

May 13, 2020

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Medical Facilities Corporation (the "Corporation"), its business environment, strategies, performance, outlook and the risks applicable to the Corporation. It is supplemental to and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes (the "financial statements") of the Corporation for the three months ended March 31, 2020, which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2019 ("annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Corporation's annual MD&A for the year ended December 31, 2019 ("annual MD&A").

Substantially all of the Corporation's operating cash flows are in U.S. dollars and all amounts presented in the financial statements and herein are stated in thousands of U.S. dollars, unless indicated otherwise.

Additional information about the Corporation and its annual information form are available on SEDAR at www.sedar.com.

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1. CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of the Corporation’s business and operating initiatives, focuses and strategies, expectations of future performance and consolidated financial results, and expectations with respect to cash flows and level of liquidity. Generally, forward-looking information can be identified by use of words such as “may”, “will”, “could”, “should”, “would”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “forecast”, “objective” and “continue” (or the negative thereof) and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that were identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of business strategies, consistent and stable economic conditions and conditions in the financial markets, and the consistent and stable legislative environment in which the Corporation operates.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: ability to obtain and maintain contractual arrangements with insurers and other payors, ability to attract and retain qualified physicians, availability of qualified personnel or management, legislative and regulatory changes, capital expenditures, general state of the economy, competition in the industry, opportunity to acquire accretive businesses, integration of acquisitions, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability and manage growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of client satisfaction, information technology governance and security, risk of future legal proceedings, insurance limits, income tax matters, ability to meet solvency requirements to pay dividends, leverage and restrictive covenants, unpredictability and volatility of common share price, and issuance of additional common shares diluting existing shareholders’ interests, and other factors set forth under the heading “Risk Factors” in the annual MD&A and under the heading “Risk Factors” in the Corporation’s most recently filed annual information form (which is available on SEDAR at www.sedar.com).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management’s current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although management has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, the Corporation does not undertake the obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

2. NON-IFRS FINANCIAL MEASURES

The Corporation uses certain non-IFRS financial measures which it believes provide useful measures for evaluation and assessment of the Corporation's performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS, are unlikely to be comparable to similar measures presented by other issuers, and should not be considered as alternatives to comparable measures determined in accordance with IFRS as indicators of the Corporation's financial performance, including its liquidity, cash flows, and profitability.

The Corporation uses the following non-IFRS financial measures which are presented in Section 7 of this MD&A under the heading "Reconciliation of Non-IFRS Financial Measures" and reconciled to the applicable IFRS measures:

- **Cash available for distribution** is a non-IFRS financial measure of cash generated from operations during a reporting period which is available for distribution to common shareholders. Cash available for distribution is derived from cash flows from operations before changes in non-cash working capital and certain non-cash adjustments, less maintenance capital expenditures, payments on lease liabilities, interest and principal repayments on non-revolving debt obligations, and non-controlling interest in cash flows at the Facility (defined below) level. The Corporation calculates cash available for distribution in U.S. dollars and translates it into Canadian dollars using the average exchange rate applicable during the period.
- **Cash available for distribution per common share** is a non-IFRS financial measure calculated as the cash available for distribution divided by the weighted average number of common shares outstanding during the period.
- **Distributions** is a non-IFRS financial measure of cash distributed to holders of common shares, more commonly referred to as dividends.
- **Earnings before interest, taxes, depreciation and amortization ("EBITDA")** is a non-IFRS financial measure defined as income for the period before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, and (v) amortization of other intangibles.
- **Adjusted EBITDA** is a non-IFRS financial measure defined as EBITDA before impairment of goodwill and transaction costs on the sale of Unity Medical and Surgical Hospital ("UMASH").
- **Payout ratio** is a non-IFRS financial measure calculated as total distributions per common share in Canadian dollars divided by cash available for distribution per common share in Canadian dollars.

3. BUSINESS OVERVIEW

The Corporation is a British Columbia corporation. The capital of the Corporation is in the form of publicly traded common shares. The Corporation's current quarterly dividend on its common shares is Cdn\$0.07 per share (refer to Section 10 "Share Capital and Dividends" of this MD&A under the heading "Dividends").

The Corporation's operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, Medical Facilities America, Inc. ("MFA") and Medical Facilities (USA) Holdings, Inc. ("MFH"), the Corporation owns controlling interests in, and/or controls by virtue of retaining approval rights over certain significant governance matters, and derives substantially all of its income from, 11 limited liability entities (each a "Facility" and, collectively, the "Facilities"), each of which own either a specialty surgical hospital (an "SSH") or an ambulatory surgery center (an "ASC"). The 11 Facilities are comprised of four SSHs located in Arkansas, Oklahoma, and South Dakota, and seven ASCs located in California, Michigan, Missouri, Nebraska, Ohio, Oregon and Pennsylvania. ASCs are specialized surgical centers that only provide outpatient procedures, whereas SSHs are licensed for both inpatient and outpatient surgeries. The SSHs and ASCs provide facilities,

including staffing, surgical materials and supplies, and other support necessary for scheduled surgical, pain management, imaging, and diagnostic procedures and derive their revenue primarily from the fees charged for the use of these facilities. The Facilities mainly focus on a limited number of clinical specialties such as orthopedics, neurosurgery, pain management and other non-emergency elective procedures. In addition, three of the SSHs provide urgent care services and two of the SSHs provide primary care services to their communities.

The Corporation also owns a 92% controlling interest in RRI Mishawaka Hospital, LP (“RRIMH”), which owns the real estate assets underlying UMASH.

Sale of Controlling Interest in UMASH

On February 24, 2020, the Corporation sold the majority of its interest (decreasing to 31.7% from 87.6%) in UMASH to a group of local investors (the “Buyers”), including leading physicians affiliated with South Bend Orthopedics, The South Bend Clinic, and Allied Physicians of Michiana. As of the date of the transaction, the Corporation does not consolidate the financial results of UMASH and accounts for its interest under the equity method of accounting. In connection to this transaction, the Corporation also announced an agreement for the sale of the real estate assets underlying UMASH, consisting of land and building, for approximately \$25.0 million in cash consideration, subject to adjustments for confirmatory due diligence and closing costs, to investors affiliated with the Buyers. The sale of the real estate assets is expected to close during the second quarter of 2020.

The Corporation received \$1.1 million in cash consideration for its equity interests, subject to customary adjustments. In connection with the transaction, UMASH’s debt obligation to the Corporation was reduced by \$3.0 million, with the remaining \$20.0 million structured on a five-year term at an interest rate of 6.75%, adjusted annually, secured by the Buyers’ equity in UMASH. The Buyers have options to acquire more of the Corporation’s equity interest in UMASH on both the first and second anniversaries of the transaction closing for the greater of the current per share purchase price or the fair market value of the interest at the time the purchase option is exercised. In the event that the Corporation’s ownership in UMASH falls below 25%, all of the UMASH debt owed to the Corporation would be required to be immediately repaid. The parties have made capital contributions to fund working capital post-closing; the Corporation’s total obligation is approximately \$1.4 million, of which \$0.8 million has been funded.

In connection with this transaction, the Corporation recorded a gain on sale of \$11.2 million, which was offset by an impairment loss reserved on the loan receivable from UMASH. The Corporation also incurred transaction costs of \$0.5 million.

COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. The outbreak began to impact the Corporation’s and Facilities’ operations in the latter half of March 2020. All Facilities were impacted by the pandemic as elective cases were restricted, either voluntarily or by government mandate, including the temporary closure of three of the MFC Nueterra ASCs. Management expects the patient volumes and revenues to be negatively impacted until the effects of the pandemic begin to subside and the economy begins to stabilize.

Management believes the extent of the COVID-19 pandemic’s adverse impact on the Corporation’s operating results and financial condition will be driven by many factors, most of which are beyond management’s control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home policies and business closures, continued decreases in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general

liability exposure. Because of these and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on the business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including management's assessment of future compliance with financial covenants, estimated implicit price concessions related to uninsured patient accounts, professional and general liability reserves, and potential impairments of goodwill and long-lived assets.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act" or the "Act") was signed into law on March 27, 2020. The Act includes provisions for financial assistance to hospitals, surgery centers and health care providers via, among other provisions, the Public Health and Social Services Emergency Fund ("PHSSEF"), the Paycheck Protection Program ("PPP") and expansion of an existing Centers for Medicare and Medicaid Services accelerated payment program.

The PHSSEF is administered by the Department of Health and Human Services ("HHS") to provide eligible healthcare providers with relief funds to cover non-reimbursable expenses, including forgone revenue, attributable to COVID-19. The Facilities received \$7.7 million in funding from the HHS through May 13, 2020 and may be eligible for further funding. Funds not utilized for eligible expenses must be returned.

The PPP expands the guaranteed lending program under Section 7(a) of the Small Business Act administered by the US Small Business Administration ("SBA"). Under the PPP, the Facilities have received \$11.9 million through May 13, 2020. The loan amounts received are eligible for forgiveness to the extent they are used for certain qualifying expenses and to maintain payroll levels and related expenses during the eight-week period following loan origination.

