM. Upon the voluntary or involuntary liquidation, dissolution or winding-up of UMASH or PAM, the holders of membership interests will be entitled to share rateably in the remaining assets available for distribution, after payment of all liabilities.

Operating Agreements

Distribution Policy

The operating agreements of UMASH and PAM provide that all net operating cash flow, as determined by the board of managers net of reasonable reserves, shall be distributed not less frequently than quarterly to the members on a pro rata basis in accordance with their respective percentage interests.

Management

Medical Facilities Holdings is entitled to one representative on the board of managers of each of UMASH and PAM. Executive management is determined by the board of managers of UMASH and PAM.

Approval Rights

For so long as Medical Facilities Holdings maintains a membership interest in PAM of not less than 15%, its approval will be required for certain matters, including:

(i) incurrence of debt;

(ii) annual capital and operating budgets;

(iii) merger or consolidation, or an exchange of interests with another business;

(iv) waiver of restrictive covenants;

(v) making a capital call or requiring a capital contribution;

(vi) amending the operating agreement; and

(vii) liquidating or dissolving the company.

Transfers of Interests

Certain of the other owners (the purchasers under the Unity Sale Transaction) have options to acquire more of Medical Facilities Holdings' equity interest in UMASH on both the first and second anniversaries of the Unity Sale Transaction closing for the greater of the current per share purchase price and the fair market value of the interest at the time the purchase option is exercised.

Members of UMASH or PAM that wish to transfer their interests are subject to rights of first refusal in favour of the other members.

Non-Competition

So long as a member of UMASH or PAM remains a member of UMASH or PAM, as applicable, and for two years thereafter, he, she or it shall not, directly, or indirectly, without board approval, (i) invest in or acquire any healthcare facility providing services similar to those provided by UMASH and which operates within a 50-mile radius of UMASH; (ii) own, lease or otherwise contract to use real property or equipment of an entity or a facility within a 50-mile radius of UMASH to provide medical or management services related to surgical services; and (iii) in any capacity own, operate, manage, be employed by, work for, make an investment in or contract with any entity or facility that provides medical or management services related to surgical services within a 50-mile radius of UMASH. Notwithstanding the foregoing, PAM and Medical Facilities Holdings have the right to acquire and hold interests in, and enter into agreements with, any healthcare facility other than a surgical hospital which is located with a 50-mile radius of UMASH.

Debt

In connection with the Unity Sale Transaction, UMASH's $23.0 million secured debt obligation to Medical Facilities Holdings was reduced by $3.0 million, with the remaining $20.0 million being structured on a five-year term secured by, among other things, certain of the other members' equity interests in PAM. The debt bears interest at 6.75% per annum until February 28, 2021, and thereafter at prime plus 2%. Interest only payments are due on a monthly basis (generally, on an in-kind basis) until February 1, 2021, and thereafter blended payments of interest and principal (on a 15-year amortization) are payable monthly. The debt is pre-payable by the borrowers, and is mandatorily repayable on the occurrence of certain specified events. The UMASH debt is subject to certain covenants, including restrictions on distributions, mergers and consolidations, debt or equity investments, asset acquisitions, asset dispositions and other non-ordinary course of actions, as well as financial covenants.

MFC NUETERRA PARTNERSHIP

Medical Facilities Holdings owns a 90.0% membership interest in MFC Nueterra Partnership.

MFC Nueterra Partnership Operating Agreement

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**").

Distribution Policy

MFC Nueterra Partnership distributes available cash flow (as described in the MFC Nueterra Partnership Operating Agreement) monthly in accordance with the respective interests held by each of Medical Facilities Holdings and Nueterra MF Holdings, LLC ("**Nueterra**"), as members. MFC Nueterra Partnership also distributes an amount equal to the tax liability of each partner for the preceding year, if available after provision for payment of all outstanding and unpaid expenses and the minimum amounts currently due with respect to any loans and advances made.

Management

The board of managers of MFC Nueterra Partnership is authorized to manage the business of MFC Nueterra Partnership, subject to matters requiring approval of both Medical Facilities Holdings and Nueterra listed below. The board of managers consists of two appointees of Medical Facilities Holdings and one appointee of Nueterra. Nueterra may appoint a non-voting observer to attend board meetings.

MFC Nueterra Partnership has also entered into a management services agreement (the "**MFC Nueterra Partnership MSA**") with the Nueterra Manager as described below.

Fundamental Decisions and Amendments

Consent of both Medical Facilities Holdings and Nueterra is required for the following activities:

- amendments to a constating document of MFC Nueterra Partnership, other than certain administrative amendments;
- the issuance of additional units of MFC Nueterra Partnership or dilution of Nueterra's interest;
- a call for an additional capital contribution; and
- the selection of a third-party appraisal firm in certain circumstances.

Transfer Restrictions

Except as summarized below, interests in MFC Nueterra Partnership may not be transferred without board approval, other than to a financial institution as collateral or to an affiliate.

If Medical Facilities Holdings or an affiliate proposes to sell its interest to a third party, it may require the other members of MFC Nueterra Partnership to sell their interests as well. If Medical Facilities Holdings chooses not to exercise its drag-along rights, Nueterra may sell its interest at the same price and on the same terms and conditions to a proposed purchaser pursuant to tag-along rights.

Should the MFC Nueterra Partnership MSA be terminated due to a certain terminating event (as described therein), Medical Facilities Holdings may purchase all (but not less than all) of Nueterra's interest in MFC Nueterra Partnership.

Reporting

Within 13 business days of each month end, the Nueterra Manager will provide unaudited financial statements and operating reports. The reports and statements will include the prior month, year to date, and twelve-month period and comparative data for the previous year for each entity in the partnership structure and each MFC Nueterra ASC. Any audited balance sheets prepared will also be provided.

Restrictive Covenants

The MFC Nueterra Partnership Operating Agreement contains mutual non-competition obligations which endure for one year after membership in MFC Nueterra Partnership has ended. Non-competition obligations restrict the management, ownership, either directly or indirectly, of an ASC or surgical hospital within a five-mile radius of each MFC Nueterra ASC, subject to certain exceptions. Mutual non-solicitation covenants prohibit members from soliciting current employees or independent contractors of any MFC Nueterra ASC, MFC Nueterra Partnership or any MFC Nueterra Partnership Holding Company during the term of membership and for one year thereafter.

