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, 2022

March 8, 2023

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, 2022 ("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 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 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 impairment of goodwill, other intangibles and equipment, and 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.

During the fourth quarter, the Corporation continued to execute its plan to divest its non-core assets, pursue overhead cost reductions, and implement strategies to unlock value and return capital to its shareholders. As part of this, the Corporation took steps to initiate overhead cost reductions as it concluded a separation agreement with its previous Chief Executive Officer. This, combined with the retirement on December 30, 2022 of the Corporation's former Chief Operating Officer, will result in significant savings in salaries and benefits on a prospective basis. The Corporation continues to pursue opportunities to reduce expenses.

On December 29, 2022, the Corporation sold its remaining 31.7% non-controlling ownership interest in UMASH for proceeds of $0.6 million, recording a pre-tax gain of $0.3 million in general and administrative expenses. Along with the sale of its equity interests, the Corporation also completed the full and final settlement of the loan receivable from UMASH ("Loan Receivable") for proceeds of $1.4 million, and, in connection with this transaction, recorded an impairment gain of the same amount on the Loan Receivable during the three months ended December 31, 2022. During the nine months ended September 30, 2022, the Corporation had recorded an impairment loss of $13.4 million on the Loan Receivable, resulting in a net impairment loss of $12.0 million on the Loan Receivable for the year ended December 31, 2022.

On November 29, the Toronto Stock Exchange approved the Corporation's normal course issuer bid, allowing the Corporation to repurchase up to 2,615,186 of its common shares during the period from December 1, 2022 to November 30, 2023. Under this, and a previous normal course issuer bid, the Corporation purchased a combined 1,827,200 of its common shares for a total consideration of $12.5 million during the year ended December 31, 2022.

On October 31, 2022, the Corporation completed the purchase and cancellation of 3,053,097 of its common shares under the terms of a substantial issuer bid, at a price of Cdn$11.30 per common share, representing an

aggregate purchase price of $25.5 million, along with transaction costs of $0.4 million. The Corporation used a combination of cash on hand and a draw of $15.0 million from the corporate credit facility for the purchase.

On December 31, 2022, Mountain Plains Real Estate Holdings, LLC ("MPREH") was wound-up. As part of this process, the entity's assets were liquidated and proceeds were distributed to the owners. The Corporation received proceeds of $0.7 million for its 54.2% non-controlling ownership interest in MPREH.

On March 11, 2022, the Corporation sold its 0.4% non-controlling ownership interest in Black Hills Surgical Physicians, LLC ("BHSP") for proceeds of $0.3 million.

COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. The outbreak began to impact the Corporation's and Facilities' operations in the latter half of March 2020. All Facilities were 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. On January 30, 2023, the current U.S. administration announced that the COVID-19 Public Health Emergency is unlikely to continue past May 11, 2023. Management believes patient volumes and revenues may still continue to be negatively impacted until the effects of the pandemic have fully subsided.

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 included 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 was 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 was 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 would be used to prevent, prepare for and respond to COVID-19. For the year ended December 31, 2022, certain Facilities received $0.9 million in total funding from the HHS (December 31, 2021: $7.2 million), and recognized $1.4 million in revenue as government stimulus income (December 31, 2021: $9.7 million), which included an amount of $0.5 million which was recorded as a liability under payor advances and government stimulus funds repayable as at December 31, 2021.

The PPP expanded 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, 2022, the Facilities did not receive any funds under the PPP (December 31, 2021: $1.5 million).

Of the loans received under the PPP of $12.2 million during the year ended December 31, 2020, loans of $1.7 million were forgiven in full by the SBA, while loans of $6.4 million had been forgiven, pending additional review. The remaining balance of $4.1 million, relating to one Facility, was denied forgiveness on December 10, 2022, following a re-review of the loan forgiveness application by the SBA. The Facility has appealed the decision within the SBA's procedural framework.

For the loans received under the PPP of $1.5 million during the year ended December 31, 2021, all forgiveness applications were denied by the SBA in September 2022. The affected Facilities each filed an appeal against these denials. In November 2022, the SBA issued full forgiveness for loans of $0.6 million. In December 2022, the SBA withdrew its earlier decisions to deny forgiveness for loans of $0.5 million and initiated a re-review of the loan forgiveness applications. The Facilities whose loans remain under review or appeal also had loans of $0.9 million from an earlier round of the program which had been forgiven in full by the SBA.

The Facilities recognized income for the loans received under the PPP during prior periods based on reasonable assurance that they had met the requirements for forgiveness. However, due to the denial and additional review of certain loan forgiveness applications by the SBA in 2022, the Corporation no longer has reasonable assurance of meeting the forgiveness requirements for loans of $12.3 million, which consist of all PPP loan balances for Facilities whose forgiveness applications have been denied or are under review. As a result, these have been reversed from government stimulus income for year ended December 31, 2022, and recorded as a liability under payor advances and government stimulus funds repayable as at December 31, 2022. It remains to be seen if the SBA will reach further denial decisions for the PPP loans under review or appeal. There remains uncertainty over the final outcome as forgiveness applications for these PPP loans must still be formally decided upon by the SBA. Management plans to vigorously pursue all reasonably available channels for reversing any denials. Any loans subsequently forgiven will result in a recognition of income and a reversal of the corresponding liability.

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 commenced one year after issuance, upon which payments were recouped against Medicare claims. The advances were fully recouped as at December 31, 2022 (December 31, 2021: liability of $15.2 million).

The ERC was a refundable tax credit against certain employment taxes that could be claimed by eligible employers, whose business had been financially impacted by COVID-19, in their quarterly employment tax returns. For the year ended December 31, 2022, certain Facilities had claims approved under the ERC and recorded government stimulus income of $0.6 million (December 31, 2021: $0.2 million).

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

For the year ended December 31, 2022, the Facilities did not receive any other stimulus funds under state programs (December 31, 2021: $1.8 million), but recognized $0.1 million in revenue as government stimulus

income (December 31, 2021: $1.7 million), which was recorded as a liability under payor advances and government stimulus funds repayable as at December 31, 2021.

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.

On March 11, 2021, the American Rescue Plan Act, 2021 (the "ARP Act") was signed into law, introducing 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 included $7.25 billion in appropriations to the SBA for the PPP, and a further extension of the ERC.

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.

Other Information

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

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

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

The volume of procedures performed at the Facilities depends on, among other things, (i) the Facilities' ability to deliver high quality care and superior services to patients and their family members, (ii) the Facilities' success in encouraging physicians to perform procedures at the Facilities through, among other things, maintenance of an efficient work environment for physicians as well as availability of facilities, and (iii) the Facilities' establishment and maintenance of strong relationships with major third-party payors in the geographic areas served. The case mix at each Facility is a function of the clinical specialties of the physicians and medical staff and is also dependent on the equipment and infrastructure at each Facility.

Non-controlling interests in the Facilities are indirectly owned, primarily by physicians practicing at the Facilities. Upon acquisition by the Corporation of indirect controlling interests in the SSHs located in Arkansas, Oklahoma, and South Dakota, the non-controlling interest owners were granted the right to exchange up to 14%

(5% in the case of ASH) of the ownership interest in their respective Facilities for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the consolidated balance sheet. To date, the non-controlling interest owners of two of the eligible Facilities have exercised portions of their exchangeable interests.