Under the expansion of the Medicare Accelerated and Advance Payment Program most providers and suppliers can request an advance of three to six months of Medicare payments. Repayment of these accelerated/advance payments begins 120 days after issuance and will be offset against future Medicare claims. Certain Facilities have received advances of \$24.5 million through May 13, 2020.

Other Information

Facility service revenue ("revenue") and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Revenue for any given period is dependent on the volume of the procedures performed as well as the acuity and complexity of the procedures ("case mix") and composition of payors ("payor mix"), including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Various payors have different reimbursement rates for the same type of procedure which are generally based on either predetermined rates per procedure or discounted fee-for-service rates. Medicare and Medicaid typically have lower reimbursement rates than other payors.

Revenue is recorded in the period when healthcare services are provided based upon established billing rates less adjustments required by contractual arrangements with the payors. Estimates of contractual adjustments under payor arrangements are based upon the payment terms specified in the related contractual agreements and payment history.

The volume of procedures performed at the Facilities depends on, among other things: (i) the Facilities' ability to deliver high quality care and superior services to patients and their family members; (ii) the Facilities' success in encouraging physicians to perform procedures at the Facilities through, among other things, maintenance of an efficient work environment for physicians as well as availability of facilities; and (iii) the Facilities'

establishment and maintenance of strong relationships with major third-party payors in the geographic areas served. The case mix at each Facility is a function of the clinical specialties of the physicians and medical staff and is also dependent on the equipment and infrastructure at each Facility.

Non-controlling interests in the Facilities are indirectly owned, primarily by physicians practicing at the Facilities. Upon acquisition by the Corporation of indirect controlling interests in the SSHs located in Arkansas, Oklahoma, and South Dakota, the non-controlling interest owners were granted the right to exchange up to 14% (5% in the case of ASH) of the ownership interest in their respective Facilities for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the consolidated balance sheet. To date, the non-controlling interest owners of two of the eligible Facilities have exercised portions of their exchangeable interests.

Summary of Facility Information as of March 31, 2020

	Arkansas Surgical Hospital ("ASH")	Oklahoma Spine Hospital ("OSH")	Black Hills Surgical Hospital ("BHS")	Sioux Falls Specialty Hospital ("SFSH")	The Surgery Center of Newport Coast ("SCNC")	MFC Nueterra ASCs
Location	North Little Rock Arkansas	Oklahoma City Oklahoma	Rapid City South Dakota	Sioux Falls South Dakota	Newport Beach California	Six locations ⁽³⁾
Year Opened	2005	1999	1997	1985	2004	1997-2006
Year Acquired by the Corporation	2012	2005	2004	2004	2008	2018
Ownership Interest	51.0%	64.0%	54.2%	51.0%	51.0%	27-56% ⁽³⁾
Non-controlling Interest	49.0%	36.0%	45.8%	49.0%	49.0%	73-44% ⁽³⁾
Exchangeable Interest	5.0%	1.0%	10.8%	14.0%	-	-
Size	126,000 sq ft	61,000 sq ft	75,000 sq ft	76,000 sq ft	7,000 sq ft	5,000-14,000 sq ft
Operating/Procedure Rooms	11/2	7/2	11 ⁽²⁾	15	2/1	16/6
Overnight Rooms	41 ⁽¹⁾	25	26	35	-	-

⁽¹⁾ Licensed for 49 beds.

⁽²⁾ Licensed for 12 rooms.

⁽³⁾ Through the MFC Nueterra Partnership, the Corporation owns indirect interests between approximately 27% to 56% in six ASCs, situated in Michigan, Missouri, Nebraska, Ohio, Oregon and Pennsylvania.

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

<i>Unaudited</i>	Three Months Ended March 31,	
<i>In thousands of U.S. dollars, except per share amounts and as indicated otherwise</i>	2020	2019⁽¹⁾
Facility service revenue	92,762	93,383
Operating expenses	81,727	80,544
Income from operations	11,035	12,839
Net loss for the period from discontinued operations, net of tax	(1,832)	(2,608)
Net income (loss) for the period from continuing operations	14,607	(2,675)
Attributable to:		
Owners of the Corporation ⁽²⁾	9,423	(8,207)
Non-controlling interest ⁽²⁾	5,184	5,532
Earnings (loss) per share from continuing operations attributable to owners of the Corporation		
Basic	\$0.30	(\$0.26)
Fully diluted	\$0.16	(\$0.26)
EBITDA ⁽³⁾	18,108	20,717
Adjusted EBITDA ⁽³⁾	18,558	20,717
Cash available for distribution ^{(3) (4)}	C \$8,820	C \$5,254
Distributions ⁽³⁾	C \$2,177	C \$8,734
Cash available for distribution per common share ^{(3) (4)}	C \$0.284	C \$0.169
Distributions per common share ⁽³⁾	C \$0.070	C \$0.281
Payout ratio ^{(3) (4)}	24.6%	166.3%

⁽¹⁾ Comparative results have been restated for discontinued operations.

⁽²⁾ Net income (loss) from continuing operations attributable to owners of the Corporation fluctuates significantly between the periods due to variations in finance costs, primarily in the value of exchangeable interest liability and until December 31, 2019 in the value of convertible debentures, and income taxes. These charges are incurred at the corporate level rather than at Facility level. On the other hand, net income (loss) from continuing operations attributable to non-controlling interest represents the interest of the Facilities' non-controlling interests in the net income of the Facilities on a stand-alone basis and, therefore, does not vary as significantly between the periods.

⁽³⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures", Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures" and Section 5 under the heading "Reconciliation of net income (loss) for the period from continuing operations to EBITDA and Adjusted EBITDA".

⁽⁴⁾ Cash available for distribution, cash available for distribution per common share and payout ratio are not restated for discontinued operations.

Selected Financial Information for the Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

For the three months ended March 31, 2020, revenue from continuing operations was \$92.8 million, a decrease of 0.7% from \$93.4 million for the same period in 2019, primarily due to a decline in case volume as a result of the COVID-19 outbreak which forced the Facilities to reduce their elective surgeries or cease operations in the second half of March 2020, partly offset by the combined impact of case and payor mix. EBITDA was \$18.1 million or 19.5% of revenue from continuing operations compared to \$20.7 million or 22.2% of revenue from continuing operations for the same period last year due to the combination of lower revenue and higher operating expenses. Excluding the impact of transaction costs on the sale of UMASH, Adjusted EBITDA was \$18.6 million or 20.0% of revenue from continuing operations. Net income for the period from continuing operations was \$14.6 million compared to loss of \$2.7 million for the same period in 2019, with the increase mainly attributable to the change in the value of exchangeable interest liability (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), partly offset by lower income from operations. Net loss for the period from discontinued operations, net of tax, was \$1.8 million compared to \$2.6 million for the same period in 2019.

The Corporation generated cash available for distribution of Cdn\$8.8 million, representing an increase of Cdn\$3.5 million or 67.9% from Cdn\$5.3 million for the same period in the prior year. Distributions per common share decreased between the years by Cdn\$0.211 to Cdn\$0.070, while the payout ratio was 24.6% for this period compared to 166.3% for the three months ended March 31, 2019. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading “Reconciliation of Non-IFRS Financial Measures”.

5. CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Three Months Ended March 31, 2020

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended March 31, 2020 to the three months ended March 31, 2019.

<i>Unaudited</i>	Three Months Ended			
	March 31,			
<i>In thousands of U.S. dollars, except per share amounts</i>	2020	2019	\$ Change	% Change
Facility service revenue	92,762	93,383	(621)	(0.7%)
Operating expenses				
Salaries and benefits	28,587	28,088	499	1.8%
Drugs and supplies	30,415	30,141	274	0.9%
General and administrative expenses	15,652	14,437	1,215	8.4%
Depreciation of property and equipment	2,483	3,133	(650)	(20.7%)
Depreciation of right-of-use assets	2,569	1,898	671	35.4%
Amortization of other intangibles	2,021	2,847	(826)	(29.0%)
	81,727	80,544	1,183	1.5%
Income from operations	11,035	12,839	(1,804)	(14.1%)
Finance costs (income)				
Change in value of convertible debentures	-	1,012	(1,012)	(100.0%)
Change in value of exchangeable interest liability	(7,027)	12,793	(19,820)	(154.9%)
Interest expense on exchangeable interest liability	1,907	1,940	(33)	(1.7%)
Interest expense, net of interest income	1,436	1,949	(513)	(26.3%)
Loss (gain) on foreign currency	34	(234)	268	114.5%
	(3,650)	17,460	(21,110)	(120.9%)
Share of equity income (loss) in associates	(458)	1	(459)	(45,900.0%)
Income (loss) before income taxes	14,227	(4,620)	18,847	407.9%
Income tax recovery	(380)	(1,945)	1,565	80.5%
Net income (loss) for the period from continuing operations	14,607	(2,675)	17,282	646.1%
Attributable to:				
Owners of the Corporation	9,423	(8,207)	17,630	214.8%
Non-controlling interest	5,184	5,532	(348)	(6.3%)
Basic earnings (loss) per share attributable to owners of the Corporation	\$0.30	(\$0.26)	0.56	215.4%
Fully diluted earnings (loss) per share attributable to owners of the Corporation	\$0.16	(\$0.26)	0.42	161.5%
Reconciliation of net income (loss) for the period from continuing operations to EBITDA and Adjusted EBITDA⁽¹⁾				
Net income (loss) for the period from continuing operations	14,607	(2,675)	17,282	646.1%
Income tax recovery	(380)	(1,945)	1,565	80.5%
Share of equity loss (income) in associates	458	(1)	459	45,900.0%
Finance costs (income)	(3,650)	17,460	(21,110)	(120.9%)
Depreciation of property and equipment	2,483	3,133	(650)	(20.7%)
Depreciation of right-of-use assets	2,569	1,898	671	35.4%
Amortization of other intangibles	2,021	2,847	(826)	(29.0%)
EBITDA⁽¹⁾	18,108	20,717	(2,609)	(12.6%)
Transaction costs on sale of UMASH	450	-	450	100.0%
Adjusted EBITDA⁽¹⁾	18,558	20,717	(2,159)	(10.4%)

⁽¹⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.

