MEDICAL FACILITIES CORPORATION	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021**

March 9, 2022

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 audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2021 ("financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Substantially all of the Corporation's operating cash flows are in U.S. dollars and all amounts presented in the financial statements and herein, except per share amounts, 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: the duration and impact of the novel coronavirus SARS-CoV-2 ("COVID-19") on the Corporation's financial position and operations, 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 this 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. They are presented on a uniform basis from period to period, thereby allowing for consistent comparability. Management believes that the non-IFRS financial measures presented in this MD&A (i) are relevant for users of the Corporation's financial statements to assess the Corporation's performance and ability to pay dividends, and (ii) may be used to calculate certain ongoing rights and obligations of the Corporation. 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 Sections 5 and 6 of this MD&A under the heading "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA" and 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 net cash provided by operating activities, before certain non-cash adjustments, including (i) net changes in non-cash operating working capital, (ii) share-based compensation, (iii) interest expense on exchangeable interest liability, and (iv) the difference between accrual-based amounts and actual cash flows related to interest and taxes, less (v) maintenance capital expenditures, (vi) payment of lease liabilities, (vii) repayments of notes payable by the Facilities (as defined below), and (viii) non-controlling interest in cash flows of the Facilities. 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 per the Bank of Canada. Management believes that cash available for distribution is relevant in understanding the Corporation's ability to earn cash and pay dividends to its shareholders.

- **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 declared.

- **Distributions per common share** is a non-IFRS financial measure calculated as the distributions divided by the weighted average number of common shares outstanding during the period.

- **Earnings before interest, taxes, depreciation and amortization** ("EBITDA") is a non-IFRS financial measure defined as net income for the period before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, (v) amortization of other intangibles, and (vi) share of equity loss (income) in associates. Management believes that EBITDA is relevant in understanding the Corporation's ability to service its debt, finance capital expenditures and pay dividends to its shareholders.

- **Adjusted EBITDA** is a non-IFRS financial measure defined as EBITDA before transaction costs on the sale of controlling interest in 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. Management monitors the payout ratio to ensure the Corporation can adhere to its dividend policy.

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$0.0805 per common 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, 10 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 10 Facilities are comprised of four SSHs located in Arkansas, Oklahoma, and South Dakota, and six ASCs located in California, Michigan, Missouri, Nebraska, Ohio 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, two of the SSHs provide urgent care services.

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 affected by the pandemic as elective cases were restricted, either voluntarily or by U.S. state or local government mandate, including the temporary closure of three of the MFC Nueterra ASCs, which reopened in May 2020. Management expects patient volumes and revenues will continue to be negatively impacted until the effects of the pandemic have fully subsided, and the economy stabilizes.

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 past and potential future 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, changes in professional and general liability exposure, the efficacy of the COVID-19 vaccines against the virus and its variants, and the overall vaccine acceptance rate. 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") was signed into law on March 27, 2020. The CARES 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"), the Employee Retention Credit ("ERC"), and expansion of an existing Centers for Medicare and Medicaid Services ("CMS") 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 lost revenue, attributable to COVID-19. Funds not utilized for eligible expenses and not applied to lost revenues must be returned. The recognition of amounts received is conditioned upon receipt of the funds, the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, and certification that the payment will be used to prevent, prepare for and respond to COVID-19. For the year ended December 31, 2021, the Facilities have received $7.2 million in total funding from the HHS (December 31, 2020: $14.5 million), and recognized $9.7 million in revenue as government stimulus income (December 31, 2020: $11.5 million). An amount of $0.5 million may be repayable, and was recorded as a liability as of December 31, 2021 (December 31, 2020: $3.0 million).

The PPP expands the guaranteed lending program under Section 7(a) of the *Small Business Act* administered by the US Small Business Administration ("SBA"). 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 8 to 24-week period following loan origination. For the year ended December 31, 2021, certain Facilities have received $1.5 million in forgivable loans under the PPP (December 31, 2020: $12.2 million), and recognized all of it in revenue as government stimulus income (December 31, 2020: $12.2 million). Loans received under the PPP of $1.6 million during the year ended December 31, 2020 have been forgiven in full by the SBA, while the remaining loans of $10.6 million are pending additional review. For the loans received under the PPP for the year ended December 31, 2021, income has been recognized during the period based on reasonable assurance that the Facilities have met the requirements for forgiveness. However, there is some uncertainty over the final outcome as applications for forgiveness of the PPP loans must still be formally approved subsequent to December 31, 2021.

Under the expansion of the Medicare Accelerated and Advance Payment Program most providers and suppliers could request an advance of three to six months of Medicare payments. Certain Facilities received net advances of $23.2 million for the year ended December 31, 2020. Repayment of these accelerated/advance payments commences one year after issuance, upon which payments will be recouped against Medicare claims at a rate of 25% for eleven months, followed by a rate of 50% for the succeeding six months, after which any remaining balance will need to be repaid in full within one month. The initial 11-month recoupment period began in April 2021, such that $8.0 million has been recouped as at December 31, 2021. The remaining $15.2 million is recorded as a liability under payor advances and government stimulus funds repayable as at December 31, 2021.

The ERC is a refundable tax credit against certain employment taxes that can be claimed by eligible employers, whose business has been financially impacted by COVID-19, in their quarterly employment tax returns. For the year ended December 31, 2021, certain Facilities have had claims approved under the ERC and recorded government stimulus income of $0.2 million (December 31, 2020: $0.4 million). Certain Facilities have also submitted additional claims under the ERC which are pending approval.

In addition to the CARES Act, the *Families First Coronavirus Response Act* ("FFCRA") was signed into law on March 18, 2020. This program mandates COVID-19 related family medical and paid sick leaves for employees and provides tax credits to reimburse employers for both sick leave and family medical leave. For the year ended December 31, 2021, certain Facilities have qualified for the tax credits under the FFCRA and recorded government stimulus income of $0.1 million (December 31, 2020: $0.9 million).

For the year ended December 31, 2021, certain Facilities have also received other stimulus funds under state programs of $1.8 million (December 31, 2020: $1.0 million), and recognized $1.7 million in revenue as government stimulus income (December 31, 2020: $1.0 million). The remaining amount of $0.1 million is recorded as a liability as at December 31, 2021, and is expected to be recognized as income in future quarters.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CA Act") was signed into law, introducing a $900 billion stimulus relief package aimed to respond to the economic fallout caused by the COVID-19 pandemic. Among other provisions, the CA Act enhanced and expanded certain provisions of the previous relief package, the CARES Act. This included an additional $284.5 billion in funding for first and second rounds of more easily forgivable PPP loans, and an extension and expansion of the ERC. The Facilities may be eligible for further funding under the CA Act.

On March 11, 2021, the American Rescue Plan Act, 2021 (the "ARP Act") was signed into law, which is a $1.9 trillion economic stimulus package intended to facilitate recovery in the United States from the economic and health effects of COVID-19. Among its provisions, the ARP Act includes $7.25 billion in appropriations to the SBA for the PPP, and a further extension of the ERC. The Facilities may be eligible for further funding under the ARP Act.

There is uncertainty regarding the implementation, duration and impact of the CARES Act, the CA Act, the ARP act, and other existing or future stimulus legislation, if any. There can be no assurance as to the total amount of financial assistance or types of assistance the Facilities will receive, that the Facilities will be able to comply with the applicable terms and conditions to retain such assistance, that the Facilities will be able to benefit from provisions intended to increase access to resources and ease regulatory burdens for health care providers or that additional stimulus legislation will be enacted. Any loans not forgiven will result in a reversal of income previously recorded and a recording of a liability.

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. As of the date of the transaction, the Corporation no longer consolidates the financial results of UMASH and accounts for its interest under the equity method of accounting. On June 30, 2020, the Corporation sold the real estate assets underlying UMASH. In connection with the sale of controlling interest in UMASH, the Corporation recorded an impairment gain of $0.7 million on the loan receivable from UMASH ("loan receivable") during the year ended December 31, 2020.

Other Information

On December 22, 2021, the operations of an urgent care centre affiliated with Black Hills Surgical Hospital, LLP, located in Spearfish, South Dakota, were shut down. As a result of its closure, the urgent care centre's premises lease was terminated, and the Corporation recorded a pre-tax gain of $0.1 million on termination. This gain is included in general and administrative expenses from continuing operations.

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.

<u>Summary of Facility Information as of December 31, 2021</u>

	Arkansas Surgical Hospital ("ASH")	**Oklahoma Spine Hospital ("OSH")**	**Black Hills Surgical Hospital ("BHSH")**	**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	Five locations[3]
Year Opened	2005	1999	1997	1985	2004	1997-2007
Year Acquired by the Corporation	2012	2005	2004	2004	2008	2018
Ownership Interest	51.0%	64.0%	54.2%	51.0%	51.0%	30-59%[3]
Non-controlling Interest	49.0%	36.0%	45.8%	49.0%	49.0%	70-41%[3]
Exchangeable Interest	5.0%	1.0%	10.8%	14.0%	-	-
Size	126,000 sq ft	61,000 sq ft	86,000 sq ft	76,000 sq ft	7,000 sq ft	5,000-14,000 sq ft
Operating/Procedure Rooms	13/2	7/2	11[2]	15	2/1	13/7
Overnight Rooms	41[1]	25	26	33	-	-

(1) *Licensed for 49 beds.*

(2) *Licensed for 12 rooms.*

(3) *Through the MFC Nueterra Partnership, the Corporation owns indirect interests between approximately 30% to 59% in five ASCs, situated in Michigan, Missouri, Nebraska, Ohio, and Pennsylvania.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

In thousands of U.S. dollars, except per share amounts and as indicated otherwise	Year Ended December 31, 2021	2020	2019
Facility service revenue	398,633	363,854	398,103
Government stimulus income	13,099	26,008	-
Total revenue and other income	411,732	389,862	398,103
Operating expenses	334,374	322,068	353,548
Income from operations	77,358	67,794	44,555
Net income for the period from continuing operations	46,493	37,422	59,677
Attributable to:			
Owners of the Corporation (1)	15,500	9,591	37,647
Non-controlling interest (1)	30,993	27,831	22,030
Net loss for the period from discontinued operations, net of tax	-	(1,739)	(34,255)
Earnings per share from continuing operations attributable to owners of the Corporation			
Basic	$0.50	$0.31	$1.21
Fully diluted	$0.50	$0.31	$0.33
EBITDA (2)	104,127	95,682	74,347
Adjusted EBITDA (2)	104,127	96,132	96,347
Cash available for distribution (2)	C$ 37,448	C$ 40,005	C$ 27,533
Distributions (2)	C$ 9,011	C$ 8,710	C$ 30,590
Cash available for distribution per common share (2)	C$ 1.204	C$ 1.286	C$ 0.886
Distributions per common share (2)	C$ 0.290	C$ 0.280	C$ 0.984
Payout ratio (2)	24.1%	21.8%	111.1%