Summary of Facility Information as of December 31, 2022

	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%	30-63%[3]
Non-controlling Interest	49.0%	36.0%	45.8%	49.0%	49.0%	70-37%[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 63% in five ASCs, situated in Michigan, Missouri, Nebraska, Ohio, and Pennsylvania.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

	Year Ended December 31,		
In thousands of U.S. dollars, except per share amounts and as indicated otherwise	**2022**	**2021**	**2020**
Facility service revenue	424,551	398,633	363,854
Government stimulus income (costs)	(10,162)	13,099	26,008
Total revenue and other income	414,389	411,732	389,862
Operating expenses	379,450	334,374	322,068
Income from operations	34,939	77,358	67,794
Net income for the period from continuing operations	12,295	46,493	37,422
Attributable to:			
Owners of the Corporation [(1)]	(4,405)	15,500	9,591
Non-controlling interest [(1)]	16,700	30,993	27,831
Net loss for the period from discontinued operations, net of tax	-	-	(1,739)
Earnings (loss) per share from continuing operations attributable to owners of the Corporation			
Basic	($0.15)	$0.50	$0.31
Fully diluted	($0.15)	$0.50	$0.31
EBITDA [(2)]	55,702	104,127	95,682
Adjusted EBITDA [(2)]	72,251	104,127	96,132
Cash available for distribution [(2)]	C$ 27,536	C$ 37,448	C$ 40,005
Distributions [(2)]	C$ 9,302	C$ 9,011	C$ 8,710
Cash available for distribution per common share [(2)]	C$ 0.938	C$ 1.204	C$ 1.286
Distributions per common share [(2)]	C$ 0.317	C$ 0.290	C$ 0.280
Payout ratio [(2)]	33.8%	24.1%	21.8%

	December 31, 2022	**December 31, 2021**	**December 31, 2020**
Total assets	377,791	446,966	456,996
Total long-term financial liabilities	123,042	126,118	133,906

[(1)] *Net income (loss) from continuing operations attributable to owners of the Corporation fluctuates significantly between the periods due to variations in finance costs, primarily in the value of exchangeable interest liability, impairment of goodwill, other intangibles and equipment, impairment losses (gains) 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 (loss) 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 (loss) for the period to EBITDA and Adjusted EBITDA."*

Selected Financial Information for the Year Ended December 31, 2022 compared to the Year Ended December 31, 2021

For the year ended December 31, 2022, total revenue and other income was $414.4 million, an increase of 0.6% from $411.7 million for the same period in 2021, despite a $23.3 million decrease in government stimulus income in the current year driven partly by the reversal of PPP income of $12.3 million recognized in prior years. Facility service revenue of $424.6 million increased by 6.5% from $398.6 million for the same period in 2021, primarily due to higher surgical case volume, attributable to the Facilities' continued recovery from the negative impacts of the COVID-19 pandemic, along with the combined positive impact of case and payor mix. EBITDA was $55.7 million or 13.4% of total revenue and other income compared to $104.1 million or 25.3% of total revenue and other income for the same period last year, down mainly due to the non-cash impairment loss on goodwill, other intangibles and equipment of $16.5 million relating to the MFC Nueterra ASCs cash-generating

unit in the current year ("Impairment Charge"), along with higher operating expenses and the reversal of government stimulus income, the combined impact of which exceeded the increase in facility service revenue. Excluding the impact of the current year Impairment Charge, Adjusted EBITDA was $72.3 million or 17.4% of total revenue and other income for the year ended December 31, 2022. Net income for the period was $12.3 million compared to net income of $46.5 million for the same period in 2021, with the decrease mostly attributable to the current year Impairment Charge, as well as lower income from operations at the Facilities, and the impairment loss on the loan receivable from UMASH, partly offset by lower finance costs driven by 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").

The Corporation generated cash available for distribution of Cdn$27.5 million, representing a decrease of Cdn$9.9 million or 26.5% from Cdn$37.4 million for the same period in the prior year. Distributions per common share increased between the years by Cdn$0.027 to Cdn$0.317, while the payout ratio was 33.8% for this period compared to 24.1% for the year ended December 31, 2021. 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, 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 for the year ended December 31, 2021 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 in 2020, 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 for the year ended December 31, 2021 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 income for the year ended December 31, 2021 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.

The Corporation generated cash available for distribution of Cdn$37.4 million for the year ended December 31, 2021, representing a decrease of Cdn$2.6 million or 6.4% from Cdn$40.0 million for the same period in 2020. Distributions per common share increased between the years by Cdn$0.010 to Cdn$0.290, while the payout ratio was 24.1% for the year ended December 31, 2021 compared to 21.8% for the same period in 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".

5. CONSOLIDATED OPERATING AND FINANCIAL REVIEW

For the Three Months Ended December 31, 2022

The following table and discussion compare operating and financial results of the Corporation for the three months ended December 31, 2022 to the three months ended December 31, 2021.

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2022**	**2021**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	119,434	110,677	8,757	7.9%
Government stimulus income (costs)	(12,335)	5,742	(18,077)	(314.8%)
	107,099	**116,419**	**(9,320)**	**(8.0%)**
Operating expenses				
Salaries and benefits	33,736	31,804	1,932	6.1%
Drugs and supplies	41,040	37,316	3,724	10.0%
General and administrative expenses	17,042	15,346	1,696	11.1%
Impairment of goodwill, other intangibles and equipment	16,549	-	16,549	100.0%
Depreciation of property and equipment	2,300	2,356	(56)	(2.4%)
Depreciation of right-of-use assets	2,898	2,545	353	13.9%
Amortization of other intangibles	161	1,550	(1,389)	(89.6%)
	113,726	**90,917**	**22,809**	**25.1%**
Income (loss) from operations	**(6,627)**	**25,502**	**(32,129)**	**(126.0%)**
Finance costs (income)				
Change in value of exchangeable interest liability	(11,036)	(635)	(10,401)	(1,638.0%)
Interest expense on exchangeable interest liability	1,944	2,152	(208)	(9.7%)
Interest expense, net of interest income	1,668	1,439	229	15.9%
Impairment gain on loan receivable	(1,394)	-	(1,394)	(100.0%)
Loss (gain) on foreign currency	(6)	47	(53)	(112.8%)
	(8,824)	**3,003**	**(11,827)**	**(393.8%)**
Share of equity loss (income) in associates	303	(12)	315	2,625.0%
Income before income taxes	**1,894**	**22,511**	**(20,617)**	**(91.6%)**
Income tax expense	5,231	1,608	3,623	225.3%
Net income (loss) for the period	**(3,337)**	**20,903**	**(24,240)**	**(116.0%)**
Attributable to:				
Owners of the Corporation	(2,274)	10,252	(12,526)	(122.2%)
Non-controlling interest	(1,063)	10,651	(11,714)	(110.0%)
Basic earnings (loss) per share attributable to owners of the Corporation	($0.08)	$0.33	(0.41)	(124.2%)
Fully diluted earnings (loss) per share attributable to owners of the Corporation	($0.26)	$0.32	(0.58)	(181.3%)
Reconciliation of net income (loss) for the period to EBITDA and Adjusted EBITDA [(1)]				
Net income (loss) for the period	(3,337)	20,903	(24,240)	(116.0%)
Income tax expense	5,231	1,608	3,623	225.3%
Share of equity loss (income) in associates	303	(12)	315	2,625.0%
Finance costs (income)	(8,824)	3,003	(11,827)	(393.8%)
Depreciation of property and equipment	2,300	2,356	(56)	(2.4%)
Depreciation of right-of-use assets	2,898	2,545	353	13.9%
Amortization of other intangibles	161	1,550	(1,389)	(89.6%)
EBITDA [(1)]	**(1,268)**	**31,953**	**(33,221)**	**(104.0%)**
Impairment of goodwill, other intangibles and equipment	16,549	-	16,549	100.0%
Adjusted EBITDA [(1)]	**15,281**	**31,953**	**(16,672)**	**(52.2%)**

[(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	**2022**	**2021**	**$ Change**	**% Change**
ASH	16,991	18,793	(1,802)	(9.6%)
OSH	19,430	21,154	(1,724)	(8.1%)
BHSH	27,005	26,822	183	0.7%
SFSH	37,169	38,409	(1,240)	(3.2%)
SCNC	1,391	2,775	(1,384)	(49.9%)
MFC Nueterra ASCs	5,113	8,466	(3,353)	(39.6%)
Total revenue and other income	**107,099**	**116,419**	**(9,320)**	**(8.0%)**

For the three months ended December 31, 2022, total revenue and other income decreased from the same period in 2021 by $9.3 million or 8.0%, while facility service revenue increased by $8.8 million or 7.9%. The decrease was primarily attributable to a reduction in government stimulus income ($18.1 million) driven by the reversal of PPP income recognized in prior years. This was partly offset by the combined positive impact of case and payor mix ($4.4 million), as well as higher surgical case volume at all SSHs ($3.4 million) attributable to the Facilities' continued recovery from the negative impacts of the COVID-19 pandemic, and ASH moving its anesthesia service and related billing in-house in the current year ($1.0 million).