If a member breaches either the non-competition or non-solicitation covenants, the non-breaching member may purchase all of the breaching member's units in MFC Nueterra Partnership or cause MFC Nueterra Partnership to purchase the breaching member's units at a specified price.

Broad confidentiality obligations also bind Medical Facilities Holdings and Nueterra, which survive for three years after membership in MFC Nueterra Partnership has ended.

MFC Nueterra ASC Operating Agreements

There are individual limited liability company operating agreements (each an "**MFC Nueterra ASC Operating Agreement**") in respect of each of the MFC Nueterra ASCs, as well as a management services agreement between five MFC Nueterra Partnership Holding Companies and corresponding MFC Nueterra ASC subsidiaries. The parties to each MFC Nueterra ASC Operating Agreement are the applicable MFC Nueterra Partnership Holding Company and one or more third-party entities comprised of physician and non-physician members, some of which are non-profit entities (each a "**Partner**").

Each MFC Nueterra ASC is governed by a board of directors, the majority of which in each case is appointed by the MFC Nueterra Partnership Holding Company, which is wholly owned by MFC Nueterra Partnership. A majority of directors is generally required to implement a decision of the board.

The consent of the applicable MFC Nueterra Partnership Holding Company and a majority of interests held by the Partners is required for certain fundamental activities or changes.

Interests in an MFC Nueterra ASC may be transferred by an MFC Nueterra Partnership Holding Company member to: (a) an affiliate; (b) a purchaser in connection with a change of control of an MFC Nueterra Partnership; (c) another member of the MFC Nueterra ASC with consent of the board, or in some cases, upon the occurrence of certain triggering events (bankruptcy or exclusion or suspension from any federal healthcare program in which case such interest may be purchased by the non-breaching member); (d) a new member upon the consent of the other members; or (e) a physician practicing in the area of the MFC Nueterra ASC in accordance with certain procedural obligations.

If a Partner wishes to sell his, her or its interest to a third-party purchaser, the MFC Nueterra ASC has the first opportunity to buy all of the Partner's interest. If the MFC Nueterra ASC does not exercise its right of first opportunity, the applicable MFC Nueterra Partnership Holding Company or its individual members may purchase the offered interests.

Management Services Agreements

Pursuant to the MFC Nueterra Partnership MSA, the Nueterra Manager provides managerial services to the MFC Nueterra ASCs on behalf of each MFC Nueterra Partnership Holding Company as each MFC Nueterra Partnership Holding Company is required to do pursuant to site-specific managements agreements or the applicable MFC Nueterra ASC Operating Agreement, and provides certain administrative services to MFC Nueterra Partnership and the MFC Nueterra Partnership Holding Companies.

Obligations of the Nueterra Manager include coordinating all MFC Nueterra ASC business and administrative activities, accounting and bookkeeping, policies and procedures, oversight of personnel, day-to-day operations and maintaining licenses and permits.

In consideration for the provision of management services, the Nueterra Manager is paid all management fees due under the site-specific management agreements and permitted expenses and costs. The fees range between 5-6% of all collections from fees or other charges arising out of the operations of the MFC Nueterra ASC.

Notwithstanding its authority to manage the MFC Nueterra ASCs, the Nueterra Manager may not undertake certain fundamental changes or actions without the consent of MFC Nueterra Partnership.

The MFC Nueterra Partnership MSA expires on February 1, 2025. On the fifth anniversary of the MFC Nueterra Partnership MSA, February 1, 2023, MFC Nueterra Partnership may terminate the MFC Nueterra Partnership MSA with 90 days' notice for any reason on payment of a fee in the amount of the management fees for the trailing 90-day period immediately preceding the fifth anniversary date. The MFC Nueterra Partnership MSA may also be terminated for cause upon the occurrence of any one of certain terminating events described therein.

Some of the site-specific management agreements persist beyond February 1, 2025 or continue indefinitely pursuant to the MFC Nueterra ASC Operating Agreements.

DIRECTORS, OFFICERS AND MANAGEMENT

The Corporation

Directors of the Corporation

The Corporation's articles of incorporation provide for a minimum of three directors, a majority of whom must be resident Canadians, provided that the Corporation is a public company. The directors of the Corporation are Jeffrey Lozon (Chair), Marilynne Day-Linton, Stephen Dineley, Erin Enright, Robert Horrar, Dale Lawr, and Reza Shahim, a majority of whom are unrelated to and 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" beginning on page 55 below.

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 has an audit committee that is comprised of Stephen Dineley (Chair), Marilynne Day-Linton, Erin Enright, Dale Lawr, and Jeffrey Lozon, all of whom are unrelated to and 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" beginning on page 65 below.

Corporate Governance, Nominating and Compensation Committee. The members of the corporate governance, nominating and compensation committee (the "**CGNC Committee**") are Dale Lawr (Chair), Marilynne Day-Linton, and Jeffrey Lozon. All of the members of the committee are unrelated to and independent (for regulatory purposes) of the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships.

The 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 a succession planning and development with respect to the Corporation's senior executives, and (ix) oversees the executive performance of the Corporation's direct subsidiaries.

Investment Committee. The members of the investment committee are Erin Enright (Chair), Marilynne Day-Linton, Stephen Dineley, Jeffrey Lozon, and Reza Shahim. All of the members of the committee, with the exception of Reza Shahim, are unrelated to and independent (for regulatory purposes) of the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships. Dr. Shahim is non-executive non-independent director. Dr. Shahim is a minority owner of ASH, a minority member of an ownership group that owns and leases

hospital real estate to ASH, and a minority member of another ownership group that owns and leases imaging equipment to ASH.

The Investment Committee assesses and makes recommendations to the Corporation's board of directors in respect of Management's acquisition and investment recommendations, including assessment of risk and risk mitigation with respect to material investment transactions.

DSU Plan

The board of directors of the Corporation has a DSU Plan providing for the issuance of DS Units to eligible directors of the Corporation. The DSU Plan was implemented for the purpose of attracting and retaining highly qualified and competent directors for the Corporation. The DSU Plan also serves to align the interests of the directors with shareholders of the Corporation by tying a portion of their compensation to the performance of MFC during the period that they serve as members of its board.