	December 31, 2021	December 31, 2020	December 31, 2019
Total assets	446,966	456,996	470,547
Total long-term financial liabilities	126,118	133,906	185,304

(1) *Net income 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, impairment loss (gain) recorded on the loan receivable, and income taxes. These charges are incurred at corporate level rather than at Facility level. On the other hand, net income from continuing operations attributable to non-controlling interest represents the interest of the Facilities' non-controlling interest holders in the net income of the Facilities on a stand-alone basis and, therefore, does not vary as significantly between the periods.*

(2) *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 Sections 5 and 6 under the heading "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA."*

Selected Financial Information for the Year Ended December 31, 2021 compared to the Year Ended December 31, 2020

For the year ended December 31, 2021, total revenue and other income from continuing operations was $411.7 million, an increase of 5.6% from $389.9 million for the same period in 2020. Facility service revenue from continuing operations of $398.6 million increased by 9.6% from $363.9 million for the same period in 2020, primarily due to higher surgical case volume, attributable to the Facilities' ongoing recovery from the negative impacts of the COVID-19 pandemic which forced the Facilities to curtail their elective surgeries or temporarily cease operations from the second half of March 2020 to the first half of May 2020. EBITDA was $104.1 million or 25.3% of total revenue and other income from continuing operations compared to $95.7 million or 24.5% of total revenue and other income from continuing operations for the same period last year, up mainly due to higher facility service revenue, driven by the rebound of case volumes, which exceeded the corresponding increase in operating expenses, partly offset by the decrease in government stimulus income. Excluding the impact of transaction costs on the sale of controlling interest in UMASH in the prior year, Adjusted EBITDA was $96.1 million or 24.7% of total revenue and other income from continuing operations for the year ended December 31, 2020. Net income for the period from continuing operations was $46.5 million compared to net income of $37.4 million for the same period in 2020, with the increase mostly attributable to higher income from operations at the Facilities, and lower share of equity loss in associates, partly offset by higher interest expense on exchangeable interest liability. Net loss for the period from discontinued operations, net of tax, was nil compared to $1.7 million for the same period in 2020, consisting of the net operating results of UMASH and RRI Mishawaka Hospital, LP ("RRIMH").

The Corporation generated cash available for distribution of Cdn$37.4 million, representing a decrease of Cdn$2.6 million or 6.4% from Cdn$40.0 million for the same period in the prior year. Distributions per common share increased between the years by Cdn$0.010 to Cdn$0.290, while the payout ratio was 24.1% for this period compared to 21.8% for the year ended December 31, 2020. 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."

Selected Financial Information for the Year Ended December 31, 2020 compared to the Year Ended December 31, 2019

For the year ended December 31, 2020, total revenue and other income from continuing operations was $389.9 million, a decrease of 2.1% from $398.1 million for the same period in 2019. Facility service revenue from continuing operations of $363.9 million decreased by 8.6% from $398.1 million for the same period in 2019, primarily due to a decline in case volume as a result of the COVID-19 pandemic which forced the Facilities to reduce their elective surgeries or temporarily cease operations from the second half of March to the first half of May 2020. This was partly offset by the recognition of government stimulus income of $26.0 million during the year ended December 31, 2020. EBITDA for the year ended December 31, 2020 was $95.7 million or 24.5% of total revenue and other income from continuing operations compared to $74.3 million or 18.7% of total revenue and other income from continuing operations for the same period in 2019 due to the goodwill impairment charge of $22.0 million in 2019 relating to the MFC Nueterra ASCs cash-generating unit, as well as lower operating expenses, partly offset by lower total revenue and other income. Excluding the impact of transaction costs on the sale of controlling interest in UMASH and the 2019 impairment charge, Adjusted EBITDA for the year ended December 31, 2020 was $96.1 million or 24.7% of total revenue and other income from continuing operations compared to $96.3 million or 24.2% of total revenue and other income from continuing operations for the same period in 2019. Net income for the period from continuing operations for the year ended December 31, 2020 was $37.4 million compared to net income of $59.7 million for the same period in 2019, with the decrease mostly attributable to the relative changes 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 operating expenses due to the impairment charge in 2019. Net loss for the year ended December 31, 2020 from discontinued operations, net of tax, was $1.7 million compared to $34.3 million for the same period in 2019, mainly due to the $29.5 million impairment charge on goodwill and other intangibles in the UMASH/RRIMH cash-generating unit in 2019.

The Corporation generated cash available for distribution of Cdn$40.0 million for the year ended December 31, 2020, representing an increase of Cdn$12.5 million or 45.3% from Cdn$27.5 million for the same period in 2019. Distributions per common share decreased between the years by Cdn$0.704 to Cdn$0.280, while the payout ratio was 21.8% for the year ended December 31, 2020 compared to 111.1% for the same period in 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

Continuing Operations for the Three Months Ended December 31, 2021

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended December 31, 2021 to the three months ended December 31, 2020.

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2021**	**2020**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	110,677	107,111	3,566	3.3%
Government stimulus income	5,742	2,372	3,370	142.1%
	116,419	**109,483**	**6,936**	**6.3%**
Operating expenses				
Salaries and benefits	31,804	30,359	1,445	4.8%
Drugs and supplies	37,316	34,895	2,421	6.9%
General and administrative expenses	15,346	15,808	(462)	(2.9%)
Depreciation of property and equipment	2,356	2,404	(48)	(2.0%)
Depreciation of right-of-use assets	2,545	2,549	(4)	(0.2%)
Amortization of other intangibles	1,550	1,867	(317)	(17.0%)
	90,917	**87,882**	**3,035**	**3.5%**
Income from operations	**25,502**	**21,601**	**3,901**	**18.1%**
Finance costs				
Change in value of exchangeable interest liability	(635)	13,534	(14,169)	(104.7%)
Interest expense on exchangeable interest liability	2,152	2,062	90	4.4%
Interest expense, net of interest income	1,439	1,491	(52)	(3.5%)
Loss (gain) on foreign currency	47	(2)	49	2,450.0%
	3,003	**17,085**	**(14,082)**	**(82.4%)**
Share of equity loss (income) in associates	(12)	231	(243)	(105.2%)
Income before income taxes	**22,511**	**4,285**	**18,226**	**425.3%**
Income tax expense (recovery)	1,608	(1,331)	2,939	220.8%
Net income for the period from continuing operations	**20,903**	**5,616**	**15,287**	**272.2%**
Attributable to:				
Owners of the Corporation	10,252	(3,071)	13,323	433.8%
Non-controlling interest	10,651	8,687	1,964	22.6%
Basic earnings (loss) per share attributable to owners of the Corporation	$0.33	($0.10)	0.43	430.0%
Fully diluted earnings (loss) per share attributable to owners of the Corporation	$0.32	($0.10)	0.42	420.0%
Reconciliation of net income for the period from continuing operations to EBITDA [(1)]				
Net income for the period from continuing operations	20,903	5,616	15,287	272.2%
Income tax expense (recovery)	1,608	(1,331)	2,939	220.8%
Share of equity loss (income) in associates	(12)	231	(243)	(105.2%)
Finance costs	3,003	17,085	(14,082)	(82.4%)
Depreciation of property and equipment	2,356	2,404	(48)	(2.0%)
Depreciation of right-of-use assets	2,545	2,549	(4)	(0.2%)
Amortization of other intangibles	1,550	1,867	(317)	(17.0%)
EBITDA [(1)]	**31,953**	**28,421**	**3,532**	**12.4%**

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

Revenue and Other Income

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
ASH	18,793	18,167	626	3.4%
OSH	21,154	17,958	3,196	17.8%
BHSH	26,822	26,307	515	2.0%
SFSH	38,409	37,339	1,070	2.9%
SCNC	2,775	2,003	772	38.5%
MFC Nueterra ASCs	8,466	7,709	757	9.8%
Total revenue and other income	**116,419**	**109,483**	**6,936**	**6.3%**

For the three months ended December 31, 2021, total revenue and other income increased from the same period in 2020 by $6.9 million or 6.3%, while facility service revenue increased by $3.6 million or 3.3%. The increase was primarily attributable to government stimulus income ($3.4 million), along with the combined impact of case and payor mix ($2.8 million), and an increase in pain procedures ($1.2 million). This was partly offset by the shutdown of one of BHSH's urgent care centres ($0.4 million).

Total surgical cases increased by 1.5%, as outpatient cases increased by 5.0% and observation cases increased by 31.1%, while inpatient cases decreased by 20.6%. Surgical case volume was up at SFSH, BHSH and SCNC, while the remaining Facilities experienced slight decreases. Surgical case volume increase by payor compared to the same period last year came predominantly from Blue Cross/Blue Shield and Medicare, which increased by 4.2% and 3.1%, respectively. Pain cases were up by 27.6% compared to the same period last year.

The ability to qualify for government stimulus funds under the various programs, and the timing of receipts and recognition of income may differ between individual Facilities.

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

- ASH's revenue increased mainly due to case mix, based on increases in higher acuity orthopedic cases, and an increase in pain procedures, partly offset by lower surgical case volume, and a reduction in government stimulus income.

- OSH's revenue increased mainly due to higher government stimulus income, the combined impact of case and payor mix, including growth in high acuity spine cases, and an increase in pain procedures.

- BHSH's revenue increased mainly due to higher government stimulus income, higher surgical case volume, and case mix, which included more high acuity orthopedic cases, partly offset by the shutdown of one of BHSH's urgent care centres, and a decrease in imaging revenue.

- SFSH's revenue increased mainly due to higher government stimulus income, complemented by case mix, driven by a higher percentage of orthopedic cases and price increases for certain procedures, a decrease in bad debt due to fewer self-pay discounts, and higher surgical case volume, partly offset by payor mix, due to a reduction in Workers' Compensation cases.

- SCNC's revenue increased mainly due to higher government stimulus income, along with case mix, stemming from increased total joints, and higher surgical case volume, partly offset by payor mix, resulting from increased Medicare driven by total joints.

- MFC Nueterra ASCs' revenue increased mainly due to higher government stimulus income, an increase in pain procedures, and the combined impact of case and payor mix, partly offset by lower surgical case volume.

Operating Expenses

For the three months ended December 31, 2021, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles ("operating expenses"), increased by $3.0 million or 3.5% from the same period in the prior year to $90.9 million, mainly due to increases in drugs and supplies due to case mix, annual increases in salaries and wages, and staff retention premiums due to the shortage of nurses, partly offset by lower corporate level costs related to share-based compensation plans driven by the Corporation's rising share price in the prior year. As a percentage of total revenue and other income, operating expenses decreased to 78.1% from 80.3% in the same period a year earlier.