Total surgical cases remained consistent with prior year, as observation cases increased by 46.0%, while outpatient cases decreased by 2.6% and inpatient cases decreased by 12.6%. Surgical case volume was up at all SSHs, while the ASCs experienced decreases. Surgical case volume increases by payor compared to the same period last year came predominantly from Medicare, which increased by 4.8%, while Blue Cross/Blue Shield decreased 2.5%. Pain cases were down by 7.1% 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 driven by the reversal of PPP income of $3.2 million recognized in prior years. This was partly offset by the impact of moving the anesthesia service and related billing in-house in the current year, as well as higher surgical case volume.

- OSH's revenue decreased mainly due to a reduction in government stimulus income driven by the reversal of PPP income of $3.3 million recognized in prior years. This was partly offset by the combined positive impact of case and payor mix resulting in higher reimbursements per surgical case, along with higher surgical case volume.

- BHSH's revenue increased mainly due to case mix, including a rise in high acuity orthopedic and spine cases, along with higher surgical case volume. This was mostly offset by a decrease in revenues from urgent care centers, and a decline in government stimulus income.

- SFSH's revenue decreased mainly due to a reduction in government stimulus income driven by the reversal of PPP income of $4.1 million recognized in prior years, as well as payor mix. This was partly offset by higher surgical case volume, and case mix, driven by orthopedic case growth.

- SCNC's revenue decreased mainly due to a reduction in government stimulus income driven by the reversal of PPP income of $0.8 million recognized in prior years, along with lower surgical case volume, and payor mix. This was partly offset by the positive impact of case mix, including higher acuity orthopedic cases.

- MFC Nueterra ASCs' revenue decreased mainly due to a reduction in government stimulus income driven partly by the reversal of PPP income of $0.9 million recognized in prior years, as well as lower surgical case volume, and a decrease in pain procedures. This was partly offset by the combined positive impact of case and payor mix.

Operating Expenses

For the three months ended December 31, 2022, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), impairment of goodwill, other intangibles and equipment, depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles ("operating expenses"), increased by $22.8 million or 25.1% from the same period in the prior year to $113.7 million. As a percentage of total revenue and other income, operating expenses increased to 106.2% from 78.1% in the same period a year earlier.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2022**	**Percentage of Revenue**	**2021**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	16,715	98.4%	15,180	80.8%	1,535	10.1%
OSH	20,587	106.0%	17,990	85.0%	2,597	14.4%
BHSH	22,022	81.5%	20,635	76.9%	1,387	6.7%
SFSH	28,513	76.7%	24,956	65.0%	3,557	14.3%
SCNC	2,266	162.9%	2,156	77.7%	110	5.1%
MFC Nueterra ASCs	5,693	111.3%	5,945	70.2%	(252)	(4.2%)
Corporate	17,930	n/a	4,055	n/a	13,875	342.2%
Operating expenses	**113,726**	**106.2%**	**90,917**	**78.1%**	**22,809**	**25.1%**

Consolidated salaries and benefits increased by $1.9 million or 6.1%, primarily due to increases in both clinical and non-clinical wages and salaries ($1.8 million) as a result of annual merit increases, full-time equivalent ("FTE") increases, and market wage pressures due to the shortage of nurses, as well as the separation costs for the previous Chief Executive Officer in the current year ($1.8 million). This was partly offset by the forfeiture of stock options relating to the previous Chief Executive Officer and the former Chief Operating Officer in the current year ($0.8 million), along with lower incentive pay at corporate level ($0.6 million), and lower benefit costs from decreased health plan utilization ($0.4 million). As a percentage of total revenue and other income, consolidated salaries and benefits increased to 31.5% from 27.3% a year earlier.

Consolidated drugs and supplies increased by $3.7 million or 10.0%, primarily driven by case mix ($3.7 million), which included increased orthopedic and higher acuity spine cases, and the impact of higher surgical case volume at the SSHs ($1.2 million). This was partly offset by the reclassification of costs pertaining to SFSH's accountable care organization ("ACO") to G&A in the current year ($0.6 million), and higher vendor rebates ($0.5 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 38.3% from 32.1% a year earlier.

Consolidated G&A increased by $1.7 million or 11.1%. The increase was mainly attributable to costs pertaining to SFSH's ACO in the current year ($1.4 million) mostly reclassified from drugs and supplies, the impact of ASH moving its anesthesia service and related billing in-house in the current year ($1.3 million), along with higher costs for billing fees ($0.4 million) and physician guarantees ($0.3 million). This was partly offset by lower corporate level costs related to share-based compensation plans driven by the larger decrease in the Corporation's share price in the current period as compared to the same period in 2021 ($0.9 million), as well as a reduction in lease related costs ($0.4 million), and the gain recorded on the sale of remaining equity in UMASH in the current year ($0.3 million). As a percentage of total revenue and other income, consolidated G&A increased to 15.9% from 13.2% a year earlier.

In the current year, the Corporation recorded an impairment charge of $16.5 million relating to the MFC Nueterra ASCs cash-generating unit (refer to Section 13 "Critical Accounting Judgements and Estimates" of this MD&A under the heading "Impairment of Non-Financial Assets").

Consolidated depreciation of property and equipment decreased by $0.1 million or 2.4%, 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 increased to 2.1% from 2.0% a year earlier.

Consolidated depreciation of right-of-use assets increased by $0.4 million or 13.9%, mainly due to the addition of new leases, partly 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 increased to 2.7% from 2.2% a year earlier.

Consolidated amortization of other intangibles decreased by $1.4 million or 89.6%, mainly due to most other intangibles being fully amortized. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 0.2% from 1.3% a year earlier.

Income (Loss) from Operations

Consolidated loss from operations for the three months ended December 31, 2022 of $6.6 million was $32.1 million or 126.0% lower than $25.5 million income in the prior year, representing negative 6.2% of revenue and other income, compared to positive 21.9% in the same period in 2021. The decrease is mainly due to the current year Impairment Charge, along with lower income from operations at the Facilities, as the reduction in government stimulus income, driven by the reversal of PPP income recognized in prior periods, and higher operating costs, surpassed facility service revenue increases. This was partly offset by lower corporate level costs related to amortization of other intangibles and share-based compensation plans.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	2022	Percentage of Revenue	2021	Percentage of Revenue	$ Change	% Change
ASH	276	1.6%	3,613	19.2%	(3,337)	(92.4%)
OSH	(1,157)	(6.0%)	3,164	15.0%	(4,321)	(136.6%)
BHSH	4,983	18.5%	6,187	23.1%	(1,204)	(19.5%)
SFSH	8,656	23.3%	13,453	35.0%	(4,797)	(35.7%)
SCNC	(875)	(62.9%)	619	22.3%	(1,494)	(241.4%)
MFC Nueterra ASCs	(580)	(11.3%)	2,521	29.8%	(3,101)	(123.0%)
Corporate	(17,930)	n/a	(4,055)	n/a	(13,875)	(342.2%)
Income (loss) from operations	**(6,627)**	**(6.2%)**	**25,502**	**21.9%**	**(32,129)**	**(126.0%)**

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 change in value of exchangeable interest liability decreased by $10.4 million, primarily driven by the larger decrease in the price of the Corporation's common shares in the current period as compared to the same period in 2021.

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, 2022**	**September 30, 2022** *Unaudited*	**Change**	**December 31, 2021**	**September 30, 2021** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	6,297,268	6,238,440	58,828	6,161,517	6,017,687	143,830
Closing price of the Corporation's common shares	C$8.04	C$10.73	(C$2.69)	C$9.35	C$9.74	(C$0.39)
Closing exchange rate of U.S. dollar to Canadian dollar	$1.3554	$1.3833	($0.0279)	$1.2640	$1.2683	($0.0043)
Exchangeable interest liability	**37,354**	**48,390**	**(11,036)**	**45,578**	**46,213**	**(635)**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by $0.2 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 increased by $0.2 million mainly due to higher interest rates as compared to the same period last year, along with higher credit facility interest expense at corporate level due to the higher outstanding balance, partly offset by lower credit facility stand-by fees at corporate level due to a lower balance available, and lower interest expense on lease liabilities.

Impairment Gain on Loan Receivable

The Loan Receivable was fully impaired prior to the current period, therefore an impairment gain on loan receivable of $1.4 million was recorded in the current period based on the full and final settlement of the Loan Receivable for proceeds of the same amount (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 and payments to holders of common shares are made in Canadian dollars. Foreign currency gains increased marginally due to the relative change in foreign exchange rates.