Under the DSU Plan, which is administered by the board of directors of the Corporation, on or before December 31st of each year, each participant that is an eligible member of the DSU Plan may elect to receive, in lieu of a cash payment, all or a portion of their annual director fees for the following fiscal year in DS Units. No less than 50% of the board retainer fees must be received in DS Units. At such time as a 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.

The following table summarizes the issuance of DS Units during the year ended December 31, 2019:

Date of Issuance	Number of DS Units Issued	Issue Price (Cdn$)	Total Value of DS Units Issued (Cdn$)
January 15, 2019	12,702	14.99	190,462
April 15, 2019	10,847	17.19	186,399
July 15, 2019	15,134	12.73	192,631
October 15, 2019	20,971	8.02	168,161
Total 2019	**59,654**		**737,653**

Management

As of the date of this Annual Information Form, the Corporation has four executive officers. Robert Horrar is President and Chief Executive Officer, David Watson is Chief Financial Officer, James Rolfe is Chief Development Officer, and John Schario is Chief Operating 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" beginning on page 55 below.

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 Facilities, acquisition activities, budgeting processes and control procedures and policies.

Policies

The board of directors 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 eleven directors of Medical Facilities America with the Corporation having the right to appoint the majority of directors. The board of directors of Medical Facilities America is presently comprised as follows:

- five representatives of the Corporation;

- two representatives of BHSH; and

- two representatives of SFSH.

BHSH's and 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 four officers. Robert Horrar is President and Chief Executive Officer, David Watson is Chief Financial Officer, James Rolfe is Chief Development Officer, and John Schario is Chief Operating 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" beginning on page 55 below.

Committees

The board of directors has a dividend committee responsible for declaring dividends.

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. Robert Horrar and David Watson are managers of Medical Facilities America Holdco 1 and hold the positions of Chief Executive Officer and Chief Financial Officer, respectively.

Further information on each director 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" beginning below.

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. Robert Horrar and David Watson are managers of Medical Facilities America Holdco 2 and hold the positions of Chief Executive Officer and Chief Financial Officer, respectively.

Further information on each director 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" beginning below.

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. Medical Facilities Holdings has four officers. Robert Horrar is President and Chief Executive Officer, David Watson is Chief Financial Officer, James Rolfe is Chief Development Officer, and John Schario is Chief Operating 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" beginning below.

Committees

The board of directors has a business development and acquisition committee that oversees Management in identifying and pursuing strategic acquisitions, and a dividend committee responsible for declaring dividends.

Executive officers of Medical Facilities Holdings also 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, Medical Facilities Holdings, PAM and UMASH, and principal occupation during the past five years of directors and executive officers of the Corporation and its corporate subsidiaries.

Name and Province/State and Country of Residence	Position(s) / Director Since	Principal Occupation During the Past Five Years
DR. PAUL CINK South Dakota, U.S.A.	Director of MFA since June 2011 and of MFH since April 2012[(1)]	Ear, Nose and Throat Surgeon
DR. R. BLAKE CURD South Dakota, U.S.A.	Director of MFA since June 2011 and MFH since April 2012[(1)]	Chief Executive Officer of Sioux Falls Specialty Hospital and Orthopedic Surgeon
MARILYNNE DAY-LINTON Ontario, Canada	Director of MFC, MFA and MFH since January 2013[(3)(5)(6)(7)(8)]	Corporate Director
STEPHEN DINELEY Ontario, Canada	Director of MFC since February 2016 and MFA and MFH since April 2018[(3)(6)(7)(8)(9)]	Consultant Senior Audit Partner, KPMG LLP, 2000 – 2014
ERIN S. ENRIGHT Texas, U.S.A.	Director of MFC, MFH and MFA since August 2018[(3)(4)(6)(7)(8)]	Managing Member, Prettybrook Partners, LLC

Name and Province/State and Country of Residence	Position(s) / Director Since	Principal Occupation During the Past Five Years
ROBERT O. HORRAR Tennessee, U.S.A.	President and Chief Executive Officer of MFC, MFA and MFH since October 2017, director of MFC since November 2017, manager and Chief Executive Officer of MFA Holdco 1 and MFA Holdco 2 since July 2019, manager of PAM and UMASH since October 2017, and manager and Chief Executive Officer of MFC Nueterra Partnership since January 2018	President and Chief Executive Officer President – Division III, Operations, Community Health Systems, Inc., 2016 – 2017 Vice President – Division II, Operations, Community Health Systems, Inc., 2010 – 2016
DALE LAWR Ontario, Canada	Director of MFC since November 2014 and MFA and MFH since May 2016[3][5][6]	Corporate Director Chief Risk Officer, Infrastructure Ontario, 2013 – 2015
JEFFREY C. LOZON Ontario, Canada	Director of MFC since November 2015 and MFA and MFH since May 2016[3][5][6][7][8] Board Chair since May 2019	Chairman, Lozon Associates Interim President and Chief Executive Officer, 2017 President and Chief Executive Officer, Revera Inc., 2009 – 2014
DR. JEFFREY S. MARRS South Dakota, U.S.A.	Director of MFA and MFH since May 2013[2]	Orthopedic Surgeon
DR. LEW W. PAPENDICK South Dakota, U.S.A.	Director of MFA and MFH since May 2013[2]	Orthopedic Surgeon
JAMES D. ROLFE Tennessee, U.S.A.	Chief Development Officer of MFC, MFA and MFH since September 2016	Chief Development Officer Managing Director of Business Development and Transaction Advisory, VMG Health, 2009 – 2016
JOHN SCHARIO Tennessee, U.S.A.	Chief Operating Officer of MFC, MFA and MFH since January 2020	Chief Operating Officer (since January 2020) Executive Committee and Board Member, The Store at Heaven South, 2017 – Present External Consultant, Cobalt Ventures, Blue Cross Blue Shield of KC, 2017 – 2018 Executive Vice-President, Community Hospital Division, Nueterra Healthcare Management, 2013 – 2017
DR. REZA SHAHIM Arkansas, U.S.A.	Director of MFC since August 2017[7]	Neurosurgeon
DAVID N.T. WATSON 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 (since June 2019) Chief Financial Officer, Clearway Pain Solutions Institute, LLC, 2018 – 2019 Consultant, 2017 Chief Financial Officer, Correct Care Solutions, LLC, 2015 – 2016 Senior Vice-President and Chief Financial Officer, National Surgical Hospitals, Inc., 2011 – 2015

(1) Representatives of SFSH on the board of directors of Medical Facilities America and Medical Facilities Holdings.