Unaudited	**Three Months Ended December 31,**					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	15,180	80.8%	14,007	77.1%	1,173	8.4%
OSH	17,990	85.0%	18,190	101.3%	(200)	(1.1%)
BHSH	20,635	76.9%	18,749	71.3%	1,886	10.1%
SFSH	24,956	65.0%	24,576	65.8%	380	1.5%
SCNC	2,156	77.7%	1,798	89.8%	358	19.9%
MFC Nueterra ASCs	5,945	70.2%	5,455	70.8%	490	9.0%
Corporate	4,055	n/a	5,107	n/a	(1,052)	(20.6%)
Operating expenses	**90,917**	**78.1%**	**87,882**	**80.3%**	**3,035**	**3.5%**

Consolidated salaries and benefits increased by $1.4 million or 4.8%, primarily due to annual increases for both clinical and non-clinical wages and salaries ($1.0 million), staff retention premiums due to the shortage of nurses ($0.8 million), higher incentive pay ($0.5 million), and the impact of higher surgical case volume ($0.3 million). This was partly offset by lower benefit costs from decreased health plan utilization ($0.9 million), and the shutdown of one of BHSH's urgent care centres ($0.2 million). As a percentage of total revenue and other income, consolidated salaries and benefits decreased to 27.3% from 27.7% a year earlier.

Consolidated drugs and supplies increased by $2.4 million or 6.9%, primarily driven by case mix ($1.9 million), which included increases in higher acuity orthopedic and spine cases, along with year end inventory revisions ($0.3 million), and the impact of higher surgical case volume ($0.2 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 32.1% from 31.9% a year earlier.

Consolidated G&A decreased by $0.5 million or 2.9%. The decrease was mainly attributable to lower corporate level costs related to share-based compensation plans driven by the Corporation's rising share price in the prior year ($1.8 million), mostly offset by higher professional and billing fees ($0.5 million), an increase in losses related to lease terminations ($0.4 million), and an increase in various administrative and facility costs ($0.3 million). As a percentage of total revenue and other income, consolidated G&A decreased to 13.2% from 14.4% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.1 million or 2.0%, mainly due to certain assets being fully depreciated, partly offset by the acquisition of fixed assets. As a percentage of total revenue and other income, consolidated depreciation of property and equipment decreased to 2.0% from 2.2% a year earlier.

Consolidated depreciation of right-of-use assets remained consistent year over year, as the impact of the addition of new leases was offset by the expiration and termination of certain leases. As a percentage of total revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.2% from 2.3% a year earlier.

Consolidated amortization of other intangibles decreased by $0.3 million or 17.0%, mainly due to certain intangibles being fully amortized. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 1.3% from 1.7% a year earlier.

Income from Operations

Consolidated income from operations for the three months ended December 31, 2021 of $25.5 million was $3.9 million or 18.1% higher than $21.6 million in the prior year, representing 21.9% of revenue and other income, compared to 19.7% in the same period in 2020. The increase is mainly the result of higher income from operations at the Facilities, inclusive of the prior year comparative impacts of the COVID-19 pandemic and the government stimulus income, and lower costs related to share-based compensation plans at corporate level, driven by the Corporation's rising share price in the prior year.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	3,613	19.2%	4,160	22.9%	(547)	(13.1%)
OSH	3,164	15.0%	(232)	(1.3%)	3,396	1,463.8%
BHSH	6,187	23.1%	7,558	28.7%	(1,371)	(18.1%)
SFSH	13,453	35.0%	12,763	34.2%	690	5.4%
SCNC	619	22.3%	205	10.2%	414	202.0%
MFC Nueterra ASCs	2,521	29.8%	2,254	29.2%	267	11.8%
Corporate	(4,055)	n/a	(5,107)	n/a	1,052	20.6%
Income from operations	**25,502**	**21.9%**	**21,601**	**19.7%**	**3,901**	**18.1%**

Finance Costs

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 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:

In thousands of U.S. dollars, except as indicated otherwise	**December 31, 2021**	**September 30, 2021** *Unaudited*	**Change**	**December 31, 2020**	**September 30, 2020** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	6,161,517	6,017,687	143,830	6,157,396	6,250,969	(93,573)
Closing price of the Corporation's common shares (*unaudited*)	C$9.35	C$9.74	(C$0.39)	C$7.04	C$4.37	C$2.67
Closing exchange rate of U.S. dollar to Canadian dollar (*unaudited*)	$1.2640	$1.2683	($0.0043)	$1.2735	$1.3322	($0.0587)
Exchangeable interest liability	**45,578**	**46,213**	**(635)**	**34,039**	**20,505**	**13,534**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $0.1 million, which was 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 $0.1 million mainly due to lower interest expense on lease liabilities, and lower credit facility interest expense at corporate level due to the lower outstanding balance and interest rate, mostly offset by higher interest expense at the Facilities' level, and lower interest income at corporate level.

Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency loss increased marginally due to the relative change in foreign exchange rates.

Share of Equity Loss (Income) in Associates

The Corporation's share of equity income in associates accounted for using the equity method increased by $0.2 million due to the Corporation's share of net loss in the prior year from St. Luke's Surgery Center of Chesterfield, LLC ("St. Luke's ASC"), whose investment balance was written down to nil at the start of the current year.

Income Tax

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

Unaudited	**Three Months Ended December 31,**			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
Current income tax expense	415	1,278	(863)	(67.5%)
Deferred income tax expense (recovery)	1,193	(2,609)	3,802	145.7%
Income tax expense (recovery)	**1,608**	**(1,331)**	**2,939**	**220.8%**

The decrease in current income tax expense versus last year was primarily due to the impact of tax losses from the Corporation's equity investments in the current quarter. The increase in deferred income tax expense versus prior year was mainly due to significant prior year changes from increased deductibility of interest expense previously deferred, stemming from the CARES Act, as well as changes in timing differences and the impact of the change in exchangeable interest liability.

Net Income from Continuing Operations

The $15.3 million increase in net income for the period from continuing operations was mainly attributable to lower finance costs, including the change in the value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), complemented by higher income from operations at the Facilities, partly offset by higher income tax expense.

EBITDA

EBITDA of $32.0 million increased by $3.6 million from $28.4 million recorded a year earlier, representing 27.4% of revenue and other income compared to 26.0% a year earlier, mainly driven by higher EBITDA at all Facilities except BHSH and ASH. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA".

Continuing Operations for the Year Ended December 31, 2021

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the year ended December 31, 2021 to the year ended December 31, 2020.

In thousands of U.S. dollars, except per share amounts	Year Ended December 31, 2021	2020	$ Change	% Change
Revenue and other income				
Facility service revenue	398,633	363,854	34,779	9.6%
Government stimulus income	13,099	26,008	(12,909)	(49.6%)
	411,732	**389,862**	**21,870**	**5.6%**
Operating expenses				
Salaries and benefits	119,901	114,535	5,366	4.7%
Drugs and supplies	130,027	120,916	9,111	7.5%
General and administrative expenses	57,677	58,729	(1,052)	(1.8%)
Depreciation of property and equipment	9,366	9,801	(435)	(4.4%)
Depreciation of right-of-use assets	10,172	10,122	50	0.5%
Amortization of other intangibles	7,231	7,965	(734)	(9.2%)
	334,374	**322,068**	**12,306**	**3.8%**
Income from operations	**77,358**	**67,794**	**9,564**	**14.1%**
Finance costs				
Change in value of exchangeable interest liability	11,539	12,033	(494)	(4.1%)
Interest expense on exchangeable interest liability	8,707	6,716	1,991	29.6%
Interest expense, net of interest income	6,064	6,058	6	0.1%
Impairment gain on loan receivable	-	(681)	681	100.0%
Loss on foreign currency	34	51	(17)	(33.3%)
	26,344	**24,177**	**2,167**	**9.0%**
Share of equity loss in associates	125	1,837	(1,712)	(93.2%)
Income before income taxes	**50,889**	**41,780**	**9,109**	**21.8%**
Income tax expense	4,396	4,358	38	0.9%
Net income for the period from continuing operations	**46,493**	**37,422**	**9,071**	**24.2%**
Attributable to:				
Owners of the Corporation	15,500	9,591	5,909	61.6%
Non-controlling interest	30,993	27,831	3,162	11.4%
Basic earnings per share attributable to owners of the Corporation	$0.50	$0.31	0.19	61.3%
Fully diluted earnings per share attributable to owners of the Corporation	$0.50	$0.31	0.19	61.3%
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA (1)				
Net income for the period from continuing operations	46,493	37,422	9,071	24.2%
Income tax expense	4,396	4,358	38	0.9%
Share of equity loss in associates	125	1,837	(1,712)	(93.2%)
Finance costs	26,344	24,177	2,167	9.0%
Depreciation of property and equipment	9,366	9,801	(435)	(4.4%)
Depreciation of right-of-use assets	10,172	10,122	50	0.5%
Amortization of other intangibles	7,231	7,965	(734)	(9.2%)
EBITDA (1)	**104,127**	**95,682**	**8,445**	**8.8%**
Transaction costs on sale of UMASH (2)	-	450	(450)	(100.0%)
Adjusted EBITDA (1)	**104,127**	**96,132**	**7,995**	**8.3%**

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

(2) *The Corporation incurred transaction costs, including legal, audit, and other professional fees, on the sale of controlling interest in UMASH on February 24, 2020. These are included in general and administrative expenses from continuing operations in the Corporation's consolidated statements of income and comprehensive income.*

Revenue and Other Income

	Year Ended December 31,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
ASH	71,085	71,956	(871)	(1.2%)
OSH	78,716	72,392	6,324	8.7%
BHSH	98,647	91,192	7,455	8.2%
SFSH	128,619	119,316	9,303	7.8%
SCNC	9,404	6,823	2,581	37.8%
MFC Nueterra ASCs	25,261	28,183	(2,922)	(10.4%)
Total revenue and other income	**411,732**	**389,862**	**21,870**	**5.6%**

For the year ended December 31, 2021, total revenue and other income increased from the same period in 2020 by $21.9 million or 5.6%. Facility service revenue increased by $34.8 million or 9.6%. The increase was primarily attributable to the increase in surgical case volume ($25.4 million) compared to prior year volumes which were reduced significantly by the onset of the COVID-19 pandemic, along with the combined impact of case and payor mix ($11.6 million), and an increase in pain procedures ($4.2 million). This was partly offset by a reduction in government stimulus income ($12.9 million), combined with the impact of the sale of Two Rivers Surgical Center ("TRSC") in September 2020 ($5.0 million), a prior year lump sum rebate from a certain payor at ASH ($0.8 million), the shutdown of one of BHSH's urgent care centres ($0.4 million), and the shutdown of the ASH urgent care centre in June 2020 ($0.3 million).