Revenue

<i>Unaudited</i>	Three Months Ended March 31,			
	2020	2019	\$ Change	% Change
<i>In thousands of U.S. dollars</i>				
ASH	17,499	16,594	905	5.5%
OSH	18,010	16,383	1,627	9.9%
BHSH	22,509	23,282	(773)	(3.3%)
SFSH	27,486	27,352	134	0.5%
SCNC	1,432	1,682	(250)	(14.9%)
MFC Nueterra ASCs	5,826	8,090	(2,264)	(28.0%)
Facility service revenue	92,762	93,383	(621)	(0.7%)

For the three months ended March 31, 2020, revenue decreased from the same period in 2019 by \$0.6 million or 0.7%. The decrease was primarily attributable to the late-quarter decline in case volume as a result of the COVID-19 pandemic, stemming from the reduction of elective procedures and in some cases temporary closure of operations during March 2020 (\$5.2 million). This was partly offset by the combined impact of case and payor mix (\$3.0 million), as well as an increase in other revenue including pain and imaging (\$0.8 million), and an increase in the annual withholdings rebate from Health Advantage/Blue Cross at ASH (\$0.8 million).

Total surgical cases decreased by 8.6%, as outpatient cases decreased by 11.0%, inpatient cases decreased by 0.8%, and observation cases decreased by 3.8%. MFC Nueterra ASCs, BHSH, and SFSH experienced the largest declines. Surgical case volume decline over the same period last year came predominantly from Medicaid and Blue Cross/Blue Shield, which decreased by 18.6% and 13.1%, respectively. Pain cases were down by 2.4% compared to the same period last year.

The above factors are reflected in each subsidiary's revenue as follows:

- ASH's revenue increased mainly due to an increase in the annual withholdings rebate from Health Advantage/Blue Cross, and the combined impact of payor and case mix, partly offset by lower case volume.
- OSH's revenue increased due to payor mix with a greater portion of revenue generated from commercial payors, as well as an increase in case volume early in the quarter which was partly offset by the later slowdown as a result the COVID-19 pandemic.
- BHSH's revenue decreased due to lower case volume as a result of discontinuing elective cases in the second half of March 2020 during the COVID-19 pandemic, as well as the impact of payor mix and increased bad debt expense, which was partly offset by case mix and higher pain and imaging revenue.
- SFSH's revenue increased marginally due to case mix and higher average revenue per case, especially for neurology cases, and an improvement in payor recovery rate. This was mostly offset by a decrease in surgical case volume and an increase in bad debt expense due to a small number of high value cases.
- SCNC's revenue decreased mainly due to lower case volume, partly offset by case mix in which orthopedic cases made up a higher portion.
- The MFC Nueterra ASCs' revenue decreased mainly due to the volume impact of the COVID-19 pandemic, as three ASCs located in Pennsylvania, Nebraska, and Ohio were mandated to be closed starting in the second half of March 2020 as part of the local state lockdowns.

Operating Expenses

For the three months ended March 31, 2020, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses, depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles (“operating expenses”), increased by \$1.2 million or 1.5% from the same period in the prior year to \$81.7 million. As a percentage of revenue, operating expenses increased to 88.1% from 86.3% in the same period a year earlier.

<i>Unaudited</i>	Three Months Ended March 31,					
<i>In thousands of U.S. dollars</i>	2020	Percentage of Revenue	2019	Percentage of Revenue	\$ Change	% Change
ASH	13,628	77.9%	13,469	81.2%	159	1.2%
OSH	17,879	99.3%	15,952	97.4%	1,927	12.1%
BHSH	18,169	80.7%	17,858	76.7%	311	1.7%
SFSH	19,811	72.1%	18,567	67.9%	1,244	6.7%
SCNC	1,549	108.2%	1,705	101.4%	(156)	(9.1%)
MFC Nueterra ASCs	6,090	104.5%	7,240	89.5%	(1,150)	(15.9%)
Corporate	4,601	n/a	5,753	n/a	(1,152)	(20.0%)
Operating expenses	81,727	88.1%	80,544	86.3%	1,183	1.5%

Consolidated salaries and benefits increased by \$0.5 million or 1.8%, primarily due to increased pain management and other staffing at OSH (\$0.5 million) and higher administrative and non-clinical salaries (\$0.3 million), partly offset by lower wages due to reduced case volume (\$0.4 million). As a percentage of revenue, consolidated salaries and benefits increased to 30.8% from 30.1% a year earlier.

Consolidated drugs and supplies increased by \$0.3 million or 0.9%, primarily driven by case mix and higher pricing which increased implant costs (\$1.2 million), partly offset by lower case volume (\$1.0 million). As a percentage of revenue, the consolidated cost of drugs and supplies increased to 32.8% from 32.3% a year earlier.

Consolidated G&A increased by \$1.2 million or 8.4%. The increase in G&A was mainly attributable to a gain from a legal settlement at SFSH in prior year (\$0.9 million), higher costs at OSH due to higher building and equipment purchases (\$0.3 million), rent (\$0.3 million) and other operating costs, and transaction costs incurred on the sale of the controlling interest in UMASH (\$0.5 million), partly offset by a recovery in share-based compensation expenses due to a decline in the Corporation’s share price (\$0.7 million). As a percentage of revenue, consolidated G&A increased to 16.9% from 15.5% a year earlier.

Consolidated depreciation of property and equipment decreased by \$0.6 million or 19.4%, primarily due to certain assets being fully depreciated, as well as the sale of Central Arkansas Surgical Center in December 2019. As a percentage of revenue, consolidated depreciation of property and equipment decreased to 2.7% from 3.4% a year earlier.

Consolidated depreciation of right-of-use assets increased by \$0.7 million or 35.4%, due to addition of new lease agreements. As a percentage of revenue, consolidated depreciation of right-of-use assets increased to 2.8% from 2.0% a year earlier.

Consolidated amortization of other intangibles decreased by \$0.8 million or 29.0%, mainly due to certain intangibles being fully amortized, as well as the sale of Central Arkansas Surgical Center in December 2019. As a percentage of revenue, consolidated amortization of other intangibles decreased to 2.2% from 3.0% a year earlier.

Income from Operations

Consolidated income from operations for the three months ended March 31, 2020 of \$11.0 million was \$1.8 million or 14.1% lower than consolidated income from operations of \$12.8 million, recorded in the same period a year earlier, representing 11.9% of revenue, compared to 13.7% in the same period in 2019. The decrease is mainly the result of lower income from operations throughout the Facilities with the exception of ASH, as the performance of all Facilities was negatively impacted by COVID-19.

<i>Unaudited</i>	Three Months Ended March 31,					
<i>In thousands of U.S. dollars</i>	2020	Percentage of Revenue	2019	Percentage of Revenue	\$ Change	% Change
ASH	3,871	22.1%	3,125	18.8%	746	23.9%
OSH	131	0.7%	431	2.6%	(300)	(69.6%)
BHSH	4,340	19.3%	5,424	23.3%	(1,084)	(20.0%)
SFSH	7,675	27.9%	8,785	32.1%	(1,110)	(12.6%)
SCNC	(117)	(8.2%)	(23)	(1.4%)	(94)	(408.7%)
MFC Nueterra ASCs	(264)	(4.5%)	850	10.5%	(1,114)	(131.1%)
Corporate	(4,601)	n/a	(5,753)	n/a	1,152	20.0%
Income from operations	11,035	11.9%	12,839	13.7%	(1,804)	(14.1%)

Finance Costs (Income)

Change in Value of Convertible Debentures

On December 31, 2019, the Corporation repaid in full the principal and interest in respect of the convertible debentures upon maturity.