(2) Representatives of BHSH on the board of directors of Medical Facilities America and Medical Facilities Holdings.

(3) Representatives of the Corporation on the board of directors of Medical Facilities America and Medical Facilities Holdings.

(4) U.S. resident unrelated to and independent of (for regulatory purposes) the Corporation and its direct and indirect subsidiaries, including the MFC Partnerships.

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

(6) Indicates member of audit committee of the Corporation.

(7) Indicates member of investment committee of the Corporation.

(8) Indicates member of business development and acquisition committee of Medical Facilities Holdings.

(9) Indicates member of dividend committees of Medical Facilities America and Medical Facilities Holdings.

Biographies

Paul Cink, M.D., FACS is a practicing Ear, Nose and Throat surgeon at and President of the MidWest Ear, Nose & Throat Clinic in Sioux Falls, South Dakota. He is also a Chairman of the Board of Sioux Falls Surgical Physicians. Previously, Dr. Cink practised for 13 years at the North Central Head & Neck Clinic, also in Sioux Falls, South Dakota. Dr. Cink completed his post-graduate training in surgery and otolaryngology at the University of Texas Southwestern Medical School. Dr. Cink received a bachelor's degree from the University of Houston and a Doctorate of Medicine from Baylor College of Medicine in Houston, Texas.

R. Blake Curd, M.D. is the Chief Executive Officer of Sioux Falls Specialty Hospital and 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 is a past Chief of Orthopedic Surgery for Avera-McKennan Hospital and University Health Center in Sioux Falls, South Dakota. Dr. Curd is 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 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.

Marilynne Day-Linton is a CPA, CA with board experience on reporting issuer and not-for-profit boards and senior management experience in the travel and travel-related service industries. Ms. Day-Linton was a member of the board of the Greater Toronto Airports Authority, which operates Toronto Pearson International Airport, and chaired its board and audit committee. In 2017, she completed her 13-year tenure on the board of St. Joseph's Health Centre Foundation in Toronto and had chaired its board and finance committee. Prior to that, she held senior financial management roles at Signature Vacations Inc., Wardair International, The Gemini Group LP, an electronic distribution company servicing travel service providers, and obtained her designation working for KPMG as an auditor with clients in a diverse group of industries.

Stephen Dineley, FCPA, FCA is a retired partner with over 30 years of experience in assurance services at KPMG LLP, from which he retired in March 2014. From 1998 to 2000, Mr. Dineley held the position of Chief Financial Officer at Extendicare Inc., one of the leaders in Canada's senior housing sector. Mr. Dineley provides consulting services to an alternate mortgage lender based in Toronto and also provides consulting services on accounting and auditing matters. He serves as a director for the Bank of New York Trust Company Canada, and was previously a director and chair of the audit committee of DionyMed Brands, Inc. Mr. Dineley holds an ICD.D designation with the Institute of Corporate Directors.

Erin S. Enright is a Managing Member of Prettybrook Partners LLC, a family office dedicated to investing in healthcare companies. She currently serves as the Chair of the Board, Chair of the Nominating and Governance Committee and a member of the Audit Committee and Compensation Committee of Dynatronics Corporation (NASDAQ: DYNT). She is also a member of the Board and Chair of the Audit Committee of Keystone Dental, Inc., a private company. Previously, she served on the Board of Directors and the Audit Committee of Biolase, Inc. (NASDAQ: BIOL), and was a member of the Board of Tigerlabs, a Princeton-based business accelerator, and Ceelite Technologies, LLC. Ms. Enright was the President of Lee Medical, a medical device manufacturer based in Plainsboro, New Jersey, from 2004 to 2013, and the Chief Financial Officer of InfuSystem, Inc. (NASDAQ:INFU) from 2005 to 2007. From 1993 to 2003, she was with Citigroup, most recently as a Managing Director in its Equity Capital Markets group. Prior to Citigroup, Ms. Enright was an attorney with Wachtell, Lipton, Rosen & Katz in the firm's New York office. Ms. Enright received her A.B. from the Woodrow Wilson School of Public and International Affairs at Princeton University and J.D. from the University of Chicago Law School.

Robert O. Horrar is President and Chief Executive Officer of the Corporation, Medical Facilities America, and Medical Facilities Holdings. He is also a manager and Chief Executive Officer of Medical Facilities America Holdco 1 and Medical Facilities America Holdco 2. Mr. Horrar is a seasoned healthcare leader with more than 25 years of experience in health plan and hospital operations. He was formerly with Community Health Systems, Inc., which he joined in 1998 as Vice-President of Business Development, ultimately reaching the position of Division President responsible for overseeing the operations of affiliated hospitals in Indiana, Tennessee, and West Virginia. Before Community Health Systems, Mr. Horrar was with Humana, Inc. for over 11 years and held several key management positions, including Executive Director for Nevada operations. Mr. Horrar holds a Bachelor of Science degree in Economics from Centre College in Kentucky and a Master of Science degree in HealthCare Administration from Trinity University in Texas.

Dale Lawr is a CPA, CA with executive experience in a broad range of organizations in Canada and the United States, including public and private companies and a crown corporation. Until March 2015, Ms. Lawr was Chief Risk Officer at Infrastructure Ontario, which she joined in 2011 as Chief Financial Officer. Previously,

Ms. Lawr was with Altus Group Limited (TSX:AIF), where she initially served as Chief Financial Officer and then as EVP Finance, Strategic Initiatives. Previously, Ms. Lawr lived in Chicago, where she served as Chief Financial Officer of RTC Industries Inc., a retail design firm; Vice-President Finance of Frankel & Co., a national marketing services agency and a business unit of Publicis SA; and Senior Manager and Director of Finance for Accenture in the firm's Chicago and Toronto offices. Ms. Lawr holds an MBA from Rotman School of Management, University of Toronto and an ICD.D designation with the Institute of Corporate Directors. Ms. Lawr is on the board of directors and chairs the finance, audit and risk committee of the Ontario Institute for Cancer Research; in addition, Ms. Lawr is on the board of directors of the Museum of Contemporary Art in Toronto, Canada, and chairs its finance and audit committee.