Excluding the impact of TRSC, total surgical cases increased by 8.9%, as outpatient cases increased by 13.0% and observation cases increased by 33.7%, while inpatient cases decreased by 12.1%. Surgical case volume was up at all Facilities, except ASH, which remained consistent with the prior year. SFSH and BHSH experienced the largest increases. Surgical case volume increase by payor over the same period last year came predominantly from Medicare and Blue Cross/Blue Shield, which increased by 9.9% and 9.4%, respectively. Pain cases were up by 18.1% compared to the same period last year.

The ability to qualify for government stimulus funds under the various programs, and the timing of receipts and recognition of income may differ between individual Facilities.

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

- ASH's revenue decreased mainly due to a reduction in government stimulus income, and a prior year lump sum rebate from a certain payor, partly offset by case mix, which reflected an increase in orthopedic cases, and an increase in pain procedures.

- OSH's revenue increased mainly due to higher surgical case volume as prior year volumes were reduced by the COVID-19 pandemic, along with the combined impact of case and payor mix, including growth in high acuity spine cases, and an increase in pain procedures, partly offset by a reduction in government stimulus income.

- BHSH's revenue increased mainly due to higher surgical case volume, as prior year volumes were significantly reduced by the COVID-19 pandemic which resulted in a discontinuation of elective cases from the second half of March 2020 to April 2020. This was complemented by a shift in case mix with more orthopedic and higher acuity spine cases, higher urgent care revenue, and an increase in pain procedures, partly offset by the shutdown of one of BHSH's urgent care centres, and a reduction in government stimulus income.

- SFSH's revenue increased mainly due to an increase in surgical case volume, as prior year volumes were negatively impacted from the discontinuation of elective cases from April 2020 to the first half of May 2020 as a result of the COVID-19 pandemic. This was complemented by the impact of case mix from increased orthopedic cases and price increases for certain procedures, partly offset by a reduction in government stimulus income, and payor mix, due to a reduction in Workers' Compensation cases.

- SCNC's revenue increased mainly due to improved case mix stemming from increased total joints, and higher surgical case volume as prior year volumes were negatively affected by the COVID-19 pandemic, partly offset by payor mix resulting from increased Medicare driven by total joints.

- MFC Nueterra ASCs' revenue decreased mainly due to the impact of the sale of TRSC, and a decrease in government stimulus income. This was partly offset by an increase in pain procedures, and higher surgical case volume, with prior year volumes significantly reduced by the COVID-19 pandemic, as three ASCs located in Pennsylvania, Nebraska, and Ohio were closed starting in the second half of March 2020 until the end of April 2020 because of state mandates on elective surgery.

Operating Expenses

For the year ended December 31, 2021, operating expenses increased by $12.3 million or 3.8% from the same period in the prior year to $334.4 million, mainly due to increases in drugs and supplies, and salaries and benefits in line with the higher surgical case volume observed across all Facilities, except ASH. As a percentage of total revenue and other income, operating expenses decreased to 81.2% from 82.6% in the same period a year earlier.

	Year Ended December 31,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	55,703	78.4%	53,115	73.8%	2,588	4.9%
OSH	70,800	89.9%	68,643	94.8%	2,157	3.1%
BHSH	71,914	72.9%	69,096	75.8%	2,818	4.1%
SFSH	88,127	68.5%	82,843	69.4%	5,284	6.4%
SCNC	8,488	90.3%	6,252	91.6%	2,236	35.8%
MFC Nueterra ASCs	20,786	82.3%	23,456	83.2%	(2,670)	(11.4%)
Corporate	18,556	n/a	18,663	n/a	(107)	(0.6%)
Operating expenses	**334,374**	**81.2%**	**322,068**	**82.6%**	**12,306**	**3.8%**

Consolidated salaries and benefits increased by $5.4 million or 4.7%, primarily due to annual increases for both clinical and non-clinical wages and salaries ($2.9 million), the impact of higher surgical case volume ($2.0 million), staff retention premiums due to the shortage of nurses ($0.9 million), higher corporate level costs related to share-based compensation ($0.7 million), higher incentive pay ($0.4 million), and higher benefit costs from increased health plan utilization ($0.2 million). This was partly offset by the impact of the sale of TRSC ($1.0 million), urgent care staffing reductions ($0.3 million), the shutdown of a BHSH urgent care centre ($0.2 million), and the shutdown of the ASH urgent care centre ($0.2 million). As a percentage of total revenue and other income, consolidated salaries and benefits decreased to 29.1% from 29.4% a year earlier.

Consolidated drugs and supplies increased by $9.1 million or 7.5%, primarily driven by case mix ($7.1 million), which included increased orthopedic and higher acuity spine cases, and the impact of higher surgical case volume ($6.4 million). This was partly offset by the impact of the sale of TRSC ($2.3 million), and a gain recorded on the exchange of implant inventory as part of a new vendor agreement by BHSH ($2.0 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 31.6% from 31.0% a year earlier.

Consolidated G&A decreased by $1.1 million or 1.8%. The decrease in G&A was mainly attributable to the impact of the sale of TRSC ($0.9 million), lower physician guarantee costs ($0.6 million), the transaction costs incurred on the sale of the Corporation's controlling interest in UMASH in the prior year ($0.5 million), and an impairment charge from the shutdown of the ASH urgent care centre in the prior year ($0.5 million). This was partly offset by an increase in professional and billing fees ($0.9 million), higher marketing costs ($0.3 million), a prior year gain recorded on the sale of TRSC ($0.2 million), and an increase in various administrative and facility costs ($0.1 million). As a percentage of total revenue and other income, consolidated G&A decreased to 14.0% from 15.1% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.4 million or 4.4%, mainly due to certain assets being fully depreciated, as well as the impact of the sale of TRSC, partly offset by the acquisition of fixed assets. As a percentage of total revenue and other income, consolidated depreciation of property and equipment decreased to 2.3% from 2.5% a year earlier.

Consolidated depreciation of right-of-use assets increased by $0.1 million or 0.5%, mainly due to the addition of new leases, partly offset by the expiration and termination of certain leases, including the impact of the sale of TRSC. As a percentage of total revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.5% from 2.6% a year earlier.

Consolidated amortization of other intangibles decreased by $0.7 million or 9.2%, mainly due to certain intangibles being fully amortized, as well as the impact of the sale of TRSC. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 1.8% from 2.0% a year earlier.

Income from Operations

Consolidated income from operations for the year ended December 31, 2021 of $77.4 million was $9.6 million or 14.1% higher than consolidated income from operations of $67.8 million, recorded in the same period a year earlier, representing 18.8% of revenue and other income, compared to 17.4% in the same period in 2020. The increase is mainly due to the higher income from operations at the Facilities, inclusive of the prior year comparative impacts of the COVID-19 pandemic and the government stimulus income.

	Year Ended December 31,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	15,382	21.6%	18,841	26.2%	(3,459)	(18.4%)
OSH	7,916	10.1%	3,749	5.2%	4,167	111.1%
BHSH	26,733	27.1%	22,096	24.2%	4,637	21.0%
SFSH	40,492	31.5%	36,473	30.6%	4,019	11.0%
SCNC	916	9.7%	571	8.4%	345	60.4%
MFC Nueterra ASCs	4,475	17.7%	4,727	16.8%	(252)	(5.3%)
Corporate	(18,556)	n/a	(18,663)	n/a	107	0.6%
Income from operations	**77,358**	**18.8%**	**67,794**	**17.4%**	**9,564**	**14.1%**

Finance Costs

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 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:

In thousands of U.S. dollars, except as indicated otherwise	**December 31, 2021**	**December 31, 2020**	**Change**	**December 31, 2020**	**December 31, 2019**	**Change**
Number of common shares to be issued for exchangeable interest liability	6,161,517	6,157,396	4,121	6,157,396	5,955,277	202,119
Closing price of the Corporation's common shares (*unaudited*)	C$9.35	C$7.04	C$2.31	C$7.04	C$4.80	C$2.24
Closing exchange rate of U.S. dollar to Canadian dollar (*unaudited*)	$1.2640	$1.2735	($0.0095)	$1.2735	$1.2990	($0.0255)
Exchangeable interest liability	**45,578**	**34,039**	**11,539**	**34,039**	**22,006**	**12,033**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $2.0 million, which was 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 remained consistent year over year, as savings from lower credit facility interest expense at corporate level due to the lower outstanding balance and interest rate, lower interest expense on lease liabilities, and lower interest expense at the Facilities' level, were offset by lower interest income at corporate level.

Impairment Gain on Loan Receivable

Impairment gain on loan receivable decreased by $0.7 million, as a result of re-evaluating the impairment loss allowance reserved on the loan receivable (refer to Section 13 under the heading "Allowance for Loan Receivable" for a discussion on the calculation methodology).

Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses are made in Canadian dollars. Foreign currency loss decreased marginally due to the relative change in foreign exchange rates.

Share of Equity Loss in Associates

The Corporation's share of equity loss in associates accounted for using the equity method decreased by $1.7 million, mainly due to the Corporation's share of net loss from UMASH in the prior year. No losses have been recognized for UMASH in the current year because the investment balance was written down to nil at the end of the prior year. Share of net loss was also recorded in the prior year for St. Luke's ASC, whose investment balance was written down to nil at the start of the current year.

Income Tax

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

In thousands of U.S. dollars	Year Ended December 31, 2021	2020	$ Change	% Change
Current income tax expense (recovery)	2,623	(2,290)	4,913	214.5%
Deferred income tax expense	1,773	6,648	(4,875)	(73.3%)
Income tax expense	**4,396**	**4,358**	**38**	**0.9%**

The increase in current income tax expense versus last year was primarily due to prior year refundable U.S. current taxes of $4.0 million stemming from measures introduced as part of the CARES Act, as described below, combined with the impact of higher Facility income in the current year. The decrease in deferred income tax expense versus prior year was mainly due to significant prior year changes from increased deductibility of interest expense previously deferred, stemming from the CARES Act, and timing differences.

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 net 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 Corporation recorded refunds for the year ended December 31, 2020 of approximately $4.0 million as a result of the change due to the CARES Act.

The other significant change is that the CARES Act clarifies that Qualified Improvement Property is eligible for bonus depreciation (i.e., 100% expensing) under Section 168(k) of the Code, for which the Corporation estimated tax savings of approximately $0.9 million for the year ended December 31, 2020.

Net Income from Continuing Operations

The $9.1 million increase in net income for the period from continuing operations was mainly attributable to higher income from operations at the Facilities, and lower share of equity loss in associates, partly offset by higher interest expense on exchangeable interest liability.

EBITDA

EBITDA of $104.1 million increased by $8.4 million from $95.7 million recorded a year earlier, representing 25.3% of revenue and other income compared to 24.5% a year earlier, mainly due to an overall increase in EBITDA at the Facilities, driven by BHSH, OSH and SFSH. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA."