Share of Equity Loss (Income) in Associates

The Corporation's share of equity loss in associates accounted for using the equity method increased by $0.3 million due to an increase in investment in St. Luke's Surgery Center of Chesterfield, LLC ("St. Luke's ASC"), all of which was recognized as a loss because the investment balance was written down to nil at the start of prior year.

Income Tax

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

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars	**2022**	**2021**	**$ Change**	**% Change**
Current income tax expense	2,216	415	1,801	434.0%
Deferred income tax expense	3,015	1,193	1,822	152.7%
Income tax expense	**5,231**	**1,608**	**3,623**	**225.3%**

The increase 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 prior year. The increase in deferred income tax expense versus prior year was mainly due to prior year's increased deductibility of interest expense previously deferred, stemming from the CARES Act, as well as the impact of the change in exchangeable interest liability.

Net Income (Loss)

The $24.2 million decrease in net income for the period was mainly attributable to the current year Impairment Charge, along with lower income from operations at the Facilities, and higher income tax expense, partly offset by lower finance costs, driven by 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").

EBITDA

Negative EBITDA of $1.3 million decreased by $33.3 million from positive $32.0 million recorded a year earlier, representing negative 1.2% of revenue and other income compared to positive 27.4% a year earlier, mainly driven by the current year Impairment Charge, as well as lower EBITDA at all Facilities, as the combined impact of the reduction in government stimulus income, driven by the reversal of PPP income recognized in prior periods, and higher operating expenses, exceeded the increase in facility service revenue. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income (loss) for the period to EBITDA and Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA of $15.3 million for the three months ended December 31, 2022 decreased from $32.0 million in the same period a year earlier, representing 14.3% of revenue and other income, versus 27.4% 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 to EBITDA and Adjusted EBITDA."

For the Year Ended December 31, 2022

The following table and discussion compare operating and financial results of the Corporation for the year ended December 31, 2022 to the year ended December 31, 2021.

	Year Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2022**	**2021**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	424,551	398,633	25,918	6.5%
Government stimulus income (costs)	(10,162)	13,099	(23,261)	(177.6%)
	414,389	**411,732**	**2,657**	**0.6%**
Operating expenses				
Salaries and benefits	127,352	119,901	7,451	6.2%
Drugs and supplies	143,925	130,027	13,898	10.7%
General and administrative expenses	70,861	57,677	13,184	22.9%
Impairment of goodwill, other intangibles and equipment	16,549	-	16,549	100.0%
Depreciation of property and equipment	9,288	9,366	(78)	(0.8%)
Depreciation of right-of-use assets	10,837	10,172	665	6.5%
Amortization of other intangibles	638	7,231	(6,593)	(91.2%)
	379,450	**334,374**	**45,076**	**13.5%**
Income from operations	**34,939**	**77,358**	**(42,419)**	**(54.8%)**
Finance costs				
Change in value of exchangeable interest liability	(8,224)	11,539	(19,763)	(171.3%)
Interest expense on exchangeable interest liability	7,362	8,707	(1,345)	(15.4%)
Interest expense, net of interest income	5,731	6,064	(333)	(5.5%)
Impairment loss on loan receivable	11,990	-	11,990	100.0%
Loss on foreign currency	3	34	(31)	(91.2%)
	16,862	**26,344**	**(9,482)**	**(36.0%)**
Share of equity loss in associates	574	125	449	359.2%
Income before income taxes	**17,503**	**50,889**	**(33,386)**	**(65.6%)**
Income tax expense	5,208	4,396	812	18.5%
Net income for the period	**12,295**	**46,493**	**(34,198)**	**(73.6%)**
Attributable to:				
Owners of the Corporation	(4,405)	15,500	(19,905)	(128.4%)
Non-controlling interest	16,700	30,993	(14,293)	(46.1%)
Basic earnings (loss) per share attributable to owners of the Corporation	($0.15)	$0.50	(0.65)	(130.0%)
Fully diluted earnings (loss) per share attributable to owners of the Corporation	($0.15)	$0.50	(0.65)	(130.0%)
Reconciliation of net income for the period to EBITDA and Adjusted EBITDA [(1)]				
Net income for the period	12,295	46,493	(34,198)	(73.6%)
Income tax expense	5,208	4,396	812	18.5%
Share of equity loss in associates	574	125	449	359.2%
Finance costs	16,862	26,344	(9,482)	(36.0%)
Depreciation of property and equipment	9,288	9,366	(78)	(0.8%)
Depreciation of right-of-use assets	10,837	10,172	665	6.5%
Amortization of other intangibles	638	7,231	(6,593)	(91.2%)
EBITDA [(1)]	**55,702**	**104,127**	**(48,425)**	**(46.5%)**
Impairment of goodwill, other intangibles and equipment	16,549	-	16,549	100.0%
Adjusted EBITDA [(1)]	**72,251**	**104,127**	**(31,876)**	**(30.6%)**

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

Revenue and Other Income

In thousands of U.S. dollars	Year Ended December 31, 2022	2021	$ Change	% Change
ASH	73,230	71,085	2,145	3.0%
OSH	75,749	78,716	(2,967)	(3.8%)
BHSH	98,314	98,647	(333)	(0.3%)
SFSH	134,132	128,619	5,513	4.3%
SCNC	9,617	9,404	213	2.3%
MFC Nueterra ASCs	23,347	25,261	(1,914)	(7.6%)
Total revenue and other income	**414,389**	**411,732**	**2,657**	**0.6%**

For the year ended December 31, 2022, total revenue and other income increased from the same period in 2021 by $2.7 million or 0.6%. Facility service revenue increased by $25.9 million or 6.5%. The increase was primarily due to higher surgical case volume ($15.0 million) attributable to the Facilities' continued recovery from the negative impacts of the COVID-19 pandemic, along with the combined positive impact of case and payor mix ($6.7 million), the impact of ASH moving its anesthesia service and related billing in-house in the current year ($4.0 million), and an increase in pain procedures ($1.3 million). This was mostly offset by a reduction in government stimulus income ($23.3 million) driven partly by the reversal of PPP income recognized in prior years, and the shutdown of one of BHSH's urgent care centers in December 2021 ($1.1 million).

Total surgical cases increased by 3.5%, as outpatient cases increased by 3.2% and observation cases increased by 42.4%, while inpatient cases decreased by 11.8%. Surgical case volume was up at certain Facilities, led by SFSH, while MFC Nueterra ASCs experienced the largest decrease. Surgical case volume increases by payor over the same period last year came predominantly from Medicare and Blue Cross/Blue Shield, which increased by 6.7% and 5.8%, respectively. Pain cases were up by 8.5% 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 the impact of moving the anesthesia service and related billing in-house in the current year, along with higher surgical case volume, and an increase in pain procedures. This was partly offset by a reduction in government stimulus income driven by the reversal of PPP income of $3.2 million recognized in prior years.

- OSH's revenue decreased mainly due to a reduction in government stimulus income driven by the reversal of PPP income of $3.3 million recognized in prior years, and lower surgical case volume. This was partly offset by the combined positive impact of case and payor mix resulting in higher reimbursements per surgical case, along with an increase in pain procedures.

- BHSH's revenue decreased mainly due to a decline in government stimulus income, along with the shutdown of one of BHSH's urgent care centers in December 2021, and lower revenues from the remaining urgent care centers. This was mostly offset by improved case mix, including a rise in high acuity orthopedic and spine cases, as well as higher surgical case volume.

- SFSH's revenue increased mainly due to higher surgical case volume. This was partly offset by a reduction in government stimulus income driven by the reversal of PPP income of $4.1 million recognized in prior years, as well as case mix, caused by a shift to outpatient cases, despite orthopedic case growth.

- SCNC's revenue increased mainly due to the positive impact of case mix, including higher acuity orthopedic cases. This was partly offset by a reduction in government stimulus income driven by the reversal of PPP income of $0.8 million recognized in prior years, along with lower surgical case volume.

- MFC Nueterra ASCs' revenue decreased mainly due to a reduction in government stimulus income driven partly by the reversal of PPP income of $0.9 million recognized in prior years, as well as lower surgical case volume. This was partly offset by the combined positive impact of case and payor mix.

Operating Expenses

For the year ended December 31, 2022, operating expenses increased by $45.1 million or 13.5% from the same period in the prior year to $379.5 million. As a percentage of total revenue and other income, operating expenses increased to 91.6% from 81.2% in the same period a year earlier.