Jeffrey C. Lozon is a Chairman of Lozon Associates advisory services and a corporate director. Mr. Lozon is the chair of the board of Sunrise Senior Living, the global leader in seniors living with 325 sites in Canada, the United States, and Great Britain, and is a director of the Ontario Brain Institute. He previously served as a director and chair of the audit committee of Voalte, Inc., a healthcare technology company focusing on clinical communication. Until April 2014, he was President and Chief Executive Officer of Revera Inc., a leading provider of seniors' accommodation, care and services with 250 sites and 30,000 employees in Canada and the United States. Prior to joining Revera in 2009, Mr. Lozon held a 17-year tenure as President and Chief Executive Officer of St. Michael's Hospital in Toronto. He was previously seconded to the position of Deputy Minister of Health and Long-Term Care for the Province of Ontario from 1999 to 2000. He has also served on a number of national and provincial committees and organizations, including chairing the Canadian Partnership Against Cancer and Vice Chair of Canada Health Infoway. Mr. Lozon holds an honourary Doctor of Civil Laws from Bishops University, a Masters of Health Services Administration from the University of Alberta and a Bachelor of Arts (Honours) from the University of Guelph. In 2009, he was appointed as a Member to the Order of Canada.

Jeffrey S. Marrs, M.D. is a practicing orthopedic surgeon specializing in total joint replacement, partial joint replacement, and treatment of musculoskeletal injuries. Dr. Marrs joined Black Hills Orthopedic and Spine Center clinic in 2002. He completed his orthopedic residency at Mayo Graduate School of Medicine, Rochester, Minnesota.

Lew W. Papendick, M.D. is a practicing orthopedic surgeon specializing in sports medicine with a special interest in the care of knee and shoulder pathology. Dr. Papendick joined Black Hills Orthopedic and Spine Center clinic in 1989. He is fellowship trained in Sports Medicine and Arthroscopic Surgery from Mississippi Sports Medicine and Orthopedic Clinic. He is a Chairman of Management Committees of both Black Hills Surgical Hospital and Black Hills Surgical Physicians. Dr. Papendick served as Team Physician for over 20 years at Chadron State University and led the development of a sports medicine program for the care of regional athletes. Dr. Papendick has also published several research articles.

James D. Rolfe is Chief Development Officer of the Corporation, Medical Facilities America and Medical Facilities Holdings. Prior to joining the Corporation, Mr. Rolfe was Managing Director of Business Development and Transaction Advisory for one of the largest healthcare valuation and transaction advisory firms in the U.S. and worked with many large proprietary for-profit and not-for-profit health systems. Prior to this role, he was Vice-President of Acquisitions and Development for one of the largest publicly-traded healthcare systems in the United States. He has been involved in over 45 transactions totaling $2.5 billion. These transactions include the acquisition/divestiture of acute care hospitals, outpatient facilities, and physician practices as well as physician joint ventures in hospitals and outpatient facilities. In total, he has over 26 years of experience in the financial services and healthcare sectors and holds a BBA from the University of Mississippi.

John Schario is Chief Operating Officer of the Corporation, Medical Facilities America and Medical Facilities Holdings. Mr. Schario has over 35 years of healthcare experience, serving as an executive for both multi-state and international healthcare companies. His background includes two terms with Nueterra Healthcare, including from 2001 to 2011 when he served as Principal and CEO. During this time, the company saw substantial growth, expanding from nine to 62 surgical facilities and 30 physical therapy clinics in operation or under development. Earlier in his career, Mr. Schario held several progressively senior roles over an 11-year tenure with Health Midwest, which was a large horizontal and vertically integrated not-for-profit health system serving the greater Kansas City Metropolitan area. Mr. Schario holds a Bachelor of Science degree and an MBA from Rockhurst University.

Reza Shahim, M.D. is a neurosurgeon specializing in all aspects of neurosurgical care and minimally invasive spine surgery. Dr. Shahim practices at Neurological Surgery Associates and Arkansas Surgical Hospital, where he also serves on the Board of Managers. Dr. Shahim is board certified by the American Board of Neurological Surgery and is a member of the Pulaski County Medical Society. He received his Medical Degree in 1995 from the University of Arkansas for Medical Sciences and acquired his Neurosurgical Training at the University of Kentucky Medical Center in Lexington, Kentucky.

David N.T. Watson is 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 (other than UMASH and MFC Nueterra ASCs) 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.

UMASH and PAM are each governed by its operating agreement. Medical Facilities Holdings is entitled one representative on the board of managers of each of UMASH and PAM. The board of managers of UMASH and PAM have the authority to manage UMASH and PAM, subject to certain decisions that require special approvals of the boards of managers or members. Medical Facilities Holdings, through such provisions, has approval rights in relation to specified matters.

MFC Nueterra ASCs are each governed by their respective MFC Nueterra ASC Operating Agreements, as well as a management services agreement between MFC Nueterra Partnership Holding Company and corresponding MFC Nueterra ASC subsidiary. Each Nueterra ASC is governed by a board of directors, the majority of which in each case is appointed by the MFC Nueterra Partnership Holding Company, which is wholly-owned by MFC Nueterra Partnership. A majority of directors is generally required to implement a decision of the board.

Furthermore, pursuant to the MFC Nueterra Partnership MSA, the Nueterra Manager provides managerial services to the MFC Nueterra ASCs on behalf of each MFC Nueterra Partnership Holding Company as each MFC Nueterra Partnership Holding Company is required to do pursuant to site-specific management agreements or the applicable MFC Nueterra ASC Operating Agreement.

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 491,425 Common Shares in the aggregate (1.3% of all Common Shares on a fully diluted basis, which includes the number of Common Shares issued and outstanding as of December 31, 2019, the number of Common Shares underlying the stock options granted to the executive officers of the Corporation as of December 31, 2019, 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, 2019.