Adjusted EBITDA

Adjusted EBITDA of $104.1 million for the year ended December 31, 2021 increased from $96.1 million in the same period a year earlier, representing 25.3% of revenue and other income, versus 24.7% a year earlier. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income 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

Unaudited	2021				2020			
In thousands of U.S. dollars, except per share amounts	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue and other income								
Facility service revenue	110,677	96,388	97,572	93,996	107,111	96,322	67,659	92,762
Government stimulus income	5,742	2,652	572	4,133	2,372	2,491	21,145	-
	116,419	**99,040**	**98,144**	**98,129**	**109,483**	**98,813**	**88,804**	**92,762**
Operating expenses								
Salaries and benefits	31,804	29,978	29,066	29,053	30,359	28,795	26,794	28,587
Drugs and supplies	37,316	31,057	31,561	30,093	34,895	32,696	22,910	30,415
General and administrative expenses	15,346	14,661	13,819	13,851	15,808	12,772	14,497	15,652
Depreciation of property and equipment	2,356	2,325	2,324	2,361	2,404	2,445	2,469	2,483
Depreciation of right-of-use assets	2,545	2,549	2,539	2,539	2,549	2,483	2,521	2,569
Amortization of other intangibles	1,550	1,915	1,893	1,873	1,867	2,050	2,027	2,021
	90,917	**82,485**	**81,202**	**79,770**	**87,882**	**81,241**	**71,218**	**81,727**
Income from operations	**25,502**	**16,555**	**16,942**	**18,359**	**21,601**	**17,572**	**17,586**	**11,035**
Finance costs (income)								
Change in value of exchangeable interest liability	(635)	12,559	(2,333)	1,948	13,534	(23)	5,549	(7,027)
Interest expense on exchangeable interest liability	2,152	1,711	2,145	2,699	2,062	2,061	686	1,907
Interest expense, net of interest income	1,439	1,468	1,615	1,542	1,491	2,216	915	1,436
Impairment gain on loan receivable	-	-	-	-	-	-	(681)	-
Loss (gain) on foreign currency	47	(11)	(4)	2	(2)	38	(19)	34
	3,003	**15,727**	**1,423**	**6,191**	**17,085**	**4,292**	**6,450**	**(3,650)**
Share of equity loss (income) in associates	(12)	(5)	100	42	231	672	476	458
Income before income taxes	**22,511**	**833**	**15,419**	**12,126**	**4,285**	**12,608**	**10,660**	**14,227**
Income tax expense (recovery)	1,608	(2,594)	3,563	1,819	(1,331)	2,786	3,283	(380)
Net income for the period from continuing operations	**20,903**	**3,427**	**11,856**	**10,307**	**5,616**	**9,822**	**7,377**	**14,607**
Attributable to:								
Owners of the Corporation	10,252	(3,545)	5,321	3,472	(3,071)	2,998	241	9,423
Non-controlling interest	10,651	6,972	6,535	6,835	8,687	6,824	7,136	5,184
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$0.33	($0.11)	$0.17	$0.11	($0.10)	$0.10	$0.01	$0.30
Fully diluted	$0.32	($0.11)	$0.15	$0.11	($0.10)	$0.10	$0.01	$0.16
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA (1)								
Net income for the period from continuing operations	20,903	3,427	11,856	10,307	5,616	9,822	7,377	14,607
Income tax expense (recovery)	1,608	(2,594)	3,563	1,819	(1,331)	2,786	3,283	(380)
Share of equity loss (income) in associates	(12)	(5)	100	42	231	672	476	458
Finance costs (income)	3,003	15,727	1,423	6,191	17,085	4,292	6,450	(3,650)
Depreciation of property and equipment	2,356	2,325	2,324	2,361	2,404	2,445	2,469	2,483
Depreciation of right-of-use assets	2,545	2,549	2,539	2,539	2,549	2,483	2,521	2,569
Amortization of other intangibles	1,550	1,915	1,893	1,873	1,867	2,050	2,027	2,021
EBITDA (1)	**31,953**	**23,344**	**23,698**	**25,132**	**28,421**	**24,550**	**24,603**	**18,108**
Transaction costs on sale of UMASH (2)	-	-	-	-	-	-	-	450
Adjusted EBITDA (1)	**31,953**	**23,344**	**23,698**	**25,132**	**28,421**	**24,550**	**24,603**	**18,558**

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

(2) *The Corporation incurred transaction costs, including legal, audit, and other professional fees, on the sale of controlling interest in UMASH on February 24, 2020. These are included in general and administrative expenses from continuing operations in the Corporation's consolidated statements of income and comprehensive income.*

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

- Facility service 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, facility service 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 U.S. state or local government mandate. Both such restrictions were lifted by mid-May 2020, but the pandemic continues to impact case volume across the Facilities, and there is no certainty that similar restrictions will not be re-instated.
- As part of the CARES Act and other stimulus legislation in response to the COVID-19 pandemic, the Facilities received financial assistance and recorded some of the funds as government stimulus income during 2020 and 2021. There is no certainty that such programs will be extended or replaced if the pandemic continues.
- The changes in operating expenses are generally consistent with fluctuations in case volumes and case mix. Operating expenses have also been impacted by costs related to an accountable care organization ("ACO") previously established by SFSH, as well as a management agreement for the orthopedic service line that SFSH entered into. The existing ACO ended December 31, 2021, and SFSH has established a new ACO starting January 1, 2022, to replace it (refer to Section 12 of this MD&A under heading "Related Party Transactions").
- In addition, revenue and operating expenses have been impacted by sales of assets and controlling interests in 2020. In September 2020, the Corporation sold all of its controlling ownership interest in TRSC and recorded a gain on the sale.
- In June 2020, the ASH urgent care site located in Sherwood, Arkansas shut down its operations. The Corporation recorded an impairment of property and equipment as well as the right-of-use asset as a result of this shutdown.
- 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 2020 and 2021, changes 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, taxable (deductible) foreign exchange gains (losses), and temporary beneficial tax provisions under the CARES Act, which may not be extended for future periods. 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, and the impact of measures introduced by the CARES Act.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

		Three Months Ended December 31, *Unaudited*		Year Ended December 31,	
In thousands of U.S. dollars, except as indicated otherwise		2021 $	2020[1] $	2021 $	2020[1] $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**23,576**	**23,272**	**75,642**	**113,274**
Non-controlling interest in cash flows of the Facilities [2]		(13,118)	(12,536)	(40,489)	(38,851)
Interest expense on exchangeable interest liability [3]		2,152	2,062	8,707	6,716
Payment of lease liabilities [4]		(2,936)	(3,079)	(11,943)	(12,257)
Maintenance capital expenditures [5]		(1,255)	(675)	(4,572)	(3,247)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [6]		403	(2,363)	1,837	3,320
Net changes in non-cash operating working capital [1][7]		4,770	2,722	10,445	(32,098)
Share-based compensation [8]		(54)	64	(292)	(167)
Repayments of notes payable by the Facilities [9]		(1,914)	(1,688)	(9,460)	(6,869)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**11,624**	**7,779**	**29,875**	**29,821**
	CDN	**14,650**	**10,136**	**37,448**	**40,005**
DISTRIBUTIONS	**CDN**	**2,479**	**2,178**	**9,011**	**8,710**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [10]	**CDN**	**$0.472**	**$0.326**	**$1.204**	**$1.286**
TOTAL DISTRIBUTIONS PER COMMON SHARE [10]	**CDN**	**$0.080**	**$0.070**	**$0.290**	**$0.280**
PAYOUT RATIO		**16.9%**	**21.5%**	**24.1%**	**21.8%**
Average exchange rate of Cdn$ to US$ for the period		1.2603	1.3030	1.2535	1.3415
Weighted average number of common shares outstanding		31,053,207	31,106,259	31,092,887	31,106,259

[1] *For the comparative periods, management has reclassified the cash flows from payor advances and government stimulus funds repayable from financing activities to operating activities, and included these in the change in non-cash operating working capital items, as these are a result of the Corporation's operational activities.*

[2] *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. This is calculated by multiplying the distributable cash flows from each Facility with the respective ownership share of the non-controlling interest holders.*

[3] *Interest expense on exchangeable interest liability represents a notional amount of interest expense deducted in the determination of net 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. It is included in the Corporation's consolidated statements of income and comprehensive income.*

[4] *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 cash flows from financing activities in the Corporation's consolidated statements of cash flows.*

[5] *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. Maintenance capital expenditures, together with major capital expenditures, comprise the purchase of property and equipment, which is included in cash flows from investing activities in the Corporation's consolidated statements of cash flows.*

[6] *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, and income and withholding taxes is included in the table above.*

[7] *While changes in non-cash operating working capital are included in the calculation of net cash provided by operating activities in the Corporation's consolidated statements of cash flows, 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.*

[8] *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. It is included in the Corporation's consolidated statements of changes in equity.*

[9] *Repayments of notes payable by the Facilities, comprising of interest and principal repayments on non-revolving debt obligations, reflects contractual obligations of the Facilities and is deducted in the calculation of cash available for distribution. It is included in cash flows from financing activities in the Corporation's consolidated statements of cash flows.*

[10] *Calculated based on the weighted average number of common shares outstanding.*

Cash available for distribution in the three months ended December 31, 2021 (Cdn$14.7 million) increased by Cdn$4.6 million compared to the cash available for distribution the same period last year (Cdn$10.1 million). On a per common share basis, cash available for distribution of Cdn$0.472 increased by Cdn$0.146, or 44.8% from the same period last year of Cdn$0.326. The distributions per common share of Cdn$0.080 increased by Cdn$0.010, or 14.3% from the same period last year of Cdn$0.070 resulting in a payout ratio of 16.9% as compared to a payout ratio of 21.5% in the same period in 2020.

Cash available for distribution in the year ended December 31, 2021 (Cdn$37.4 million) decreased by Cdn$2.6 million compared to the cash available for distribution the same period last year (Cdn$40.0 million), due mainly to the relative change in foreign exchange rates. On a per common share basis, cash available for distribution of Cdn$1.204 decreased by Cdn$0.082, or 6.4% from the same period last year of Cdn$1.286. The distributions per common share of Cdn$0.290 increased by Cdn$0.010, or 3.6% from the same period last year of Cdn$0.280 resulting in a payout ratio of 24.1% as compared to a payout ratio of 21.8% in the same period in 2020.