	Year Ended December 31,					
In thousands of U.S. dollars	2022	Percentage of Revenue	2021	Percentage of Revenue	$ Change	% Change
ASH	65,009	88.8%	55,703	78.4%	9,306	16.7%
OSH	71,807	94.8%	70,800	89.9%	1,007	1.4%
BHSH	83,189	84.6%	71,914	72.9%	11,275	15.7%
SFSH	98,882	73.7%	88,127	68.5%	10,755	12.2%
SCNC	9,074	94.4%	8,488	90.3%	586	6.9%
MFC Nueterra ASCs	22,776	97.6%	20,786	82.3%	1,990	9.6%
Corporate	28,713	n/a	18,556	n/a	10,157	54.7%
Operating expenses	**379,450**	**91.6%**	**334,374**	**81.2%**	**45,076**	**13.5%**

Consolidated salaries and benefits increased by $7.5 million or 6.2%, primarily due to increases in both clinical and non-clinical wages and salaries ($7.9 million) as a result of annual merit increases, FTE increases, and market wage pressures due to the shortage of nurses, as well as the separation costs for the previous Chief Executive Officer in the current year ($1.8 million), and higher vesting costs for share-based compensation ($0.6 million). This was partly offset by the forfeiture of stock options relating to the previous Chief Executive Officer and the former Chief Operating Officer in the current year ($0.8 million), along with lower benefit costs from decreased health plan utilization ($0.8 million), the shutdown of one of BHSH's urgent care centers in December 2021 ($0.7 million), and lower incentive pay at corporate level ($0.5 million). As a percentage of total revenue and other income, consolidated salaries and benefits increased to 30.7% from 29.1% a year earlier.

Consolidated drugs and supplies increased by $13.9 million or 10.7%, primarily driven by case mix ($12.5 million), which included increased orthopedic and higher acuity spine cases, along with the impact of higher surgical case volume ($3.9 million), and a prior year gain recorded on the exchange of implant inventory as part of a new vendor agreement by BHSH ($2.0 million). This was partly offset by the reclassification of costs pertaining to SFSH's ACO to G&A in the current year ($2.5 million), higher vendor rebates ($1.8 million), and the shutdown of one of BHSH's urgent care centers in December 2021 ($0.2 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 34.7% from 31.6% a year earlier.

Consolidated G&A increased by $13.2 million or 22.9%. The increase in G&A was mainly attributable to the impact of ASH moving its anesthesia service and related billing in-house in the current year ($5.2 million), costs pertaining to SFSH's ACO in the current year ($3.8 million) mostly reclassified from drugs and supplies, along with higher costs for administrative and facility related expenses ($3.0 million), billing and contracted services ($1.2 million), physician guarantees ($1.0 million), professional fees ($0.9 million), IT ($0.5 million), and marketing ($0.2 million). This was partly offset by lower corporate level costs related to share-based compensation plans driven by a decrease in the Corporation's share price in the current year as compared to an increase in the same period in 2021 ($1.8 million), along with the shutdown of one of BHSH's urgent care

centers in December 2021 ($0.5 million), and the gain recorded on the sale of remaining equity in UMASH in the current year ($0.3 million). As a percentage of total revenue and other income, consolidated G&A increased to 17.1% from 14.0% a year earlier.

In the current year, the Corporation recorded an impairment charge of $16.5 million relating to the MFC Nueterra ASCs cash-generating unit (refer to Section 13 "Critical Accounting Judgements and Estimates" of this MD&A under the heading "Impairment of Non-Financial Assets").

Consolidated depreciation of property and equipment decreased by $0.1 million or 0.8%, 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 2.2% from 2.3% a year earlier.

Consolidated depreciation of right-of-use assets increased by $0.7 million or 6.5%, mainly due to the addition of new leases, partly 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 increased to 2.6% from 2.5% a year earlier.

Consolidated amortization of other intangibles decreased by $6.6 million or 91.2%, mainly due to most other intangibles being fully amortized. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 0.2% from 1.8% a year earlier.

Income from Operations

Consolidated income from operations for the year ended December 31, 2022 of $34.9 million was $42.4 million or 54.8% lower than consolidated income from operations of $77.4 million, recorded in the same period a year earlier, representing 8.4% of revenue and other income, compared to 18.8% in the same period in 2021. The decrease is mainly due to the current year Impairment Charge, along with lower income from operations at the Facilities, as the reduction in government stimulus income, driven partly by the reversal of PPP income recognized in prior periods, and higher operating costs, surpassed facility service revenue increases. This was partly offset by lower corporate level costs related to amortization of other intangibles and share-based compensation plans.

	Year Ended December 31,					
In thousands of U.S. dollars	**2022**	**Percentage of Revenue**	**2021**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	8,221	11.2%	15,382	21.6%	(7,161)	(46.6%)
OSH	3,942	5.2%	7,916	10.1%	(3,974)	(50.2%)
BHSH	15,125	15.4%	26,733	27.1%	(11,608)	(43.4%)
SFSH	35,250	26.3%	40,492	31.5%	(5,242)	(12.9%)
SCNC	543	5.6%	916	9.7%	(373)	(40.7%)
MFC Nueterra ASCs	571	2.4%	4,475	17.7%	(3,904)	(87.2%)
Corporate	(28,713)	n/a	(18,556)	n/a	(10,157)	(54.7%)
Income from operations	**34,939**	**8.4%**	**77,358**	**18.8%**	**(42,419)**	**(54.8%)**

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 change in value of exchangeable interest liability decreased by $19.8 million, primarily driven by the decrease in the price of the Corporation's common shares in the current year as compared to an increase in the same period in 2021.

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, 2022**	**December 31, 2021**	**Change**	**December 31, 2021**	**December 31, 2020**	**Change**
Number of common shares to be issued for exchangeable interest liability	6,297,268	6,161,517	135,751	6,161,517	6,157,396	4,121
Closing price of the Corporation's common shares	C$8.04	C$9.35	(C$1.31)	C$9.35	C$7.04	C$2.31
Closing exchange rate of U.S. dollar to Canadian dollar	$1.3554	$1.2640	$0.0914	$1.2640	$1.2735	($0.0095)
Exchangeable interest liability	**37,354**	**45,578**	**(8,224)**	**45,578**	**34,039**	**11,539**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by $1.3 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 decreased by $0.3 million mainly due to lower interest expense on lease liabilities, higher interest income at corporate level, and lower credit facility stand-by fees at corporate level due to a lower balance available, partly offset by higher credit facility interest expense at corporate level due to the higher outstanding balance and interest rate.

Impairment Loss on Loan Receivable

Impairment loss on loan receivable of $12.0 million was recorded in the current year based on the full and final settlement of the Loan Receivable for proceeds of $1.4 million (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 increased by $0.4 million, mainly due to an increase in investment in St. Luke's ASC, all of which was recognized as a loss because the investment balance was written down to nil at the start of prior year.

Income Tax

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

In thousands of U.S. dollars	Year Ended December 31, 2022	2021	$ Change	% Change
Current income tax expense	3,082	2,623	459	17.5%
Deferred income tax expense	2,126	1,773	353	19.9%
Income tax expense	**5,208**	**4,396**	**812**	**18.5%**

The increase in current income tax expense versus last year was primarily due to increased deductibility of previously deferred interest expense in the prior year, under measures introduced as part of the CARES Act. The increase in deferred income tax expense versus prior year was mainly due to reductions in Canadian deferred tax assets pertaining to deferred compensation.

Net Income

The $34.2 million decrease in net income for the period was mainly attributable to the current year Impairment Charge, the impairment loss on the loan receivable from UMASH, as well as lower income from operations at the Facilities, partly offset by lower finance costs, driven by 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").

EBITDA

EBITDA of $55.7 million decreased by $48.4 million from $104.1 million recorded a year earlier, representing 13.4% of revenue and other income compared to 25.3% a year earlier, mainly driven by the current year Impairment Charge, as well as lower EBITDA at all Facilities, as the combined impact of the reduction in government stimulus income, driven partly by the reversal of PPP income recognized in prior periods, and higher operating expenses, exceeded the increase in facility service revenue. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period to EBITDA and Adjusted EBITDA."

Adjusted EBITDA

Adjusted EBITDA of $72.3 million for the year ended December 31, 2022 decreased from $104.1 million in the same period a year earlier, representing 17.4% of revenue and other income, versus 25.3% 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 to EBITDA and Adjusted EBITDA."