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 $65 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

Amended and Restated Performance Share Unit Plan

The board of directors of the Corporation 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; (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; and (iv) facilitate the achievement of the share ownership requirements for key employees.

Eligibility

Key employees are eligible to participate in the PSU Plan ("**PSU Eligible Participants**"). The CGNC Committee may from time to time determine the number of share units (the "**Share Units**") to be granted to PSU Eligible Participants, or it may also delegate to management of the Corporation such determination and the allocation of the Share Units among PSU Eligible Participants. The CGNC Committee has 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 must 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. The CGNC Committee also has discretion to determine whether the Share Units will be in the form of performance share units ("**PSUs**") or deferred share units ("**DSU**s"). Generally, PSU Eligible Participants will receive DSUs until they achieve their share ownership requirements, after which time they may elect to receive DSUs or PSUs in accordance with the terms of 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**") will 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 DSUs as reasonably promptly as possible following the date that such DSU holder 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 DSUs, 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.

Restricted Share Unit Plan

The board of directors of the Corporation has adopted an RSU Plan for key employees (as defined in the RSU Plan). The purposes of the 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 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, or it may also delegate to management of the Corporation such determination and the allocation of RSUs among RSU Eligible Participants. The CGNC Committee has discretion to establish at the time of each grant, within the restrictions set forth in the RSU Plan, the date of grant, the vesting date, the minimum level of performance which must be attained over a specific time period, as an additional condition for the vesting of the RSUs, and other particulars applicable to awards granted thereunder.

Non-Assignability

Rights and privileges granted under the 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 three years following the date on which such RSUs 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 RSU Plan). In no case will the vesting date of an RSU Award occur more than three years after the date such RSU Award is granted. RSUs vesting incrementally over three years will be administered as if each increment was a distinct, smaller RSU Award with its own vesting date.

The 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, retirement, resignation due to long-term disability, or termination without cause in the event of a change of control. RSU Awards will expire on voluntary termination of employment, or termination for cause. In the case of death of an RSU holder or termination of an RSU holder's employment without cause, 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 RSU Plan.

Cash Settlement

Unless an RSU Award has expired prior to the vesting date, and subject to certain provisions in the 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: (i) the number of RSUs forming part of the vested RSU Award, adjusted pursuant to the RSU Plan, multiplied by (ii) the weighted average trading price per Common Share on the TSX for the five days preceding the date on which the RSUs are vested. The 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 RSU Plan.

Amendment

The CGNC Committee may amend, suspend or terminate the 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.

Stock Option Plan

The board of directors of the Corporation 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 is generally responsible for administering the Stock Option Plan and the board of directors 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% 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 of directors 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 of directors, 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 of directors in order to fulfil the purposes of the Stock Option Plan. The board of directors 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 or an employment agreement in respect of options granted prior to the effective date of the Stock Option Plan, 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% of the issued Common Shares.

Amendment

The board of directors 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

The Corporation established an audit committee comprised of five directors: Stephen Dineley (Chair), Marilynne Day-Linton, Erin Enright, Dale Lawr, and Jeffrey Lozon, 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 of directors the selection of independent auditors of the Corporation. The charter of the audit committee is attached hereto as Appendix "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.

Audit Committee Member	Relevant Education and Experience
Stephen Dineley (Chair)	Mr. Dineley, FCPA, FCA is a retired partner with over 30 years of experience who specialized in assurance services at KPMG LLP. As an audit partner, Mr. Dineley mostly worked in the public company sphere and as such reported to audit committees for various clients on a quarterly basis. From 1998 to 1999, Mr. Dineley was chair of the audit committee of Gas Management Income Fund, and from 1998 to 2000, held the position of Chief Financial Officer at Extendicare Inc., one of the leaders in Canada's senior housing sector. Mr. Dineley chairs the audit committee and governance committee of the Bank of New York Trust Company Canada, and previously chaired the audit committee of DionyMed Brands, Inc.
Marilynne Day-Linton	Ms. Day-Linton is a Chartered Professional Accountant (CPA/CA). She has served on the audit committee of the Corporation since joining the board in 2013. She previously served as a chair of the audit committee of the Greater Toronto Airports Authority, a reporting issuer which operates Toronto Pearson International Airport. Ms. Day-Linton also has held several senior financial roles in industry and worked for KPMG LLP as an auditor with clients in several industries, including telecommunications, construction and hospitality.
Erin Enright	Ms. Enright's experience includes serving on audit committees of publicly- and privately-listed companies and as a financial executive. She is a member of the audit committee of Dynatronics Corporation (NASDAQ:DYNT), a publicly-traded medical products company focused on the physical therapy, athletic training and chiropractic markets, and chairs the audit committee of Keystone Dental, Inc., a private company controlled by the private equity firm Accelmed. Formerly, she served on the audit committee of Biolase, Inc. (NASDAQ:BIOL), a publicly-traded dental laser company, and, from 2005 to 2007, was Chief Financial Officer of InfuSystem, Inc. (NASDAQ:INFU), an oncology infusion service provider.
Dale Lawr	Ms. Lawr is a CPA, CA with executive experience in a broad range of organizations. Until March 2015, Ms. Lawr was Chief Risk Officer at Infrastructure Ontario, which she joined in 2011 as Chief Financial Officer. Ms. Lawr has also served as Chief Financial Officer of Altus Group Limited (TSX:AIF) and RTC Industries Inc., a retail design firm, Vice-President Finance of Frankel & Co., a national marketing services agency and a business unit of Publicis SA, and Senior Manager and Director of Finance for Accenture in the firm's Chicago and Toronto offices. Ms. Lawr also worked for Ernst & Young and Grant Thornton as an auditor with clients in several industries. Ms. Lawr chairs the finance, audit and risk committee of the Ontario Institute for Cancer Research, and chairs the finance and audit committee of the Museum of Contemporary Art in Toronto, Canada.

Audit Committee Member	Relevant Education and Experience
Jeffrey Lozon	Mr. Lozon has reported to and participated in audit committees in both commercial and not-for-profit sectors for over 30 years. In his various capacities, he has served as a member of audit committees as well as reported to same. Mr. Lozon chaired the audit committee of Voalte, Inc., a healthcare technology company, from 2013 to 2019.