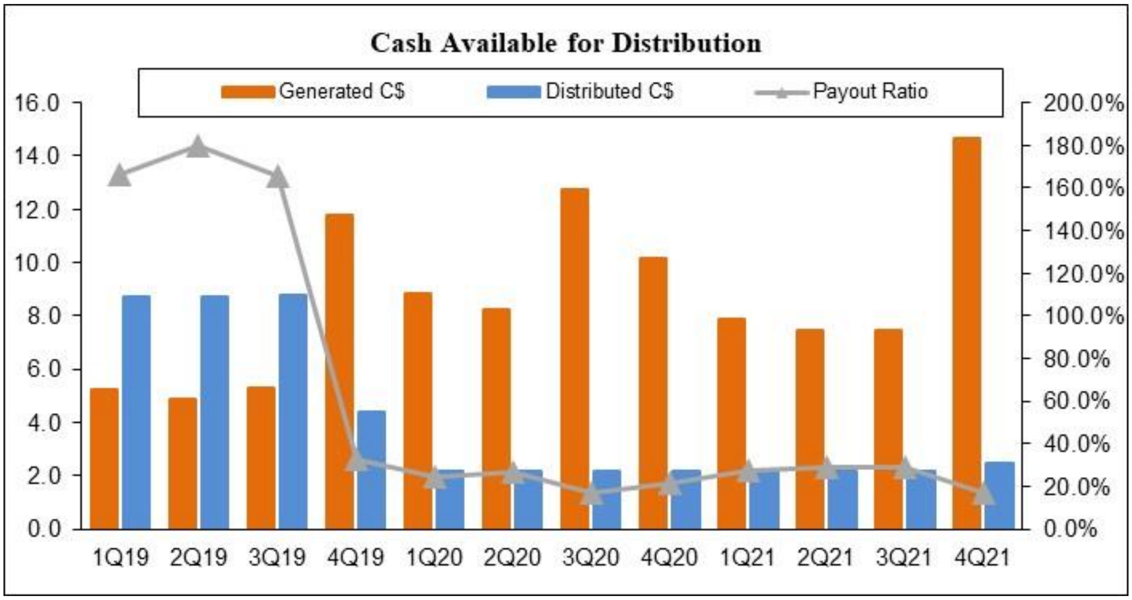
The Corporation's cash available for distribution comes solely from the Facilities. The following table provides a reconciliation of cash generated at the Facility level to the Corporation's cash available for distribution:

	Three Months Ended December 31, *Unaudited*		**Year Ended December 31,**	
In thousands of U.S. dollars	**2021** **$**	**2020** **$**	**2021** **$**	**2020** **$**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization	34,365	31,330	115,201	107,125
Debt service costs:				
Interest	(379)	(565)	(1,952)	(3,825)
Repayment of non-revolving debt	(1,914)	(1,688)	(9,460)	(6,869)
Maintenance capital expenditures	(1,255)	(675)	(4,572)	(3,247)
Payment of lease liabilities	(2,886)	(3,028)	(11,738)	(12,073)
Non-cash loss (gain)	87	23	(1,903)	(1,952)
Cash available for distribution at Facility level	28,018	25,397	85,576	79,159
Non-controlling interest in cash available for distribution at Facility level	(13,118)	(12,536)	(40,489)	(38,851)
Corporation's share of the cash available for distribution at Facility level	**14,900**	**12,861**	**45,087**	**40,308**
Corporate expenses	(2,748)	(3,280)	(11,896)	(9,553)
Share of equity income (loss) in associates	12	(231)	(125)	(1,837)
Interest on corporate credit facility	(125)	(293)	(568)	(1,917)
Recoveries of (provision for) current income taxes	(415)	(1,278)	(2,623)	2,820
Cash available for distribution	**11,624**	**7,779**	**29,875**	**29,821**

Compared to the three months ended December 31, 2020, the cash available for distribution in U.S. dollars for the same period this year increased by $3.8 million or 49.4% mainly due to higher income from Facilities, lower corporate expenses, and lower current taxes, partly offset by higher debt service costs and maintenance capital expenditures at the Facilities.

Compared to the year ended December 31, 2020, the cash available for distribution in U.S. dollars for the same period this year increased by $0.1 million or 0.2% mainly due to higher income from Facilities, a decrease in equity loss in associates, and lower corporate interest payments, mostly offset by higher current taxes, higher corporate expenses, and higher debt service costs and maintenance capital expenditures at the 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 this 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 recent ongoing COVID-19 pandemic, the economy, the healthcare industry, management strategies of the Corporation, and U.S. tax reform.

COVID-19

Since the outbreak of the COVID-19 pandemic, the landscape for the healthcare industry has changed significantly. While the restrictions on elective procedures have been lifted in most of the states where the Facilities operate, it is uncertain whether the local state authorities will impose such restrictions again in the future. As the Facilities continue working toward a return to their normal operations, the overall vaccine acceptance rate among patients, physicians, and staff, and the efficacy of the COVID-19 vaccines against the virus and its variants, will greatly influence the progress to return to normal operations.

Management expects that the COVID-19 pandemic will continue to impact the Facilities' operations and financial results. The duration and impact of the COVID-19 pandemic remains unknown, as is the efficacy of the U.S. government 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 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, which is experiencing the influence of the ongoing COVID-19 pandemic, including the impact on supply chain, with reported delays and increased lead times in acquiring supplies since the onset of the pandemic. 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 U.S. 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.

Changes in the U.S. federal government's political priorities could have potential implications on the healthcare industry, including but not limited to the government response to COVID-19 and potential modifications to the PPACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the PPACA has diminished with the new U.S. administration.

Hospitals throughout the U.S. continue to face a shortage of nurses and other healthcare workers, compounded by the COVID-19 pandemic. The pandemic has also caused an exodus of experienced nurses from the industry, as well as turnover among early-career nurses, impacting the ability of hospitals to operate at full capacity. The shortage has led hospitals, including MFC Facilities, to accelerate their hiring processes and offer enhanced salary and benefit packages to attract and retain staff. Further, the vaccine mandate announced by the CMS, detailed below, could potentially aggravate the shortage. The full duration and impact of this shortage is indeterminable at this time.

On November 4, 2021, CMS announced COVID-19 vaccination requirements for eligible staff at health care facilities participating in Medicare and Medicaid programs. CMS issued updated Memorandums on December 28, 2021, and January 14, 2022, each providing compliance timelines for specific states, respectively. Under the guidance, eligible facilities are mandated to develop processes and plans for:

- vaccinating all eligible staff;
- providing exemptions and accommodations for those who are exempt; and
- tracking and documenting staff vaccinations.

These requirements apply to all eligible staff working in the facility, regardless of their clinical responsibility or patient contact. However, the regulation also allows exemptions centered on medical conditions or religious beliefs, observances, or practices. Accommodations for exempt employees include but are not limited to testing, physical distancing and source control.

In order to meet the COVID-19 vaccine guidelines, facilities will need to create a policy to determine if all eligible staff have received the first dose of a two-dose COVID-19 vaccine or a single-dose COVID-19 vaccine, prior to providing care, treatment, or other health care services, by January 28, 2022 / February 14, 2022 (differs by state). All eligible staff must have received the necessary doses (one single-dose vaccine or the completion of a two-dose vaccine) to be fully vaccinated by February 28, 2022 / March 16, 2022 (differs by state).

CMS will ensure compliance with these requirements through established survey and enforcement processes. Facilities out of compliance will be cited and provided an opportunity to return to compliance before enforcement remedies such as civil monetary penalties, denial of payment, and termination from the Medicare and Medicaid program are employed.

MFC Facilities have successfully developed and implemented relevant policies and procedures to ensure compliance with the requirements of this federal vaccine mandate.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities, including the leveraging of its existing network to create de novo ASCs, along with the acquisitions and development of new, accretive ASCs that are complementary to the Corporation's core business. 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 and de novo pipeline and to 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 this year (2021), versus earnings before interest and taxes thereafter (2022 and beyond). One of the tax relief measures under the CARES Act increased the limit from 30% to 50% of a taxpayer's adjusted taxable income for tax years beginning in 2019 and 2020. 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 the impact of COVID-19, 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 this 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 Facilities' case mix, payor 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 and Facilities' liquidity, ability to meet debt covenants, and ability to repay outstanding debts 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 and Facilities may obtain any additional funding.

Cash Balances

The Corporation's cash and cash equivalents balances are as follows:

In thousands of U.S. dollars	**December 31, 2021**	**December 31, 2020**
Cash and cash equivalents at Facility level	38,360	52,076
Cash and cash equivalents at corporate level	22,684	14,106
Cash and cash equivalents	**61,044**	**66,182**

Cash Flow Activity

Cash Flow

	Year Ended December 31,			
In thousands of U.S. dollars	**2021**	**2020[1]**	**$ Change**	**% Change**
Cash provided by operating activities [1]	75,642	113,274	(37,632)	(33.2%)
Cash provided by (used in) investing activities	(8,688)	18,309	(26,997)	(147.5%)
Cash used in financing activities [1]	(72,058)	(97,336)	25,278	26.0%
Increase (decrease) in cash and cash equivalents	**(5,104)**	**34,247**	**(39,351)**	**(114.9%)**
Effect of exchange rate fluctuations on cash balances held	(34)	(51)	17	33.3%
Cash and cash equivalents, beginning of the period	66,182	31,986	34,196	106.9%
Cash and cash equivalents, end of the period	**61,044**	**66,182**	**(5,138)**	**(7.8%)**

[1] *For the comparative period, management has reclassified the cash flows from payor advances and government stimulus funds repayable from financing activities to operating activities, as these are a result of the Corporation's operational activities.*

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 year ended December 31, 2021 decreased by $37.6 million, primarily due to the decrease in payor advances and government stimulus funds received, and higher tax payments, partly offset by higher income from the Facilities' operations.

As at December 31, 2021, the Corporation had consolidated net working capital of $67.4 million compared to $45.0 million as at December 31, 2020. The change was due mainly to the decreases in payor advances and government stimulus funds repayable, the current portion of long-term debt, and accounts payable, partly offset by the increase in accrued liabilities, and the decrease in cash. The level of working capital, including financing required to cover any deficiencies, is dependent on the operating performance of the Facilities and fluctuates from period to period.

As at December 31, 2021, accounts receivable were $61.4 million (December 31, 2020: $60.2 million), accounts payable and accrued liabilities totaled $48.9 million (December 31, 2020: $45.7 million), total assets were $447.0 million (December 31, 2020: $457.0 million) and total long-term liabilities, excluding exchangeable interest liability, were $140.2 million (December 31, 2020: $146.2 million).

Investing Activities

The $27.0 million decrease in cash used in investing activities for the year ended December 31, 2021 was mostly due to the prior year proceeds from the sale of controlling interests in UMASH and real estate assets in RRIMH ($25.8 million) and the sale of TRSC ($1.0 million), and an increase in purchases of property and equipment ($0.9 million), partly offset by the prior year investment in UMASH subsequent to sale ($0.8 million).

Financing Activities

The $25.3 million decrease in cash used in financing activities for the year ended December 31, 2021 was mainly due to lower net repayments of credit facilities and other borrowings at both Facility and corporate level ($35.5 million), partly offset by higher Facility distributions to non-controlling interest ($7.3 million), purchase of common shares under the terms of a normal course issuer bid in the current year ($2.1 million), and an increase in dividends paid by the Corporation ($1.0 million).