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results

Unaudited	2022				2021			
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	119,434	102,167	102,162	100,788	110,677	96,388	97,572	93,996
Government stimulus income (costs)	(12,335)	-	363	1,810	5,742	2,652	572	4,133
	107,099	**102,167**	**102,525**	**102,598**	**116,419**	**99,040**	**98,144**	**98,129**
Operating expenses								
Salaries and benefits	33,736	32,370	31,347	29,899	31,804	29,978	29,066	29,053
Drugs and supplies	41,040	35,053	34,076	33,756	37,316	31,057	31,561	30,093
General and administrative expenses	17,042	19,134	15,559	19,126	15,346	14,661	13,819	13,851
Impairment of goodwill, other intangibles and equipment	16,549	-	-	-	-	-	-	-
Depreciation of property and equipment	2,300	2,328	2,315	2,345	2,356	2,325	2,324	2,361
Depreciation of right-of-use assets	2,898	2,696	2,608	2,635	2,545	2,549	2,539	2,539
Amortization of other intangibles	161	161	159	157	1,550	1,915	1,893	1,873
	113,726	**91,742**	**86,064**	**87,918**	**90,917**	**82,485**	**81,202**	**79,770**
Income (loss) from operations	**(6,627)**	**10,425**	**16,461**	**14,680**	**25,502**	**16,555**	**16,942**	**18,359**
Finance costs (income)								
Change in value of exchangeable interest liability	(11,036)	6,914	(14,405)	10,303	(635)	12,559	(2,333)	1,948
Interest expense on exchangeable interest liability	1,944	1,515	1,712	2,191	2,152	1,711	2,145	2,699
Interest expense, net of interest income	1,668	1,310	1,352	1,401	1,439	1,468	1,615	1,542
Impairment loss (gain) on loan receivable	(1,394)	9,394	-	3,990	-	-	-	-
Loss (gain) on foreign currency	(6)	(4)	3	10	47	(11)	(4)	2
	(8,824)	**19,129**	**(11,338)**	**17,895**	**3,003**	**15,727**	**1,423**	**6,191**
Share of equity loss (income) in associates	303	5	272	(6)	(12)	(5)	100	42
Income (loss) before income taxes	**1,894**	**(8,709)**	**27,527**	**(3,209)**	**22,511**	**833**	**15,419**	**12,126**
Income tax expense (recovery)	5,231	(3,213)	5,284	(2,094)	1,608	(2,594)	3,563	1,819
Net income (loss) for the period	**(3,337)**	**(5,496)**	**22,243**	**(1,115)**	**20,903**	**3,427**	**11,856**	**10,307**
Attributable to:								
Owners of the Corporation	(2,274)	(10,453)	16,183	(7,861)	10,252	(3,545)	5,321	3,472
Non-controlling interest	(1,063)	4,957	6,060	6,746	10,651	6,972	6,535	6,835
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	($0.08)	($0.35)	$0.54	($0.26)	$0.33	($0.11)	$0.17	$0.11
Fully diluted	($0.26)	($0.35)	$0.19	($0.26)	$0.32	($0.11)	$0.15	$0.11
Reconciliation of net income (loss) for the period to EBITDA and Adjusted EBITDA [(1)]								
Net income (loss) for the period	(3,337)	(5,496)	22,243	(1,115)	20,903	3,427	11,856	10,307
Income tax expense (recovery)	5,231	(3,213)	5,284	(2,094)	1,608	(2,594)	3,563	1,819
Share of equity loss (income) in associates	303	5	272	(6)	(12)	(5)	100	42
Finance costs (income)	(8,824)	19,129	(11,338)	17,895	3,003	15,727	1,423	6,191
Depreciation of property and equipment	2,300	2,328	2,315	2,345	2,356	2,325	2,324	2,361
Depreciation of right-of-use assets	2,898	2,696	2,608	2,635	2,545	2,549	2,539	2,539
Amortization of other intangibles	161	161	159	157	1,550	1,915	1,893	1,873
EBITDA [(1)]	**(1,268)**	**15,610**	**21,543**	**19,817**	**31,953**	**23,344**	**23,698**	**25,132**
Impairment of goodwill, other intangibles and equipment	16,549	-	-	-	-	-	-	-
Adjusted EBITDA [(1)]	**15,281**	**15,610**	**21,543**	**19,817**	**31,953**	**23,344**	**23,698**	**25,132**

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

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

- 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 there is no certainty that similar restrictions will not be re-instated if the pandemic continues.
- 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, 2021 and 2022. 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 ACO previously established by SFSH, as well as a management agreement for the orthopedic service line that SFSH entered into. The previous ACO ended December 31, 2021, and SFSH 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 non-controlling interests in 2021 and 2022.
- In December 2021, the operations of an urgent care center affiliated with BHSH, located in Spearfish, South Dakota, were shut down. The Corporation recorded a gain on termination of the urgent care's premises lease as a result of its closure.
- Due to the underperformance at certain MFC Nueterra ASCs, management assessed and recorded an impairment of goodwill, other intangibles and equipment in 2022.
- 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 2021 and 2022, 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 changes in impairment loss (gain) on loan receivable are a result of re-evaluating the impairment loss allowance reserved on the loan receivable from UMASH at the end of each reporting period. In December 2022, the Loan Receivable was settled in full.
- 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		2022 $	2021 $	2022 $	2021 $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**17,598**	**23,576**	**57,013**	**75,642**
Non-controlling interest in cash flows of the Facilities [1][2]		(10,271)	(13,118)	(33,110)	(40,489)
Interest expense on exchangeable interest liability [3]		1,944	2,152	7,362	8,707
Payment of lease liabilities [4]		(3,364)	(2,936)	(12,496)	(11,943)
Maintenance capital expenditures [5]		(1,513)	(1,255)	(4,470)	(4,572)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [6]		(3,157)	403	(5,626)	1,837
Net changes in non-cash operating working capital [7][8]		6,858	4,770	18,546	10,445
Share-based compensation [9]		805	(54)	667	(292)
Repayments of notes payable by the Facilities [10]		(1,609)	(1,914)	(6,726)	(9,460)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**7,291**	**11,624**	**21,160**	**29,875**
	CDN	**9,900**	**14,650**	**27,536**	**37,448**
DISTRIBUTIONS	**CDN**	**2,086**	**2,479**	**9,302**	**9,011**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [11]	**CDN**	**$0.364**	**$0.472**	**$0.938**	**$1.204**
TOTAL DISTRIBUTIONS PER COMMON SHARE [11]	**CDN**	**$0.077**	**$0.080**	**$0.317**	**$0.290**
PAYOUT RATIO		**21.2%**	**16.9%**	**33.8%**	**24.1%**
Average exchange rate of Cdn$ to US$ for the period		1.3578	1.2603	1.3013	1.2535
Weighted average number of common shares outstanding		27,226,320	31,053,207	29,366,985	31,092,887

[1] *Non-controlling interest in cash flows of the Facilities is deducted in determining cash available for distribution as distributions from the Facilities to the non-controlling interest holders are required to be made concurrently with distributions from the Facilities to the Corporation. This is calculated by multiplying the distributable cash flows from each Facility with the respective ownership share of the non-controlling interest holders.*

[2] *Excludes the non-cash impact of PPP income reversed from government stimulus income of $5.5 million, which represents the non-controlling interest share, for the three months and year ended December 31, 2022, for comparability with prior periods.*

[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] *As presented in the Corporation's consolidated statements of cash flows, excluding the non-cash impact of PPP income reversed from government stimulus income of $12.3 million for the three months and year ended December 31, 2022, for comparability with prior periods.*

[9] *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.*

(10) *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.*

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

Cash available for distribution in the three months ended December 31, 2022 (Cdn$9.9 million) decreased by Cdn$4.8 million compared to the cash available for distribution the same period last year (Cdn$14.7 million). On a per common share basis, cash available for distribution of Cdn$0.364 decreased by Cdn$0.108, or 22.9% from the same period last year of Cdn$0.472. The distributions per common share of Cdn$0.077 decreased by Cdn$0.003, or 3.8% from the same period last year of Cdn$0.080, resulting in a payout ratio of 21.2% as compared to a payout ratio of 16.9% in the same period in 2021.