Prior to repayment, the convertible debentures were recorded as a financial liability at fair value and re-measured at each reporting date and the changes in fair value were included in net income and comprehensive income for the respective periods. Changes in the recorded value of the convertible debentures were driven by the changes in the market price of the Corporation's convertible debentures and fluctuations in the value of the Canadian dollar against the U.S. dollar.

The following table provides a calculation of the change in fair value of convertible debentures for the comparative reporting periods:

<i>In thousands of U.S. dollars, except as indicated otherwise</i>	March 31, 2020	December 31, 2019	Change	March 31, 2019	December 31, 2018	Change
	<i>Unaudited</i>			<i>Unaudited</i>		
Face value of convertible debentures outstanding	C\$ -	C\$ -	C\$ -	C\$41,743	C\$41,743	C\$ -
Closing price of convertible debentures outstanding	C\$ -	C\$ -	C\$ -	C\$101.20	C\$100.10	C\$1.10
Closing exchange rate of U.S. dollar to Canadian dollar	\$ -	\$ -	\$ -	\$1.3350	\$1.3641	(\$0.0291)
Market value of convertible debentures outstanding	-	-	-	31,643	30,632	1,012

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income and comprehensive income for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest during the twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar.

The following table provides a calculation of the change in value of exchangeable interest liability for the reporting periods:

<i>In thousands of U.S. dollars, except as indicated otherwise</i>	March 31, 2020 <i>Unaudited</i>	December 31, 2019	Change	March 31, 2019 <i>Unaudited</i>	December 31, 2018	Change
Number of common shares to be issued for exchangeable interest liability	6,036,654	5,955,277	81,377	5,953,765	5,970,862	(17,097)
Closing price of the Corporation's common shares	C\$3.49	C\$4.80	(C\$1.31)	C\$17.63	C\$15.04	C\$2.59
Closing exchange rate of U.S. dollar to Canadian dollar	\$1.4065	\$1.2990	\$0.1075	\$1.3350	\$1.3641	(\$0.0291)
Change in value of exchangeable interest liability	14,979	22,006	(7,027)	78,625	65,832	12,793

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability was consistent year over year. Its change is primarily driven by the variation in distributions from the Facilities between the reporting periods.

Interest Expense

Interest expense, net of interest income, from continuing operations decreased by \$0.5 million mainly due to the repayment of the convertible debentures on December 31, 2019, and the reduction in interest rates in credit facilities and other debt.

Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares and convertible debentures, until their maturity on December 31, 2019, are made in Canadian dollars. Foreign currency loss increased by \$0.3 million compared to the same period in 2019, due to the relative change in foreign exchange rates.

Share of Equity Income (Loss) in Associates

The Corporation's share of income (loss) in associates accounted for using the equity method decreased by \$0.5 million compared to the same period in 2019. The decrease is mainly due to the Corporation's pick-up of the net loss from UMASH for the period subsequent to the Corporation's sale of its controlling interest.

Income Tax

Current and deferred tax components of the income tax recovery from continuing operations for the reporting periods are as follows:

<i>Unaudited</i>	Three Months Ended March 31,			
<i>In thousands of U.S. dollars</i>	2020	2019	\$ Change	% Change
Current income tax expense (recovery)	(4,448)	737	(5,185)	(703.5%)
Deferred income tax expense (recovery)	4,068	(2,682)	6,750	251.7%
Income tax recovery	(380)	(1,945)	1,565	80.5%

The decrease in current income tax expense versus last year was primarily due to refundable US current taxes stemming from measures introduced as part of the CARES Act of \$5.0 million, as described below. The increase in deferred income tax expense versus prior year was due mainly to a combination of increased deductibility of interest expense previously deferred stemming from the Act, and the impact of the change in exchangeable interest liability.

The CARES Act provides tax relief with a number of measures. It includes a temporary change to section 172 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") such that non-operating losses ("NOL") can be carried back five years. Based on the expected application of NOL carry backs generated in the 2019 and

2020 tax years, the company has recorded refunds of approximately \$5.1 million as a result of the change due to the Act.

The anticipated NOL for 2019 and 2020 stems primarily from temporary changes under the Act to two other provisions under the Code. The business interest deduction limit under section 163(j) of the Code is increased from 30% to 50% of a taxpayer's adjusted taxable income for tax years beginning in 2019 and 2020. As a result, the Corporation expects to realize additional interest expense deductions with a current tax impact of approximately \$3.9 million. The other significant change is that the Act clarifies that Qualified Improvement Property ("QIP") is eligible for bonus depreciation (i.e. 100% expensing) under section 168(k) of the Code, for which the Corporation estimates current tax savings of approximately \$1.1 million.

Net Income (Loss) from Continuing Operations

A \$17.3 million increase in net income (loss) for the period from continuing operations was mainly attributable to lower finance costs, including the change in the value of exchangeable interest liability (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability") versus the prior year, partly offset by lower income from operations.

EBITDA

EBITDA of \$18.1 million decreased by \$2.6 million from \$20.7 million recorded a year earlier, representing 19.5% of revenue compared to 22.2% a year earlier, mainly driven by lower EBITDA at all Facilities with the exception of ASH, as all Facilities were negatively impacted by the onset of COVID-19 late in the quarter. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income (loss) for the period from continuing operations to EBITDA and Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA of \$18.6 million for the three months ended March 31, 2020 decreased from \$20.7 million in the same period a year earlier, representing 20.0% of revenue, versus 22.2% prior year. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income (loss) for the period from continuing operations to EBITDA and Adjusted EBITDA".

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

<i>Unaudited</i>	2020		2019			2018		
<i>In thousands of U.S. dollars, except per share amounts</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Facility service revenue	92,762	113,954	96,536	94,230	93,383	111,953	93,617	96,637
Operating expenses								
Salaries and benefits	28,587	29,791	27,800	28,396	28,088	28,702	26,700	26,285
Drugs and supplies	30,415	36,188	31,503	30,613	30,141	35,856	30,212	29,126
General and administrative expenses	15,652	15,277	14,827	14,695	14,437	17,298	16,190	18,036
Impairment of goodwill	-	-	22,000	-	-	-	-	-
Depreciation of property and equipment	2,483	2,558	2,461	2,278	3,133	3,208	2,438	2,400
Depreciation of right-of-use assets	2,569	2,584	2,211	2,749	1,898	-	-	-
Amortization of other intangibles	2,021	1,670	2,673	2,730	2,847	3,113	2,502	2,465
	81,727	88,068	103,475	81,461	80,544	88,177	78,042	78,312
Income (loss) from operations	11,035	25,886	(6,939)	12,769	12,839	23,776	15,575	18,325
Finance costs (income)								
Change in value of convertible debentures	-	612	(675)	554	1,012	(1,974)	428	(671)
Change in value of exchangeable interest liability	(7,027)	(14,583)	(20,212)	(21,349)	12,793	280	2,316	(840)
Interest expense on exchangeable interest liability	1,907	2,165	1,515	1,796	1,940	2,012	1,922	2,143
Interest expense, net of interest income	1,436	1,894	1,914	2,146	1,949	1,023	1,057	751
Loss (gain) on foreign currency	34	(475)	141	(154)	(234)	566	(210)	223
	(3,650)	(10,387)	(17,317)	(17,007)	17,460	1,907	5,513	1,606
Share of equity income (loss) in associates	(458)	2	-	(102)	1	29	39	15
Income (loss) before income taxes	14,227	36,275	10,378	29,674	(4,620)	21,898	10,101	16,734
Income tax expense (recovery)	(380)	5,496	1,727	6,752	(1,945)	2,236	2,203	2,646
Net income (loss) for the period from continuing operations	14,607	30,779	8,651	22,922	(2,675)	19,662	7,898	14,088
Attributable to:								
Owners of the Corporation	9,423	22,436	4,862	18,556	(8,207)	8,048	2,078	6,972
Non-controlling interest	5,184	8,343	3,789	4,366	5,532	11,614	5,820	7,116
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	\$0.30	\$0.72	\$0.15	\$0.60	(\$0.26)	\$0.26	\$0.07	\$0.22
Fully diluted	\$0.16	\$0.36	(\$0.02)	\$0.25	(\$0.26)	\$0.19	\$0.07	\$0.20
Reconciliation of net income (loss) for the period from continuing operations to EBITDA and Adjusted EBITDA ⁽¹⁾								
Net income (loss) for the period from continuing operations	14,607	30,779	8,651	22,922	(2,675)	19,662	7,898	14,088
Income tax expense (recovery)	(380)	5,496	1,727	6,752	(1,945)	2,236	2,203	2,646
Share of equity loss (income) in associates	458	(2)	-	102	(1)	(29)	(39)	(15)
Finance costs (income)	(3,650)	(10,387)	(17,317)	(17,007)	17,460	1,907	5,513	1,606
Depreciation of property and equipment	2,483	2,558	2,461	2,278	3,133	3,208	2,438	2,400
Depreciation of right-of-use assets	2,569	2,584	2,211	2,749	1,898	-	-	-
Amortization of other intangibles	2,021	1,670	2,673	2,730	2,847	3,113	2,502	2,465
EBITDA ⁽¹⁾	18,108	32,698	406	20,526	20,717	30,097	20,515	23,190
Impairment of goodwill	-	-	22,000	-	-	-	-	-
Transaction costs on sale of UMASH	450	-	-	-	-	-	-	-
Adjusted EBITDA ⁽¹⁾	18,558	32,698	22,406	20,526	20,717	30,097	20,515	23,190

⁽¹⁾ *Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.*

During the last eight quarters, the following items have had a significant impact on the Corporation's financial results:

- Revenue varies directly in relation to the number of cases performed as well as to the type of cases performed and the payor. For example, revenue for orthopedic cases will typically be higher than ear, nose and throat cases and cases funded by Medicare or Medicaid will be lower than those paid for by private insurance. Changes in case volumes, case mix and payor mix are normal and expected due to the nature of the Corporation's business. Surgical cases are mainly elective procedures and the volume of cases performed in any given period are subject to medical necessity and patient and physician preferences in scheduling (e.g., work schedules and vacations). The Corporation generally records higher revenue in the fourth quarter as

many patients tend to seek medical procedures at the end of the year, primarily as a result of their inability to carry over unused insurance benefits into the following calendar year.