The Facilities have available credit facilities in place in the aggregate amount of $32.8 million, of which $7.2 million was drawn as at December 31, 2021. The balances available under the credit facilities, combined with cash and cash equivalents as at December 31, 2021, 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 December 31, 2021, $26.0 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). The Corporation repaid $46.8 million of its outstanding balance during the year ended December 31, 2020, and $12.0 million during the year ended December 31, 2021. As at December 31, 2021, 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 December 31, 2021, are as follows:

In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at December 31, 2021** **$**	**Future payments (including principal and interest)** **Total** **$**	**Less than 1 year** **$**	**2-3 years** **$**	**4-5 years** **$**	**After 5 years** **$**
Dividends payable	1,961	1,961	1,961	-	-	-
Accounts payable	23,940	23,940	23,940	-	-	-
Accrued liabilities	24,939	24,939	24,939	-	-	-
Payor advances and government stimulus funds repayable	15,843	15,843	15,843	-	-	-
Corporate credit facility	26,000	26,694	416	26,278	-	-
Facilities' revolving credit facilities	7,169	7,807	715	3,584	214	3,294
Notes payable	46,401	53,639	6,433	12,832	15,216	19,158
Lease liabilities	61,330	73,647	12,132	21,174	15,053	25,288
Total contractual obligations	**207,583**	**228,470**	**86,379**	**63,868**	**30,483**	**47,740**

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 this 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 December 31, 2021:

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 December 31, 2021, 794,906 of the Options relating to the Chief Development Officer, the Former Chief Executive Officer and the Former Chief Financial Officer are vested.

As at December 31, 2021, the Corporation had 30,796,259 common shares outstanding.

Normal Course Issuer Bids

The Corporation's normal course issuer bid allowing the Corporation to repurchase up to 1,555,312 of its common shares is in effect from December 1, 2021 to November 30, 2022. During the year ended December 31, 2021, the Corporation purchased 310,000 of its common shares for a total consideration of $2.1 million from the open market. During the year ended December 31, 2020, the Corporation did not repurchase any of its common shares, under a previous normal course issuer bid.

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. Cash distributions declared in the period from January 1, 2021 to December 31, 2021 totaled Cdn$0.290 per common share. On November 10, 2021, the Corporation's board of directors approved a 15.0% increase of its quarterly dividend to Cdn$0.0805 per common share, commencing with the fourth quarter dividend, paid to the shareholders of record at the close of business on December 31, 2021.

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 consolidated balance sheet as at December 31, 2021 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.

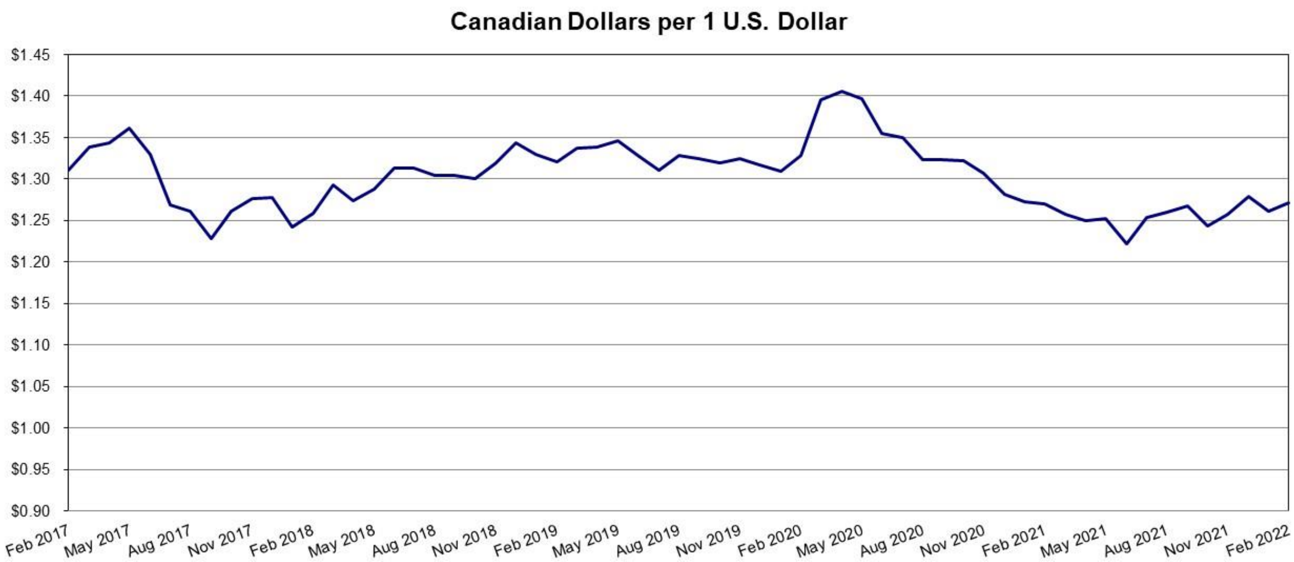
The gross carrying value of the loan receivable on initial recognition is revaluated and adjusted using the loss allowance reserved on the loan. The loss allowance is determined based on the lifetime expected credit loss model at each reporting date. The fair value of exchangeable interest liability 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 approximate their carrying values due to the short-term nature of these instruments.

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 February 2017:



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 December 31, 2021, the Corporation did not hold any foreign exchange forward contracts.

Credit Risk

The substantial portion of the Corporation's accounts receivable balance is with U.S. 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. 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 as prices change. Share price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars. 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 year ended December 31, 2021 of $4.5 million (December 31, 2020: $4.5 million).

Certain Facilities routinely enter into transactions with related parties for provision of services relating to the use of facility space 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. For the year ended December 31, 2021, BHSH paid Mountain Plains Real Estate Holdings, LLC $0.2 million for the use of a facility (December 31, 2020: $0.2 million).

SFSH has a wholly owned subsidiary designed to function as an 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 existing ACO ended December 31, 2021. It has been replaced by a new ACO starting January 1, 2022, in which SFSH is a 50% owner through a wholly owned subsidiary that also provides management services to the new ACO.

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

In thousands of U.S. dollars		**Year Ended December 31,**	
Entity	**Nature of services or goods received**	**2021 $**	**2020 $**
ASH	Lease of facility building, and anesthesia equipment lease.	4,409	4,502
OSH	Lease of hospital building, and lease of office space.	2,544	1,568
BHSH	Provision of physical therapy services, physician professional services, intraoperative monitoring services, and provision of parking space.	983	1,127
SFSH	Provision of management services in relation to orthopedic service line, physician professional fees, anesthesia services, physical and occupational therapy services, medical products and implants, lithotripter services, laundry services, facility and related equipment, shared services, and lease of urgent care building.	10,509	10,239
MFC Nueterra ASCs	Provision of management services, physician professional services, and lease of ASC building.	2,063	1,679
Total		**20,508**	**19,115**

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 financial statements details significant 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

Significant management judgment is involved in application of portfolio approach to major payor classes to estimate the explicit and implicit price concessions. Estimates of explicit price concessions are based on contractual agreements, discount policies and historical experience. Estimates of implicit price concessions are based on historical collection experience.

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. Estimation of allowance for non-collectible receivable balances involves uncertainty about future collections which could differ from the original estimates. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

Allowance for Loan Receivable

At each balance sheet date, management assesses and calculates any changes in the loss allowance for the loan receivable, which was recognized as credit-impaired on initial recognition, using the lifetime expected credit loss ("ECL") model. Based on the effective interest rate that incorporated lifetime ECLs at initial recognition, management calculates the impairment loss allowance for the loan receivable at each balance sheet date, using probability-weighted scenarios of cash flows from the loan receivable. The difference between the computed loan balance net of the loss allowance and the carrying value of the loan as at the reporting date is recorded as an impairment gain or loss.

Management is required to use judgment in determining the scenarios and their probabilities, which is reassessed at each balance sheet date. Factors related to UMASH that are considered in assessing the probability-weighted scenarios include: cash and liquidity position; historical and projected operating results and free cash flows; compliance with financial covenants as stipulated by the loan agreement; ability to make timely principal and interest payments; and ability to obtain alternative financing at maturity.

Based on the assessment as at December 31, 2021, management determined that there has been no further impairment of the loan receivable.

Impairment of Non-Financial Assets

In determining the recoverable amount of a cash-generating unit ("CGU"), various estimates are employed. The Corporation determines fair value less costs of disposal by using estimates such as market multiple relevant to the CGU. The Corporation determines value-in-use by using estimates such as future cash flows and post-tax discount rates.

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. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Management performed an assessment of impairment indicators mentioned above as at December 31, 2021, and determined that there has been no impairment of non-financial assets, including goodwill and other intangibles.

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.

Business Combinations

Upon completion of business acquisitions, management uses judgment in identifying tangible and intangible assets and liabilities of acquired businesses, as well as determining their fair values. The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Corporation. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Corporation recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the fair value of identifiable assets of the acquiree.

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 annual 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 ("COSO") framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of DC&P as of December 31, 2021, and has concluded that the design and effectiveness of these controls and procedures at December 31, 2021 provide reasonable assurance that material information relating to the Corporation, including its subsidiaries, was made known to the CEO and CFO on a timely basis to ensure adequate disclosure.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of its ICFR as of December 31, 2021 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls at December 31, 2021 provide reasonable assurance of the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

There have been no changes in the Corporation's ICFR during the period beginning on October 1, 2021 and ended on December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

15. RISK FACTORS

The following information is a summary of risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing in the Corporation's most recently filed annual information form available on SEDAR at www.sedar.com.

Risks Related to the Business and the Industry of the Corporation

The revenue and profitability of the Corporation and its subsidiaries, including the Facilities, depend heavily on payments from third-party payors, including government healthcare programs (Medicare and Medicaid) and managed care organizations, which are subject to frequent regulatory changes and cost containment initiatives. Changes in the terms and conditions of, or reimbursement levels under, insurance or healthcare programs, which are typically short-term agreements, could adversely affect the revenue and profitability of the Corporation. The Corporation's revenue and profitability could be impacted by its ability to obtain and maintain contractual arrangements with insurers and payors active in its service areas and by changes in the terms of such contractual arrangements.

The revenue and profitability of the Facilities is dependent upon physician relationships. There can be no assurance that physician groups performing procedures at the Facilities will maintain successful medical practices, or that one or more key members of a particular physician group will continue practicing with that group or that the members of that group will continue to perform procedures at the Facilities at current levels or at all.

The trend of rising drug costs is currently challenging to counteract and puts downward pressure on the Facilities' operating margins as they have limited control over price increases.

Healthcare facilities, such as the Facilities, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Receipt and renewal of such licenses, certifications and accreditations are often based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative compliance actions by the Facilities that could be burdensome and expensive.

There are a number of U.S. federal and state regulatory initiatives, which apply to healthcare providers, and in particular to SSHs, including the Facilities. Among the most significant are the federal Anti-Kickback Statute, the federal physician self-referral law (commonly referred to as the Stark Law), the PPACA, the *False Claims Act* and the federal rules relating to management and protection of patient records and patient confidentiality.