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	2019 Fees[1]			2018 Fees[1]		
Audit fees[2]	Cdn$	191,000	(i)	Cdn$	187,200	(i)
	US$	321,700	(ii)	US$	310,250	(ii)
	US$	18,800	(iii)	US$	18,400	(iii)
	Cdn$	135,000	(iv)	Cdn$	135,000	(iv)
	Cdn$	25,000	(v)	Cdn$	25,000	(v)
	Cdn$	86,000	(vi)	Cdn$	38,000	(vi)
	Cdn$	84,000	(vii)			
Tax fees[3]	Cdn$	6,500		Cdn$	25,000	
Other fees[4]	Cdn$	120,000		Cdn$	43,974	

(1) Fees shown are net of Canadian Public Accountability Board's participation fees, technology and support charges, travel costs, and harmonized sales tax.

(2) Audit fees billed for professional services rendered by the auditors: (i) for the audit of the Corporation's consolidated financial statements for the year ended December 31, 2019; (ii) for the audit of five MFC Partnerships for the year ended December 31, 2019; (iii) for the review of an MFC Partnership for the year ended December 31, 2019; (iv) for the review of the interim consolidated financial statements of the Corporation for Q1, Q2 and Q3 2019; (v) for the audit of the balance sheet and income statement of Two Rivers; (vi) for the audit procedures in respect of goodwill impairment; and (vii) for additional 2018 audit procedures in respect of IFRS 16 *Leases* implementation and acquisition of MFC Nueterra ASCs.

(3) Tax fees billed for professional services rendered by the auditors for general tax compliance.

(4) Other fees in 2019 included tax fees billed for professional services rendered by the auditors for tax advice in respect of 2019 Internal Reorganization. Other fees in 2018 included accounting advisory fees in respect of transition to IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

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 of directors of the Corporation.

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 to healthcare providers from these programs including the MFC Partnerships. 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.

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 Facilities, 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 and 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 Facilities 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 Facilities 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 Facilities which may have a material adverse impact on the operations and business of that MFC Partnerships.

Regulatory Requirements

The regulatory requirements of the MFC Facilities 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 PPACA;
- 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 PPACA, the FCA, and the rules relating to patient records and confidentiality in the section entitled "Description of the Business – Regulation" beginning on page 26 above.

While Management believes the MFC Partnerships are currently in compliance with the requirements of these regulatory initiatives 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 and MFC Surgical Centers, 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 it 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 surgeons and other physicians in the MFC Partnership's service area to perform surgical procedures at the MFC Facility. 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 Facilities 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 Facilities 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 five MFC Hospitals and seven MFC Surgical Centers. The MFC Partnerships and the Corporation are, therefore, dependent upon the success of these 12 facilities. 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 Facility and increasing capacity available for use at the MFC Facilities. 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 PPACA also places significant restrictions on expansion. Refer to the discussion of PPACA in the section entitled "Description of the Business – Regulation" beginning on page 26 above.

Competition from Other Healthcare Providers

The healthcare business is highly competitive. The MFC Partnerships compete with other healthcare providers (primarily traditional hospitals, specialty hospitals and ASCs) 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 Labor 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 and MFC Surgical Centers, nurses and medical staff to support MFC Hospitals and MFC Surgical Centers, and recruiting and retaining qualified management and support personnel responsible for the daily operations of MFC Hospitals and MFC Surgical Centers. In some markets, the lack of availability of clinical personnel, such as nurses, 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 labor 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 labor costs, could have a material adverse effect on MFC Partnerships' business, prospects, results of operations and financial condition.

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 and other health information technology, along with additional technology systems, in connection with their operations, including for, among other things, 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" beginning on page 26 above, 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 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, 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, and other security events. 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.

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. A breach or attack affecting a third-party service provider or partner 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 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 potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties, 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, including acts of nature such as hurricanes, tornadoes, earthquakes, or other factors beyond the Corporation's control, such as wildfires, may damage some or all of the MFC Facilities, interrupt utility service to some or all of the MFC Facilities, disrupt patient scheduling, displace patients, employees and physician partners, or otherwise impair the operation of some or all of the MFC Facilities or the generation of revenues from the MFC Facilities. Furthermore, the impact, or impending threat, of a natural disaster many require evacuation of one or more MFC Facilities, which may be costly and may involve risks for the patients.

Pandemics, Epidemics and Other Outbreaks

The Corporation's and MFC Partnerships' operations and financial results could potentially be impacted by a pandemic, epidemic or outbreak of a contagious disease in the markets in which they operate, and any such effects could be very significant. Additionally, a pandemic, epidemic or outbreak of a contagious disease could affect the business operations of MFC Partnerships' supply chain, resulting in shortages of drugs and supplies.

An outbreak such as the current coronavirus (COVID-19) outbreak could potentially necessitate the temporary closure of one or more of the MFC Facilities in accordance with governmental restrictions and/or to protect patients, hospital staff and the communities in which they operate. In addition, if any of the MFC Partnerships were involved in treating patients for such a contagious disease, or if any physicians and/or hospital staff were diagnosed with such a contagious disease, or because of physical distancing or other precautionary measures, patients might cancel or defer elective procedures or otherwise avoid medical treatment, resulting in reduced patient volumes and operating revenues. Furthermore, the treatment of someone presenting symptoms of COVID-19 at an MFC Facility, or physicians and/or hospital staff presenting such symptoms, may result in a temporary shutdown, the diversion of patients or physician and staffing shortages. Outbreaks may also affect supply chains, economic conditions and other factors that may materially affect the operation and performance of the MFC Partnerships.

Management cannot presently estimate the overall operational and financial impact that such an outbreak and facility closure(s) could have on the Corporation's results. Any potential long-term effect of the COVID-19 outbreak on business operations, financial and stock price performance, strategy, capital allocation and risk mitigation remains to be seen.

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 Facilities 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 Facilities 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 Facilities' services that might result from decreases in population in the service areas of the MFC Facilities.

- The United States has from time to time experienced a severe shortage of nursing staff. The failure of the MFC Facilities to hire and retain qualified personnel could have a material adverse impact on the operations and business of the MFC Facilities.