- The COVID-19 outbreak began to impact the Corporation's and Facilities' operations in the latter half of March 2020, with impacts of varying severity within the communities and states that the Facilities serve. All Facilities were impacted by the pandemic as elective cases were restricted, either voluntarily or by government mandate, including the temporary closure of three of the MFC Nueterra ASCs.
- The changes in operating expenses are generally consistent with fluctuations in case volumes and case mix as well as development costs related to the Corporation's strategic move into urgent care at BSHH, SFSH, and ASH in an effort to build and expand care networks in the respective market areas. In addition, operating expenses have been impacted by costs related to the establishment of an accountable care organization by SFSH as well as the entering by SFSH into a management agreement for the orthopedic service line (refer to Section 12 of this MD&A under heading "Related Party Transactions").
- In addition, revenue and operating expenses have been impacted by sale of assets and controlling interests in 2019 and 2020.
- Due to the underperformance at certain MFC Nueterra ASCs, management assessed and recorded an impairment of goodwill in 2019.
- The changes in the recorded value of the convertible debentures were driven by the changes in the market price of the Corporation's convertible debentures and fluctuations in the value of the Canadian dollar against the U.S. dollar. On December 31, 2019, the Corporation repaid in full the principal and interest in respect of the convertible debentures upon maturity.
- The changes in the recorded value of the exchangeable interest liability have been driven by (i) the changes in the number of common shares issuable for the exchangeable interest liability, which are in turn driven by the distributions to the non-controlling interest during the twelve-month period ending on the reporting date, (ii) the changes in the market price of the Corporation's common shares, and (iii) the fluctuations of the value of the Canadian dollar against the U.S. dollar. During 2019 and 2020, declines in the market price of the Corporation's common shares mainly drove the fluctuations in the change in value of exchangeable interest liability.
- The fluctuations in interest expense on the exchangeable interest liability are due to the variation in distributions from the Facilities between the reporting periods.
- The fluctuations in foreign currency have been driven by the movements of exchange rate of the Canadian dollar in relation to U.S. dollar.
- Fluctuations in current income taxes have been driven by the changes in operating performance of the Facilities, the deductibility of corporate expenses, intercompany interest expense deductions and taxable (deductible) foreign exchange gains (losses). Fluctuations in deferred income taxes have been driven primarily by the changes in the exchangeable interest liability and Canadian cumulative tax operating loss carryforwards, along with the impact of U.S. tax reform pursuant to the recent U.S. federal tax law changes.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The following table presents reconciliation of cash available for distribution to cash provided by operating activities:

Unaudited	Three Months Ended March 31,		
	2020	2019	
In thousands of U.S. dollars, except as indicated otherwise	\$	\$	
CASH PROVIDED BY OPERATING ACTIVITIES	USD	15,715	20,627
Non-controlling interest in cash flows of the Facilities ⁽¹⁾		(6,201)	(6,898)
Interest expense on exchangeable interest liability ⁽²⁾		1,907	1,940
Payment of lease liabilities ⁽³⁾		(3,142)	(2,861)
Maintenance capital expenditures ⁽⁴⁾		(639)	(458)
Difference between accrual-based amounts and actual cash flows related to interest and taxes ⁽⁵⁾		4,798	(2,217)
Change in non-cash operating working capital items ⁽⁶⁾		(3,392)	(4,797)
Share-based compensation ⁽⁷⁾		(85)	(94)
Repayment of non-revolving debt ⁽⁸⁾		(2,403)	(1,290)
CASH AVAILABLE FOR DISTRIBUTION	USD	6,558	3,952
	CDN	8,820	5,254
DISTRIBUTIONS	CDN	2,177	8,734
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE ⁽⁹⁾	CDN	\$0.284	\$0.169
TOTAL DISTRIBUTIONS PER COMMON SHARE ⁽⁹⁾	CDN	\$0.070	\$0.281
PAYOUT RATIO		24.6%	166.3%
Average exchange rate of Cdn\$ to US\$ for the period		1.3449	1.3295
Weighted average number of common shares outstanding		31,106,259	31,054,500

⁽¹⁾ Non-controlling interest in cash flows of the Facilities is deducted in determining cash available for distribution as distributions from the Facilities to the non-controlling interest holders are required to be made concurrently with distributions from the Facilities to the Corporation.

⁽²⁾ Interest expense on exchangeable interest liability represents a notional amount of interest expense deducted in the determination of net income and comprehensive income attributable to owners of the Corporation. It is added back to determine cash available for distribution as it is a non-cash charge and is not distributable to the holders of the non-controlling interest.

⁽³⁾ Payment of lease liabilities represents rent payments on principal portions of lease liabilities and is deducted in determining cash available for distribution as this is a cash item included in financing activities on cash flow statements.

⁽⁴⁾ Maintenance capital expenditures at the Facility level reflect expenditures incurred to maintain the current operating capacities of the Facilities and are deducted in the calculation of cash available for distribution.

⁽⁵⁾ Cash flows from operating activities, as presented in the Corporation's consolidated statements of cash flows, represent actual cash inflows and outflows, while calculation of cash available for distribution is based on the accrued amounts and, therefore, the difference between the accrual-based amounts and actual cash inflows and outflows related to interest, income and withholding taxes is included in the above table.

⁽⁶⁾ While changes in non-cash operating working capital are included in the calculation of cash provided by operating activities, they are not included in the calculation of cash available for distribution as they represent only temporary sources or uses of cash due to the differences in timing of recording revenue and corresponding expenses and actual receipts and outlays of cash. Such changes in non-cash operating working capital are financed from the available cash or credit facilities of the Facilities.

⁽⁷⁾ Share-based compensation expense represents a charge included in salaries and benefits in the period which does not have a cash impact until the underlying stock options vest. As a non-cash item, this expense is added back in the calculation of cash available for distribution.

⁽⁸⁾ Repayment of non-revolving debt at the Facility level reflects contractual obligations of the Facilities and is deducted in the calculation of cash available for distribution.

⁽⁹⁾ Calculated based on the weighted average number of common shares outstanding.

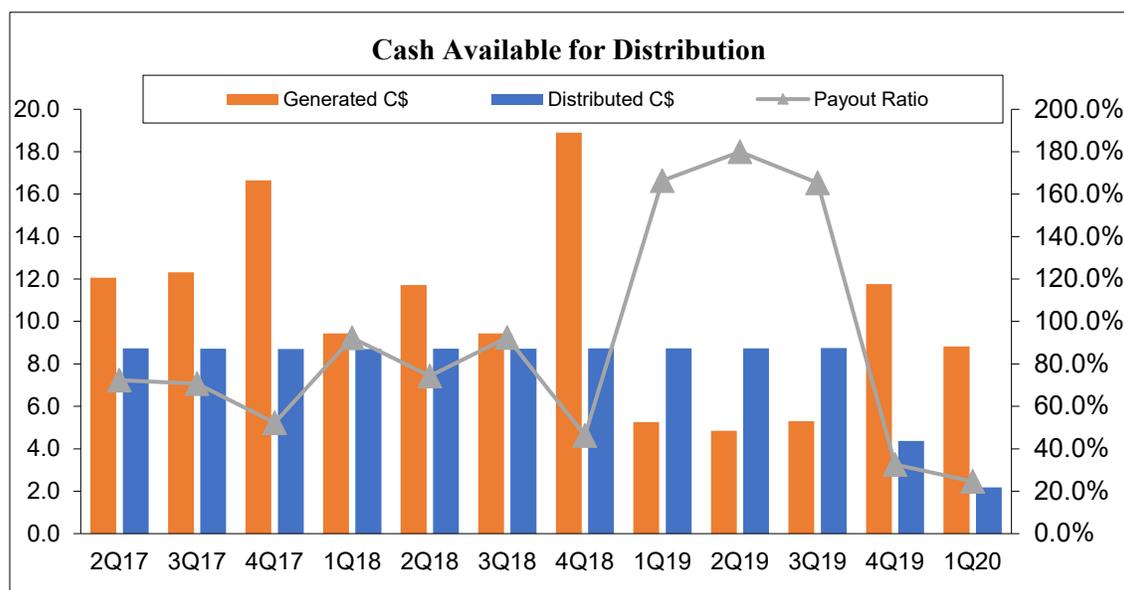
Cash available for distribution in the three months ended March 31, 2020 (Cdn\$8.8 million) increased by Cdn\$3.5 million compared to the cash available for distribution the same period last year (Cdn\$5.3 million). On a per common share basis, cash available for distribution of Cdn\$0.28 increased by Cdn\$0.11, or 64.7% from the same period last year of Cdn\$0.17. The distributions per common share of Cdn\$0.07 decreased by Cdn\$0.21, or 75.0% from the same period last year of Cdn\$0.28 resulting in a payout ratio of 24.6% as compared to a payout ratio of 166.3% in the same period in 2019.