Cash available for distribution in the year ended December 31, 2022 (Cdn$27.5 million) decreased by Cdn$9.9 million compared to the cash available for distribution the same period last year (Cdn$37.4 million). On a per common share basis, cash available for distribution of Cdn$0.938 decreased by Cdn$0.266, or 22.1% from the same period last year of Cdn$1.204. The distributions per common share of Cdn$0.317 increased by Cdn$0.027, or 9.3% from the same period last year of Cdn$0.290, resulting in a payout ratio of 33.8% as compared to a payout ratio of 24.1% in the same period in 2021.

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	**2022** **$**	**2021** **$**	**2022** **$**	**2021** **$**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization (1)	28,756	34,365	95,749	115,201
Debt service costs:				
Interest	(592)	(379)	(2,020)	(1,952)
Repayment of non-revolving debt	(1,609)	(1,914)	(6,726)	(9,460)
Maintenance capital expenditures	(1,513)	(1,255)	(4,470)	(4,572)
Payment of lease liabilities	(3,326)	(2,886)	(12,329)	(11,738)
Non-cash loss (gain)	(4)	87	(9)	(1,903)
Cash available for distribution at Facility level	21,712	28,018	70,195	85,576
Non-controlling interest in cash available for distribution at Facility level (2)	(10,271)	(13,118)	(33,110)	(40,489)
Corporation's share of the cash available for distribution at Facility level	**11,441**	**14,900**	**37,085**	**45,087**
Corporate expenses	(1,489)	(2,736)	(12,054)	(12,021)
Interest on corporate credit facility	(445)	(125)	(789)	(568)
Recoveries of (provision for) current income taxes	(2,216)	(415)	(3,082)	(2,623)
Cash available for distribution	**7,291**	**11,624**	**21,160**	**29,875**

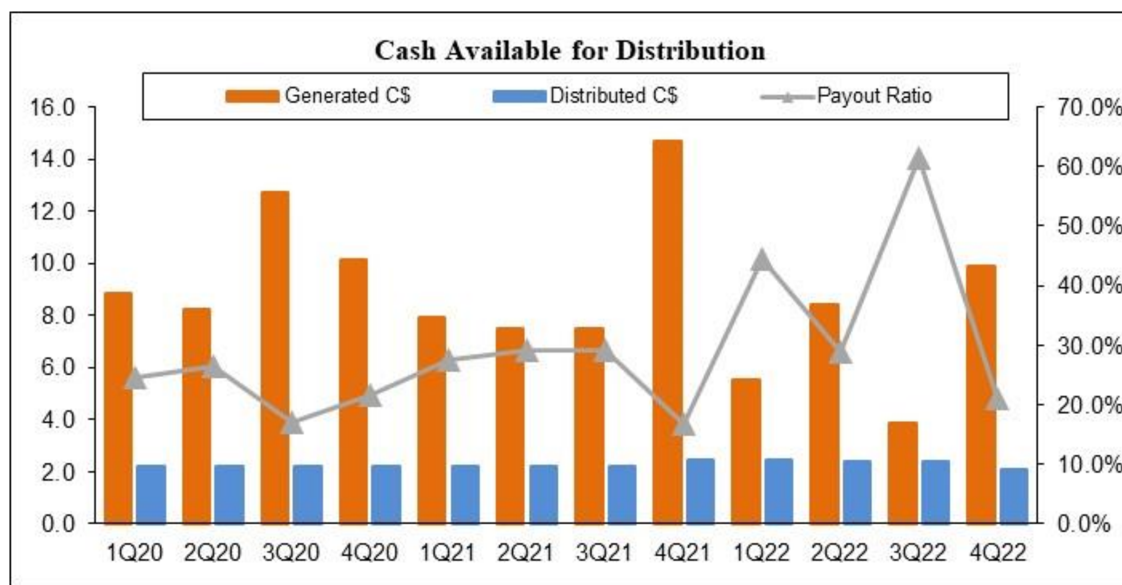
(1) *Excludes the non-cash impact of PPP income reversed from government stimulus income of $12.3 million for the three months and year ended December 31, 2022, for comparability with prior periods.*

(2) *Excludes the non-cash impact of PPP income reversed from government stimulus income of $5.5 million, which represents the non-controlling interest share, for the three months and year ended December 31, 2022, for comparability with prior periods.*

Non-controlling interest in cash flows of the Facilities is deducted in determining Compared to the three months ended December 31, 2021, the cash available for distribution in U.S. dollars for the same period this year decreased by $4.3 million or 37.3% mainly due to lower income from Facilities, higher payment of lease liabilities at the Facilities, and higher current taxes, partly offset by lower corporate expenses.

Compared to the year ended December 31, 2021, the cash available for distribution in U.S. dollars for the same period this year decreased by $8.7 million or 29.2% mainly due to lower income from Facilities, higher payment of lease liabilities at the Facilities, and higher current taxes, partly offset by lower debt service costs 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 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 initially placed on elective procedures had since been lifted, it is uncertain whether the local state authorities will impose such restrictions again in the future if the pandemic continues. As the Facilities continue working toward a return to their normal operations, the continued evolution of the virus, the overall vaccine acceptance rate among patients, physicians, and staff, the efficacy of the COVID-19 vaccines against the virus and its variants, and the pace of development of effective therapeutics, will greatly influence the progress to return to normal operations.

Management believes that the COVID-19 pandemic may continue to impact the Facilities' operations and financial results until the effects of the pandemic have fully subsided. On January 30, 2023, the current U.S. administration announced that the COVID-19 Public Health Emergency is unlikely to continue past May 11, 2023. Despite this, the full 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 disruptions stemming from the COVID-19 pandemic and geopolitical pressures, including the impact on supply chain, with ongoing delays and increased lead times in acquiring supplies since the onset of the pandemic. This has recently been compounded by inflationary pressures which are driving up operating costs, and higher borrowing costs from rising interest rates, which are increasing the risk of a potential recession and a corresponding impact on elective surgery volume. 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 current 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. 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 had to create a policy to determine if all eligible staff had 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 had to receive 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. On September 13, 2022, the Corporation announced that it has made a determination to shift its focus away from deploying a growth strategy through acquisitions. As part of this change in corporate strategy, the Corporation plans to:

- suspend acquisitions;
- divest its non-core assets;
- pursue overhead cost reductions; and
- evaluate and implement strategies to return capital to its shareholders.

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;
- expansion of ancillary businesses (ASCs, imaging and urgent care services) at the SSHs, within existing markets; and
- sharing and implementing best practices and cost reduction strategies, with emphasis on supply chain and implant costs.

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 (2022), versus earnings before interest and taxes thereafter (2023 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, may continue to impact 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 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 effects of the 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, 2022**	**December 31, 2021**
Cash and cash equivalents at Facility level	19,339	38,360
Cash and cash equivalents at corporate level	15,587	22,684
Cash and cash equivalents	**34,926**	**61,044**

Cash Flow Activity

Cash Flow

	Year Ended December 31,			
In thousands of U.S. dollars	**2022**	**2021**	**$ Change**	**% Change**
Cash provided by operating activities	57,013	75,642	(18,629)	(24.6%)
Cash used in investing activities	(5,775)	(8,688)	2,913	33.5%
Cash used in financing activities	(77,353)	(72,058)	(5,295)	(7.3%)
Decrease in cash and cash equivalents	**(26,115)**	**(5,104)**	**(21,011)**	**(411.7%)**
Effect of exchange rate fluctuations on cash balances held	(3)	(34)	31	91.2%
Cash and cash equivalents, beginning of the period	61,044	66,182	(5,138)	(7.8%)
Cash and cash equivalents, end of the period	**34,926**	**61,044**	**(26,118)**	**(42.8%)**

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, 2022 decreased by $18.6 million, primarily due to lower income from the Facilities' operations, and repayments of Medicare advances, partly offset by tax refunds in the current year.

As at December 31, 2022, the Corporation had consolidated net working capital of $32.5 million compared to $60.9 million as at December 31, 2021. The comparative figure has been adjusted, as detailed in note 20.24.1 to the financial statements. The change in consolidated net working capital compared to prior year was mainly due to decreases in cash and cash equivalents, and income tax receivable, along with increases in accounts payable, and the current portion of long-term debt, partly offset by decreases in payor advances and government stimulus funds repayable, and accrued liabilities, as well as an increase in accounts receivable. 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, 2022, accounts receivable were $64.0 million (December 31, 2021: $61.4 million), accounts payable and accrued liabilities totaled $48.6 million (December 31, 2021: $48.9 million), total assets were $377.8 million (December 31, 2021: $447.0 million) and total long-term liabilities, excluding exchangeable interest liability, were $138.9 million (December 31, 2021: $140.2 million).