- Increased unemployment or other adverse economic conditions in the MFC Facilities' 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.

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 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 Controls

The Corporation has (subject to increase on the exchange of Exchangeable Interests) indirect interests between 26.1% 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, except with respect to UMASH and MFC Nueterra ASCs, 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. In addition, the Corporation may be precluded from pursuing otherwise attractive acquisitions because they may not be accretive to the Corporation on a short-term basis.

Future Distributions are not Guaranteed

The Corporation's, the Corporation's corporate subsidiaries, the MFC Partnerships' and PAM's boards of directors or managers, as applicable, may, in their respective 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 2018 Credit Facility and MFC Partnerships' credit facilities contain restrictive covenants that limit the discretion of the Management and MFC Facility 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 of directors 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, Medical Facilities Holdings, and MFC Nueterra Partnership are organized under the laws of the State of Delaware and each MFC Partnership is formed under the laws of Arkansas, Indiana, Oklahoma, South Dakota, Delaware or Michigan, 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, MFC Nueterra Partnership, 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, MFC Nueterra Partnership, 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, each MFC Original Partnership has agreed to indemnify the Corporation for breaches of representations and warranties given by them 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.sedar.com) 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 between 51.00% and 54.22% of MFC Original Partnerships which will further reduce any recovery. Finally, there can be no assurance that the MFC Original Partnerships 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.

Certain U.S. Federal Income Tax Issues

Medical Facilities America is subject to U.S. federal income tax on its consolidated taxable income at the U.S. federal corporate tax rate of 21% and 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 deducted 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.

Pursuant to the U.S. federal tax law changes enacted on December 21, 2017 (Public law no. 115-97, more commonly known by the name of "*The Tax Cuts and Jobs Act*"), a number of changes effective from 2018 onward could, if applicable, 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, as well as how this legislation is interpreted by the U.S. Treasury and ultimately the courts. For example, there are restrictions on the deductibility of interest, generally limiting such deductibility to 30% of "adjusted taxable income", although disallowed interest can be carried forward for future years. There are also limitations on the use of net operating losses (generally, those can only be utilized to the extent of 80% of taxable income in any given year, although unused net operating losses can be carried forward indefinitely). In addition, there is a new U.S. federal income tax regime known as "**BEAT**", which is the acronym for "base erosion anti-abuse tax", and 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 does not apply unless the payor, U.S. corporation, has annual gross receipts of $500 million or more over a three-year period.

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.

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 (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 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 it would otherwise acquire or sell such assets 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 under South Dakota law. As a general rule under South Dakota law, non-solicitation and non-competition agreements are not enforceable, unless the agreement fits within a statutory exception, which statutory exceptions are narrowly construed. 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 2019 fiscal year are set forth in the following table:

Period	High	Low	Volume
2019	**$**	**$**	
January	17.60	14.57	173,053
February	17.25	16.06	102,275
March	17.64	15.56	121,242
April	17.64	15.70	112,238
May	16.50	11.97	208,433
June	13.09	12.01	122,474
July	13.00	12.04	114,654
August	12.61	6.65	272,883
September	8.17	6.49	196,751

Period	High	Low	Volume
2019	**$**	**$**	
October	8.28	7.05	164,245
November	8.25	4.39	439,510
December	5.12	4.31	261,206

The Debentures were listed and posted for trading on the TSX under the ticker symbol "DR.DB.A". Upon maturity and redemption of the Debentures, the Debentures were delisted from the TSX.

The monthly price ranges and volumes of the Debentures on the TSX over the 2019 fiscal year are set forth in the following table:

Period	High	Low	Volume
2019	**$**	**$**	
January	101.50	101.10	366
February	101.55	100.99	256
March	101.20	100.41	201
April	101.75	100.50	208
May	100.62	99.60	156
June	100.99	99.91	111
July	102.00	100.24	171
August	100.75	99.75	836
September	100.50	99.80	892
October	100.60	99.88	223
November	100.40	99.89	3,325
December	100.01	99.95	1,352

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% 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.

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, MFC Nueterra Partnership 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.sedar.com) 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;
- Purchase Agreement and Amendment to Purchase Agreement in respect of MFC Nueterra ASCs;
- MFC Nueterra Partnership Operating Agreement, and first and second amendments to MFC Nueterra Partnership Operating Agreement;
- MFC Nueterra Partnership Management Services Agreement;
- Credit Agreement in respect of 2018 Credit Facility;
- Amending Credit Agreement in respect of 2018 Credit Facility;
- Membership Interest Purchase Agreement in respect of Unity Sale Transaction; and
- Agreement of Sale in respect of UMASH real estate in accordance with Unity Sale Transaction.

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, MFC Nueterra Partnership 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 Holdings, MFC Nueterra Partnership, 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, MFC Nueterra Partnership, or the MFC Partnerships have been pending or threatened by any individuals, entities or governmental authorities.

INTERESTS OF EXPERTS

The Corporation's auditors are KPMG LLP who have prepared the Independent Auditors' Report to Shareholders in respect of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019. KPMG 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 28, 2019 relating to the annual meeting of shareholders of the Corporation held on May 9, 2019. 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.sedar.com or the Corporation's website at 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 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. Each member of the Audit Committee shall meet the independence and experience requirements of any directly relevant regulatory authority or stock exchange on which the Corporation is listed and, without limitation, shall be financially literate (or acquire such literacy within a reasonable period after appointment). A majority of the members of the Audit Committee shall be "resident Canadians", as contemplated by the *Business Corporations Act* (Ontario).

IV. RESPONSIBILITIES

4.1 **Independent Auditor**

The Audit Committee shall:

(a) Recommend to the Board the appointment of the independent auditor.

(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 committee or auditor.

(d) Review all reports and recommendations from the independent auditor and help resolve any disagreements between management and the independent auditor regarding financial reporting.

(e) Adopt policies and procedures for the 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 and independence of the independent auditor. 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; and

(ii) the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.

(g) 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's responsibilities identified above are the responsibilities of the Audit Committee and may not be allocated 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 Committee require a majority of those present at a meeting of the Committee at which a quorum is present.

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 Committee, no later than the subsequent meeting of the full 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.