The Corporation's cash available for distribution comes solely from the Facilities. The following table provides a reconciliation of cash generated at the Facility level to the Corporation's cash available for distribution:

<i>Unaudited</i>	Three Months Ended March 31,	
	2020	2019
<i>In thousands of U.S. dollars</i>	\$	\$
Cash flows from the Facilities:		
Income before interest expense, depreciation and amortization	19,269	22,110
Debt service costs:		
Interest	(1,398)	(1,369)
Repayment of non-revolving debt	(2,403)	(1,290)
Maintenance capital expenditures	(639)	(458)
Payment of lease liabilities	(3,095)	(2,801)
Non-cash loss (gain)	238	(949)
Cash available for distribution at Facility level	11,972	15,243
Non-controlling interest in cash available for distribution at Facility level	(6,201)	(6,898)
Corporation's share of the cash available for distribution at Facility level	5,771	8,345
Corporate expenses	(2,817)	(2,934)
Share of equity income (loss) in associates	(458)	1
Interest expense on convertible debentures	-	(456)
Interest on corporate credit facility	(759)	(790)
Recoveries of (provision for) current income taxes	4,821	(214)
Cash available for distribution	6,558	3,952

Compared to the three months ended March 31, 2019, the cash available for distribution in U.S. dollars for the same period this year increased by \$2.6 million or 65.9% mainly due to higher income tax recoveries, lower corporate expenses and lower interest payments, partly offset by lower income from Facilities.

The chart below shows the Corporation's cash available for distribution, distributions and payout ratios for the last twelve quarters.



8. OUTLOOK

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading “Caution Concerning Forward-Looking Statements”, this section contains forward-looking statements including with respect to the overall impact of the COVID-19 pandemic, the U.S. and local economies, ongoing changes in the healthcare industry, management strategies of the Corporation, and U.S. tax reform. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control, including the risk factors set forth under the heading “Risk Factors” in the annual MD&A and the Corporation’s most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The outlook for the Corporation is influenced by many inter-related factors including the economy, the healthcare industry, management strategies of the Corporation, U.S. tax reform and the recent COVID-19 outbreak.

COVID-19

Management expects that the COVID-19 pandemic will continue to impact the Corporation’s and Facilities’ operations and financial results. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions, the Corporation’s business continuity plan and other mitigating measures. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and Facilities in future periods.

The Economy

Management’s expectations could be impacted by the general state of the U.S. economy. The strength of the local economies of the areas served by the Corporation’s Facilities is an important factor in the Corporation’s outlook.

Healthcare Industry

While impossible to currently quantify, the potential modification or replacement of the *Patient Protection and Affordable Care Act* (“PPACA”), demographic changes and growing healthcare costs present numerous challenges and opportunities, including:

- the challenge of continuing pressure on reimbursement levels from government-funded plans (Medicare, Medicaid and similar plans) and private insurance companies, combined with the increasing share of case volume that such plans represent;
- the opportunity for additional case volumes arising from ownership of, and participation in, accountable care organizations and the related challenge of payor mix shifting to Medicare plans;
- the opportunity arising from reimbursement incentives which reward healthcare entities that meet specified quality and operational goals and operate in the most efficient and cost-effective manner; and
- an increased demand for services provided by the Corporation’s Facilities due to the increasing average age and life expectancy of the U.S. population, overall population growth and advances in science and technology.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities, along with the acquisitions of new, accretive facilities that are complementary to the Corporation’s core business, specifically in the SSH and ASC space. In addition to accretive core acquisitions,

management will also consider other medical ventures where the financial and operational metrics are strong and could enhance a more comprehensive and integrated delivery model.

In collaboration with local management and physicians, management will continue to differentiate and grow the Corporation's Facilities by:

- maintaining service lines of the highest quality;
- physician development, including continued recruitment and retention of physician investors and potential physician utilizers, based on community needs;
- expanding the complement of service offerings at the Facilities;
- in-market acquisitions of ancillary businesses (ASCs, imaging and urgent care services); and
- sharing and implementing best practices and cost reduction strategies, with emphasis on supply chain and implant costs.

Management continues to develop its acquisition pipeline and investigate accretive acquisition targets that meet the Corporation's acquisition criteria to include facilities with:

- accretion, with growth available from a local strong provider base, attractive demographics, and opportunities for operating enhancements;
- high quality and optimum clinical outcomes; and
- continued strong earnings and opportunity for growth.

Management will maintain its emphasis on continuation of these strategies, combined with a strong balance sheet, an experienced management team and continuing identification of suitable accretive opportunities to enhance the Corporation's operating performance.

U.S. Tax Reform

Management expects that it will be able to utilize carryforwards of disallowed current year interest expense deductions to future years. Pursuant to the *Tax Cuts and Jobs Act*, MFA's deductions attributable to the interest expense on the promissory note (the interest paid by MFA on all debt, including the MFA promissory note, less its interest income) will be limited to 30% of adjusted taxable income, which generally represents EBITDA for the next two years (2020-2021), versus earnings before interest and taxes thereafter (2022 and beyond). Any disallowed interest expense may be carried forward to future years. This limitation applies to newly-issued loans as well as those originated before 2018. Moreover, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that MFA would otherwise be entitled to with respect to interest on such indebtedness.

9. LIQUIDITY AND CAPITAL RESOURCES

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading “Caution Concerning Forward-Looking Statements”, this section contains forward-looking statements including with respect to cash flows and future contractual payments. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control, including the risk factors set forth under the heading “Risk Factors” in the annual MD&A and the Corporation’s most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

COVID-19

Broad economic factors resulting from the COVID-19 pandemic, including higher unemployment rates and reduced consumer spending, are impacting the Corporation’s service mix, revenue mix and patient volumes. Business closings and layoffs in the areas where Facilities operate may lead to increases in the uninsured and underinsured populations and adversely affect demand for Facilities’ services, as well as the ability of patients to pay for services as rendered. Any deterioration in the collectability of patient accounts receivable will adversely affect cash flows and results of operations.

If general economic conditions continue to decline or remain uncertain for an extended period of time, the Corporation’s liquidity, ability to meet debt covenants, and ability to repay its outstanding debt may be impacted. Moreover, the current COVID-19 pandemic may cause disruption in the financial markets. These factors may affect the availability, terms or timing with which the Corporation may obtain any additional funding.

Cash Balances

The Corporation’s cash and cash equivalents balances, including short-term investments, are as follows:

<i>Unaudited</i> <i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Cash and cash equivalents at Facility level	16,182	10,397
Cash and cash equivalents at corporate level	23,256	21,589
Cash and cash equivalents	39,438	31,986

Cash Flow Activity

Cash Flow

<i>Unaudited</i> <i>In thousands of U.S. dollars</i>	Three Months Ended March 31,			
	2020	2019	\$ Change	% Change
Cash provided by operating activities	15,715	20,627	(4,912)	(23.8%)
Cash used in investing activities	(2,352)	(3,423)	1,071	31.3%
Cash used in financing activities	(5,877)	(18,172)	12,295	67.7%
Increase (decrease) in cash and cash equivalents	7,486	(968)	8,454	873.3%
Effect of exchange rate fluctuations on cash balances held	(34)	234	(268)	(114.5%)
Cash and cash equivalents, beginning of the period	31,986	36,686	(4,700)	(12.8%)
Cash and cash equivalents, end of the period	39,438	35,952	3,486	9.7%

The Corporation expects to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness, funds available from the corporate credit facility, as well as lines of credit at the Facilities level, or on a permanent basis with offerings of securities of the Corporation. Negative changes in the general state of the U.S. economy could affect the Corporation’s liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Operating Activities and Working Capital

Cash from operating activities in the three months ended March 31, 2020 decreased by \$4.9 million compared to the same period in 2019, primarily due to changes in non-cash working capital and lower income from the Facilities.