The PPACA contains provisions that prohibit the formation or development of any new physician owned hospitals in the United States after a specified date. However, the grandfathering provisions of the law that permit existing physician owned hospitals, such as the SSHs, to continue their operations and billings to government payors like Medicare and Medicaid for hospital services, provided they meet certain investment and patient transparency requirements. The law, among other things:

(a) prohibits the existing or grandfathered hospitals from expanding the baseline number of overnight beds, operating rooms or procedure rooms from the number of such rooms that the existing hospital had as of the date of enactment of the legislation, unless certain narrowly-drawn growth criteria are met;

(b) prohibits increases in the aggregate percentage value of physician ownership or investment in physician owned hospitals, or in entities whose investments include the hospitals;

(c) imposes restrictions on the manner of physician investment in physician owned hospitals; and

(d) requires disclosure to patients of physician ownership and requires hospitals to obtain a signed patient acknowledgement as to whether the hospital has physicians present 24 hours a day, seven days a week.

The Corporation conducted an extensive review to ensure that the Facilities operating agreements and procedures are in compliance with the provisions and limitations of the PPACA. The Facilities have updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the PPACA.

While the Facilities carry general and professional liability insurance against claims arising in the ordinary course of business, the insurance market is dynamic and there can be no assurance that adequate coverage will be available in the future or that any coverage in place will be adequate to cover claims.

Any major capital expenditures at the Facilities will require additional capital, which may be funded through additional debt or equity financings. These funding sources could result in significant additional interest expense or ownership dilution to current holders of the Corporation's securities.

There is significant competition in the healthcare business. The Facilities compete with other healthcare facilities in providing services to physicians and patients, contracting with managed care payors and recruiting qualified staff.

The Facilities may be vulnerable to economic downturns and may be limited in their ability to withstand such financial pressures. Increased unemployment or other adverse economic conditions may impact the volume of services performed, cause shifts to payors with lower reimbursements (e.g., Medicare) and/or result in higher uncollectible accounts.

Maintenance capital expenditures, which are deducted in the calculation of cash available for distribution (please refer to Section 2 under the heading "Non-IFRS Financial Measures" and Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures"), represent expenditures that are required to maintain the productive capacity of the Facilities. Historically, such expenditures have represented on average 0.8% of revenue of the Facilities. Management believes that such level of maintenance capital expenditures will continue in the future and, accordingly, will not adversely impact the cash available for distribution generated by the Corporation.

Public Health Crises and Disease Outbreaks

The Corporation's and the Facilities' operations and financial results could be materially adversely impacted by public health crises, including the ongoing public health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, pandemic, epidemic or outbreak of a contagious disease.

A public health crisis such as the COVID-19 pandemic could result in a general or acute decline in economic activity in the regions where the Facilities operate, increased unemployment, staff shortages, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the temporary closure of one or more of the Facilities in accordance with governmental restrictions and/or to protect patients, hospital staff and the communities in which they operate. In addition, treatment of patients for COVID-19 at the Facilities, or infection of physicians and/or hospital staff, or because of physical distancing or other precautionary measures, could result in patients cancelling or deferring elective procedures or otherwise avoiding medical treatment, leading to reduced patient volumes and operating revenues. Furthermore, the treatment of someone presenting symptoms of COVID-19 at a Facility, or physicians and/or hospital staff presenting such symptoms, could result in a temporary shutdown, the diversion of patients or physician and staffing shortages. All of these occurrences may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations, and ability to pay dividends to its shareholders.

The overall severity and duration of COVID-19-related adverse impacts on the Corporation's business, financial condition, cash flows and/or results of operations will depend on many factors, cannot be fully estimated and are largely beyond the management's control. Such factors include, but are not limited to, the scope and duration of past and potential future 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. Furthermore, the U.S. government has implemented various legislation and programs to provide support to businesses financially impacted by COVID-19, including programs targeting health care facilities. However, it is not clear how long the impacts of COVID-19 may last, or the extent of all the government legislation and programs that might be put in place in the future and how these programs may change over time, or what their full impact might be.

The Corporation and the Facilities actively assess, and respond where possible, to the effects of the COVID-19 pandemic on their employees, patients, suppliers, and service providers, and evaluate governmental actions being taken to curtail its spread. The Corporation and the Facilities will continue to monitor the situation closely, and intend to follow health and safety guidelines as they evolve.

Cyber Security Incidents

As providers of healthcare services, information technology is a critical component of the day-to-day operation of the Facilities. The Facilities rely on information technology to create, process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. The Facilities utilize electronic health records and other health information technology, along with additional technology systems, in connection with their operations, including for, among other things, billing and supply chain and labour management. The Facilities' information systems and applications also require continual maintenance, upgrading and enhancement to meet their operational needs. If the Facilities experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand their systems properly, the Facilities could suffer from, among other things, operational disruptions, regulatory problems and increases in administrative expenses. The Facilities have privacy and security processes in place to protect sensitive health and business information. The systems used by the Facilities, in turn, interface with and rely on third-party systems. Incident response policies and processes are in place at Facilities that provide for prompt identification and management of security incidents to facilitate maintenance and/or restoration of business continuity. The Corporation is not aware of the Facilities having experienced a material data breach.

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

As cyber security threats continue to evolve, the Facilities may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities in information systems and infrastructure, or invest in new technology designed to mitigate security risks. Third parties to whom the Facilities outsource certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Corporation's business even if the Corporation does not control the service that is attacked.

Although the Corporation and the Facilities have insurance against some cyber-risks and attacks, it may not be sufficient to offset the impact of a material loss event. Any cyber security breach or system interruption could result in harm to patients or the unauthorized disclosure, misuse or loss of confidential, sensitive or proprietary information, could negatively impact the ability of the Facilities to conduct normal business operations (including the collection of revenues), and could result in potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties, negative publicity and damage to the Corporation's reputation, any of which could have a material adverse effect on the Corporation's business, financial position, results of operations or cash flows.

Disasters and Similar Events

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

Risks Related to the Structure of the Corporation

The Corporation is entirely dependent on the operations and assets of the Facilities through the indirect ownership of between 30.0% and 64.0% of these Facilities. Future dividend payments by the Corporation are not guaranteed and are totally dependent upon the operating results and related cash flows from the Facilities and the limitations of applicable laws.

The payout by the Facilities and the Corporation of a substantial majority of their operating cash flows will make additional capital and operating expenditures dependent on increased cash flows or additional financing in the future.

The Corporation's dividend payments to its shareholders are denominated in Canadian dollars, whereas all of its revenue is denominated in U.S. dollars. To the extent that future dividend payments are not covered by foreign exchange forward contracts, the Corporation is exposed to currency exchange risk.

Non-compete agreements executed by physician owners of the non-controlling interests in the Facilities may not be enforceable. This lack of enforceability could impact the revenue and profitability of the Facilities.

The Corporation does not have the ability to direct day-to-day governance or management inputs in respect of the Facilities, except in certain limited circumstances.

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

(a) The Corporation's and Facilities' ability in the future to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be limited;

(b) The Corporation or Facilities being unable to refinance indebtedness on terms acceptable to the Corporation or at all; and

(c) A portion of the Corporation's cash flow (on a consolidated basis) from operations is likely to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures, acquisitions and/or dividends on its common shares.

The Corporation has a credit facility that contains restrictive covenants which limit the discretion of the Corporation or its management with respect to certain matters. Furthermore, the Facilities have credit facilities that contain restrictive covenants which may limit the Facilities' abilities to make distributions.

Additional common shares may be issued by the Corporation pursuant to exchange agreements with the holders of the non-controlling interests in the Facilities, or in connection with future financing or acquisitions by the Corporation. The issuance of common shares may dilute an investor's investment in the Corporation and reduce distributable cash per common share.

MFA and MFH are organized under the laws of the State of Delaware. The Facilities that are located in South Dakota are formed under the laws of the State of South Dakota. The Facility located in Oklahoma is formed under the laws of the State of Oklahoma, the Facility located in Arkansas is formed under the laws of the State of Arkansas and the Facility located in California and five MFC Nueterra ASCs are formed under the laws of the State of Delaware, and one MFC Nueterra ASC is formed under the laws of the State of Michigan. All of the assets of the Facilities are located outside of Canada and certain of the directors and officers of the Corporation and its subsidiaries are residents of the United States. As a result, it may be difficult or impossible for investors to effect service within Canada upon the Corporation's subsidiaries, the Facilities, or their directors and officers who are not residents of Canada, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

The market price of the common shares may be subject to general volatility.

Payment of Dividends is not Guaranteed

Dividends to shareholders are paid at the discretion of the Corporation's board of directors and are not guaranteed. The Corporation may alter its dividend level and dividends from the Corporation, if any, will depend on, among other things, the results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law, and other factors that the board of directors may deem relevant. The directors may decrease the level of dividends provided for in their existing dividend policies, or discontinue dividends at any time, and without prior notice.

Eligibility for Investment

There can be no assurance that the common shares will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, tax-free savings accounts and registered disability savings plans.

The Corporation is Subject to Canadian Tax

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

The Corporation's Structure may be Subject to Additional U.S Federal Income Tax Liability

MFA is subject to U.S. federal income tax on its consolidated taxable income at the U.S. federal corporate tax rate (currently 21%) and is also subject to certain U.S. state and local taxes (which will not be addressed herein). MFA will claim certain deductions, including an interest deduction related to the interest paid on its debt and interest arising on other debt in the consolidated group, to the extent allowed by law, in computing its taxable income for U.S. federal income tax purposes.

Certain provisions in the Code, if applicable, may affect the U.S. federal tax liability of MFA. There are restrictions on the deductibility of interest, generally limiting such deduction to 30% of "adjusted taxable income", although disallowed interest expense can be carried forward to future years. There are also limitations on the use of net operating losses for tax years beginning after 2020 (generally, those can only be utilized to the extent of 80% of taxable income in any given year, although unused net operating losses can be carried forward indefinitely). In addition, Code section 59A, known as "BEAT", which is the acronym for "base erosion anti-abuse tax", is designed to potentially limit the tax effectiveness of deductions for payments between U.S. and non-U.S. related parties by imposing a minimum tax on the U.S. corporation. The BEAT regime generally does not apply unless the payor U.S. corporation has average annual gross receipts for the 3-tax-year period ending with the preceding tax year that are at least $500 million.

If interest deductibility is limited, the use of net operating losses is restricted, or the BEAT regime applies, the result is likely to be an increase in the U.S. federal tax liability of MFA. If the U.S. federal tax liability of MFA is increased, this may reduce the amount of after-tax cash generated by MFA that could otherwise be available to make distributions to the Corporation and thereafter to pay dividends to holders of common shares.

United States Investment Company Act of 1940

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

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.