As at March 31, 2020, the Corporation had consolidated net working capital of \$63.1 million compared to \$71.5 million as at December 31, 2019. The change was due mainly to the decrease in assets held for sale and liabilities associated with assets held for sale, as a result of the sale of controlling interest in UMASH in February 2020. The change was also driven by a decrease in accounts receivable and an increase in current-portion of long-term debt, partially offset by a decrease in accounts payable and accrued liabilities from timing differences. The level of working capital, including financing required to cover any deficiencies, is dependent on operating performance of the Corporation and fluctuates from period to period.

As at March 31, 2020, accounts receivable were \$59.7 million (December 31, 2019: \$66.5 million), accounts payable and accrued liabilities totaled \$39.9 million (December 31, 2019: \$41.4 million), total assets were \$466.7 million (December 31, 2019: \$470.5 million) and total long-term liabilities, excluding exchangeable interest liability, were \$192.2 million (December 31, 2019: \$189.9 million).

Investing Activities

The \$1.1 million decrease in cash used in investing activities for the three months ended March 31, 2020 compared to the same period in 2019 was mostly due to proceeds received from the sale of the controlling interest in UMASH.

Financing Activities

The \$12.3 million decrease in cash used in financing activities for the three months ended March 31, 2020 was mainly due to net increases in Facility borrowings less repayments of debt (\$6.4 million) and a reduction in dividend distributions by the Corporation (\$5.4 million).

The Facilities have available credit facilities in place in the aggregate amount of \$31.5 million, of which \$16.8 million was drawn as at March 31, 2020. The balances available under the credit facilities, combined with cash and cash equivalents as at March 31, 2020, are available to manage the Facilities' accounts receivable, supply inventory and other short-term cash requirements.

The partnership or operating agreements governing each of the respective Facilities do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries.

The Corporation has in place a \$150.0 million line of credit with a syndicate of three Canadian chartered banks which matures on August 31, 2023 ("credit facility"). The credit facility can be used for general corporate purposes, including working capital and capital expenditures, finance of acquisitions, and/or repurchase of the Corporation's common shares. As at March 31, 2020, \$84.8 million was drawn and remained outstanding for the credit facility. The proceeds drawn from the credit facility were primarily used for the acquisition of UMASH and its underlying property through RRIMH in 2016 (\$48.8 million), the acquisition of the MFC Nueterra ASCs in 2018 (\$20.0 million), and the repayment of the convertible debentures upon maturity in 2019 (\$16.0 million). As at March 31, 2020, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations

The mandatory repayments under the credit facilities and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of March 31, 2020, are as follows:

<i>Unaudited</i> <i>In thousands of U.S. dollars</i>	Carrying values at March 31, 2020	Future payments (including principal and interest)				
		Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual Obligations	\$	\$	\$	\$	\$	\$
Dividends payable	1,548	1,548	1,548	-	-	-
Accounts payable	22,579	22,579	22,579	-	-	-
Accrued liabilities	17,352	17,352	17,352	-	-	-
Income tax payable	2,415	2,415	2,415	-	-	-
Corporate credit facility	84,800	96,079	1,287	7,940	86,852	-
Facilities' revolving credit facilities	16,777	16,931	16,931	-	-	-
Notes payable	54,866	62,620	10,451	18,526	12,171	21,472
Lease liabilities	67,301	87,344	11,663	22,540	18,501	34,640
Total contractual obligations	267,638	306,868	84,226	49,006	117,524	56,112

The Corporation anticipates renewing, extending, repaying or replacing its credit facilities which fall due over the next twelve months and expects that cash flows from operations and working capital will be adequate to meet future payments on other contractual obligations over the next twelve months.

10. SHARE CAPITAL AND DIVIDENDS

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the Corporation's expected payment of dividends. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The following table summarizes the outstanding number of stock options as of March 31, 2020:

Optionee	Number of Options Held	Exercise Price	Grant Date
Chief Executive Officer	450,000	C\$14.03	March 29, 2018
	350,000	C\$16.47	May 18, 2017
Chief Financial Officer	300,000	C\$12.79	June 24, 2019
Chief Development Officer	350,000	C\$21.15	September 19, 2016
Chief Operating Officer	50,000	C\$ 2.64	March 19, 2020
Former Chief Executive Officer	223,562	C\$17.24	May 1, 2016
Former Chief Financial Officer	221,344	C\$17.98	November 21, 2016
Total number of outstanding options	1,944,906		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of March 31, 2020, 444,906 of the Options relating to Former Chief Executive Officer and Former Chief Financial Officer are vested.

As at March 31, 2020, the Corporation had 31,106,259 common shares outstanding.

Normal Course Issuer Bids

The Corporation's normal course issuer bid allowing the Corporation to repurchase up to 621,144 of its common shares is in effect from May 16, 2019 to May 15, 2020. During the three months ended March 31, 2020 and three months ended March 31, 2019, the Corporation did not repurchase any of its common shares.

Dividends

Dividend declarations are determined based on periodic reviews of the Corporation's earnings, capital expenditures and related cash flows. Such declarations take into account that the cash generated in the period is to be distributed after considering (i) debt service obligations, (ii) other expense and tax obligations, (iii) reasonable reserves for working capital and capital expenditures, and (iv) financial flexibility. The Corporation has revised the distributions to a quarterly dividend at an annual rate of Cdn\$0.28 per common share. Cash distributions declared in the period from January 1, 2020 to March 31, 2020 totaled Cdn\$0.070 per common share. The first dividend payment under the new payout schedule was a prorated amount for a partial period from November 1, 2019 to December 31, 2019 and was paid on January 15, 2020. The first full quarterly dividend was paid on April 15, 2020.

Dividend Reinvestment and Share Purchase Plan

The Corporation has a Dividend Reinvestment and Share Purchase Plan which allows shareholders resident in Canada to automatically re-invest, in a cost-effective manner, the cash dividends on their common shares into additional common shares of the Corporation.

11. FINANCIAL INSTRUMENTS

Financial instruments held in the normal course of business included in the interim condensed consolidated balance sheet as at March 31, 2020 consist of cash and cash equivalents, accounts receivable, loan receivable, dividends payable, accounts payable, accrued liabilities, borrowings (including long-term debt and corporate credit facility) and exchangeable interest liability.

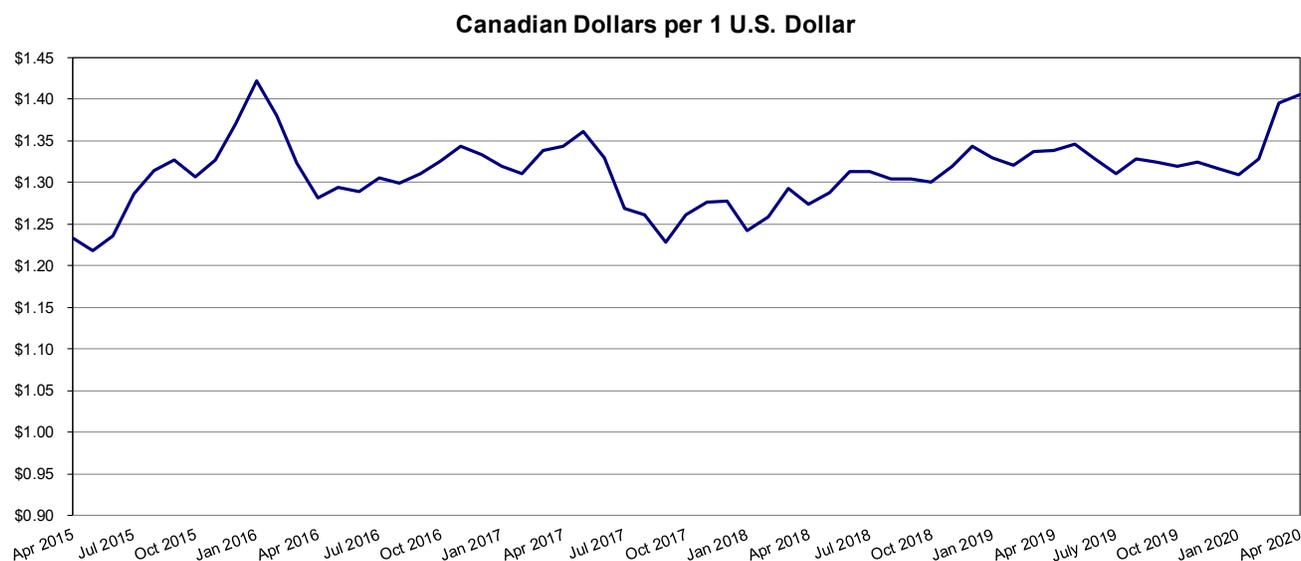
The fair value of exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of all other financial instruments of the Corporation, due to the short-term nature of these instruments, approximate their carrying values.

Foreign Exchange Risk

The Facilities derive revenue, incur expenses and make distributions to their owners, including the Corporation, in U.S. dollars. The Corporation pays dividends to common shareholders and incurs a portion of its expenses in Canadian dollars. The amounts of distributions from the Facilities to their owners, including the Corporation and non-controlling interest, are dependent on the results of the operations and cash flows generated by the Facilities in any particular period.

Strengthening of the Canadian dollar against the U.S. dollar negatively impacts currency translation differences with respect to the funds available for the Corporation's Canadian dollar denominated dividend and interest payments and expenses. A weakening Canadian currency in relation to U.S. currency has the opposite effect.

The graph below shows the movement of the monthly average exchange rates between Canadian and U.S. dollars since April 2015:



The Corporation may, from time to time, enter into foreign exchange forward contracts dependent upon actual or anticipated company performance and current market conditions. As of March 31, 2020, the Corporation did not hold any foreign exchange forward contracts.

Credit Risk

The substantial portion of the Corporation's accounts receivable balance is with governmental payors and health insurance companies which are assessed as having a low risk of default and is consistent with the Facilities' history with these payors. Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Monthly, actual bad debts for a trailing period are compared with the allowance to support the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

From time to time, the Corporation may enter into foreign exchange forward contracts and may place excess funds for investment with certain financial institutions. Investment of excess funds is guided by the investment policy of the Corporation that, among other things, (i) prescribes the eligible types of investments and (ii) establishes limits on the amounts that can be invested with any one financial institution.

Interest Rate Risk

The Corporation and the Facilities are exposed to interest rate fluctuations which can impact their borrowing costs. The Facilities use floating rate debt facilities for operating lines of credit that fund short-term working capital needs and use fixed rate debt facilities to fund investments and capital expenditures.

Share Price Risk

The Corporation's exchangeable interest liability is measured on quoted market prices of its common shares in active markets and, therefore, the Corporation is exposed to variability in net income and comprehensive income as prices change. Share price risk includes the impact of foreign exchange. The Corporation does not have any hedges against price risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation, including its Facilities, will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. The Corporation also manages liquidity risk by continuously monitoring actual and projected cash flows and by taking into account the receipts and maturity profile of financial assets and liabilities. The board of directors of the Corporation reviews and approves operating and capital budgets, as well as any material transactions out of the ordinary course of business.

12. RELATED PARTY TRANSACTIONS

A member of the Corporation's board of directors is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the three months ended March 31, 2020 of \$1.2 million (March 31, 2019: \$1.1 million).

Certain Facilities routinely enter into transactions with related parties for provision of services relating to the use of facilities and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. As of March 31, 2020, SFSH had a balance payable to South Dakota Interventional Pain Institute of \$1.0 million (December 31, 2019: \$1.0 million). For the three months ended March 31, 2020, BSHS paid Mountain Plains Real Estate Holdings, LLC a nominal amount for the use of a facility (March 31, 2019: nominal).

SFSH has a wholly-owned subsidiary designed to function as an accountable care organization ("ACO"). The ACO was approved for participation in the Medicare Shared Savings Program, which is an incentive program established under the provisions of the PPACA. As one of the initiatives of the ACO, SFSH entered into an agreement with Great Plains Surgical, LLC ("Great Plains"), an entity controlled by certain indirect non-controlling owners of SFSH, for the provision of management services in relation to the orthopedic service line at SFSH to improve the quality of services provided and realize savings on implants and other supplies used in that service line. In addition to the payment of fees for providing management of the orthopedic service line, Great Plains is entitled to receive performance payments for realized cost savings and the attainment of quality levels.

The following is a summary of transactions at each Facility with their respective related parties during the reporting periods:

<i>Unaudited</i>		Three Months Ended	
<i>In thousands of U.S. dollars</i>		March 31,	
Entity	Nature of services or goods received	2020	2019
		\$	\$
ASH	Lease of facility building, anesthesia equipment lease, and sub-lease of MRI equipment.	1,134	1,138
OSH	Provision of office and management services, lease of hospital building, and lease of office space.	392	392
BHSH	Provision of physical therapy services, physician professional services, intraoperative monitoring services, and provision of parking space.	181	314
SFSH	Provision of management services in relation to orthopedic service line at SFSH, physician professional fees, anesthesia services, physical and occupational therapy services, medical products and implants, lithotripter services, laundry services, facility and related equipment, and shared services.	2,198	2,478
MFC Nueterra ASCs	Provision of management services, physician professional services, and lease of ASC building.	482	1,117
Total		4,387	5,439

13. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Corporation estimates certain amounts reflected in its financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes. Note 21.26 to the annual financial statements details critical accounting judgments and estimates used in the preparation of the Corporation's financial statements.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Revenue

Revenue is recorded in the period when healthcare services are provided based on actual amounts received and the estimated net realizable amounts due from patients and payors. The amounts due are estimated using established billing rates less adjustments required by contractual arrangements with the payors. Estimates of contractual adjustments are based on the payment terms specified in the related contractual agreements and payment history. Payor contractual payment terms are generally based on predetermined rates per procedure or discounted fee-for-service rates. For payors for which the Facilities do not have contracts, the Facilities estimate the necessary adjustments based on a twelve-month history of reimbursements on closed cases. Revenue is only recorded where collectability is highly probable. As a result, certain amounts for self-paying patients are not recognized in revenue.

Allowance for Non-Collectible Receivable Balances

The Facilities maintain an allowance for non-collectible receivable balances for estimated losses resulting from the inability to collect on its accounts receivable. To arrive at the allowance for non-collectible receivable balances, management uses estimates of future collections of accounts receivable that differ from the original estimates used at the time of revenue recognition. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life, such as goodwill and trade names, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have definite useful life and are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The methodology used to test for impairment includes significant judgment, estimates, and assumptions. Impairment exists when the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is calculated based on two approaches: 1) the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and 2) the trailing twelve months and estimated future EBITDA multiplied by a market multiple relevant to the CGU. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses, cash flows, discount rates, and market multiples at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and indefinite life intangible assets are tested for impairment.

Management has identified six CGUs for which impairment testing is performed. The MFC Nueterra ASCs, which are managed as a network, collectively represent one CGU. The remaining Facilities represent subsidiary operations which are independent of each other, and are therefore identified as separate CGUs. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Factors considered by management in determining a triggering event include: deterioration in market and economic conditions, volatility in the financial markets causing declines in the Corporation's share price, increases in the Corporation's weighted-average cost of capital, changes in valuation multiples, changes to healthcare legislation in the United States both federally and in the jurisdictions in which the Facilities operate, changes to the physician complement at the Facilities, decreases in expected future reimbursement rates, declining patient referrals, physical conditions of facilities and equipment, and increased costs of inputs, such as drugs, supplies, and labour.

When considered significant, management incorporates changes to these factors in its estimated future cash flows to assess the impact on the recoverable value of its non-financial assets.

Management calculates the recoverable amount of each CGU using EBITDA specific to each CGU by a multiple determined using market data, such as EBITDA to market capitalization ratios of comparable publicly traded companies and recent prices for capital transactions within the industry. Management has estimated cost to dispose to be 1% of the fair value of the CGUs, based on recent market data. To assess reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as at December 31 based on (i) the market capitalization of the outstanding common shares, taking into account a 20% equity control premium attributable to the common shares and (ii) the Corporation's portion of the Facilities' long-term debt, less (iii) cash on hand.

Management performed an assessment of impairment indicators mentioned above as at March 31, 2020, and noted the recent COVID-19 pandemic has significantly impacted the case volumes at the Facilities, indicating a potential impairment. As a result of an impairment testing performed as at March 31, 2020, management concluded that there was no impairment of the Corporation's non-financial assets.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation's income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the year. The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carry forwards, as well as from the depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If management's estimates or assumptions change from those used in current valuation, management may be required to recognize an adjustment in future

periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

14. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the financial information published by the Corporation. In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have certified that the quarterly filings fairly present in all material respects the financial condition, results of operations and cash flows and have also certified regarding controls as described below.

Under the supervision of, and with the participation of the CEO and the CFO, management has designed disclosure controls and procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities for the period in which the annual and interim filings of the Corporation are being prepared, and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

In addition to DC&P, under the supervision of, and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting (“ICFR”) using the 2013 Committee of Sponsoring Organizations of the Treadway Commission framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes in the Corporation’s ICFR during the period beginning on January 1, 2020 and ended on March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Corporation’s ICFR.

From time to time, to supplement a small corporate office, the Corporation engages various outside experts and advisors to assist with various accounting, controls and tax issues in the normal course.

15. RISK FACTORS

The Corporation’s annual MD&A contains a summary of risk factors pertaining to the Corporation, which should be read in conjunction with the detailed information on risk factors appearing in the Corporation’s most recently filed annual information form available on SEDAR at www.sedar.com. There have been no changes in the nature or the number of risk factors pertaining to the Corporation since the date of the most recently filed annual information form (March 30, 2020). The disclosures in this MD&A are subject to the risk factors outlined in those materials. Continued disruptions to its business as a result of the COVID-19 pandemic could heighten those risk factors, any of which could have a material adverse effect on the Corporation’s results of operations and financial position.

16. NEW AND REVISED IFRS NOT YET ADOPTED

There are no relevant new and revised IFRS that have been issued but are not yet effective, and not yet adopted by the Corporation.