Investing Activities

The $2.9 million decrease in cash used in investing activities for the year ended December 31, 2022 was mostly due to a decrease in purchases of property and equipment ($1.7 million), along with the current year proceeds from the wind-up of MPREH ($0.7 million) and the sales of non-controlling ownership interests in UMASH ($0.6 million) and BHSP ($0.3 million). This was partly offset by the increased investment in St. Luke's ASC ($0.4 million).

Financing Activities

The $5.3 million increase in cash used in financing activities for the year ended December 31, 2022 was mainly due to the increase in purchases of common shares under the terms of a substantial issuer bid ($25.9 million) and normal course issuer bids ($10.4 million), along with increases in dividends paid by the Corporation ($0.6 million), and payment of lease liabilities ($0.6 million), partly offset by lower net repayments of credit facilities

and other borrowings at both Facility and corporate level ($24.1 million), lower Facility distributions to non-controlling interest ($6.3 million), and the increase in loans received from associates ($1.7 million).

The Facilities have available credit facilities in place in the aggregate amount of $29.4 million, of which $4.3 million was drawn as at December 31, 2022. The balances available under the credit facilities, combined with cash and cash equivalents as at December 31, 2022, 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 $75.0 million line of credit with a syndicate of two Canadian chartered banks which matures on August 31, 2025 ("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, 2022, $36.0 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 in 2016 ($48.8 million), the acquisition of the MFC Nueterra ASCs in 2018 ($20.0 million), the repayment of the convertible debentures upon maturity in 2019 ($16.0 million), and the repurchase of common shares under the terms of a substantial issuer bid in 2022 ($15.0 million). The Corporation repaid $46.8 million of its outstanding balance during the year ended December 31, 2020, $12.0 million during the year ended December 31, 2021, and $5.0 million during the year ended December 31, 2022. As at December 31, 2022, 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, 2022, are as follows:

In thousands of U.S. dollars		Future payments (including principal and interest)				
Contractual Obligations	**Carrying values at December 31, 2022 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,539	1,539	1,539	-	-	-
Accounts payable	26,402	26,402	26,402	-	-	-
Accrued liabilities	22,211	22,211	22,211	-	-	-
Obligation for purchase of common shares	4,420	4,420	4,420	-	-	-
Payor advances and government stimulus funds repayable	12,335	12,335	12,335	-	-	-
Corporate credit facility	36,000	41,448	2,042	39,406	-	-
Facilities' revolving credit facilities	4,341	4,415	4,408	7	-	-
Notes payable	45,252	51,786	7,048	17,996	9,351	17,391
Lease liabilities	57,361	67,716	12,679	20,320	15,780	18,937
Total contractual obligations	**209,861**	**232,272**	**93,084**	**77,729**	**25,131**	**36,328**

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, 2022:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Chief Financial Officer	300,000	-	C$12.79	June 24, 2019
Chief Development Officer	350,000	350,000	C$21.15	September 19, 2016
Former Chief Executive Officer	223,562	223,562	C$17.24	May 1, 2016
Former Chief Financial Officer	221,344	221,344	C$17.98	November 21, 2016
Total number of outstanding options	**1,094,906**	**794,906**		

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, 2022, 794,906 of the Options relating to the Chief Development Officer, the Former Chief Executive Officer and the Former Chief Financial Officer are vested. During the year ended December 31, 2022, 850,000 Options relating to the Previous Chief Executive Officer and the Former Chief Operating Officer were forfeited.

As at December 31, 2022, the Corporation had 25,915,962 common shares outstanding.

Substantial Issuer Bid

On October 31, 2022, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the "Offer"). The Corporation purchased and cancelled 3,053,097 of its common shares at a price of Cdn$11.30 per common share under the Offer, representing an aggregate purchase price of $25.5 million, or approximately 10.38% of the Corporation's issued and outstanding common shares before giving effect to the Offer. For the year ended December 31, 2022, the Corporation incurred transaction costs related to the Offer of $0.4 million which have been recorded against share capital.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid, allowing the Corporation to repurchase up to 2,615,186 of its common shares, in effect from December 1, 2022 to November 30, 2023. A previous normal course issuer bid for up to 3,101,774 of the Corporation's common shares was in effect from December 1, 2021 to November 30, 2022. During the year ended December 31, 2022, the Corporation purchased 1,827,200 of its common shares for a total consideration of $12.5 million from the open market. 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.

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, 2022 to December 31, 2022 totaled Cdn$0.3220 per common share.

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, 2022 consist of cash and cash equivalents, accounts receivable, dividends payable, accounts payable, accrued liabilities, borrowings (including long-term debt and corporate credit facility) and exchangeable interest liability.

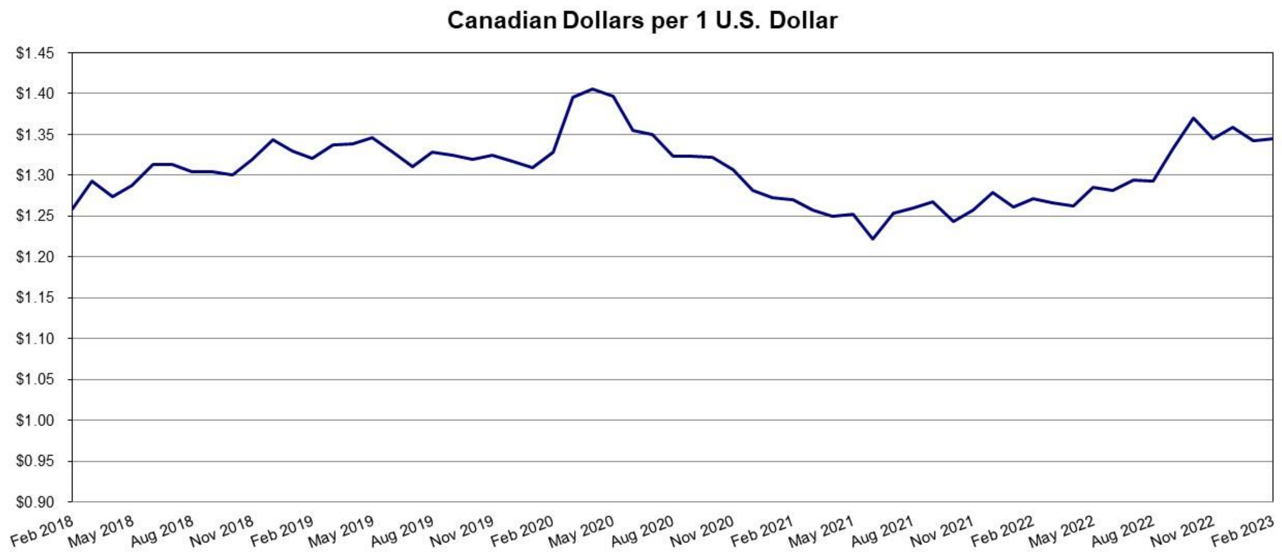
The fair value of exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of all other financial instruments of the Corporation 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 2018:



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, 2022, 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, 2022 of $4.5 million (December 31, 2021: $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 MPREH $0.2 million for the use of facility space, before the agreement was terminated in December 2021.

MFC Nueterra provides management services to St. Luke's ASC, for which it charged $0.3 million for the year ended December 31, 2022 (December 31, 2021: $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 previous 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**	**2022 $**	**2021 $**
ASH	Lease of facility building and anesthesia equipment.	4,448	4,409
OSH	Lease of hospital building and office space.	2,544	2,544
BHSH	Provision of physical therapy services, physician professional services, intraoperative monitoring services, and provision of parking space.	2,505	983
SFSH	Provision of management services in relation to orthopedic service line and ACO, 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.	11,170	10,509
MFC Nueterra ASCs	Provision of management services, physician professional services, and lease of ASC building.	1,922	2,063
Total		**22,589**	**20,508**

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 20.23 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 assessed and calculated 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 calculated 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 was recorded as an impairment gain or loss.

Management was required to use judgment in determining the scenarios and their probabilities, which were reassessed at each balance sheet date. Factors related to UMASH that were considered in assessing the probability-weighted scenarios included: 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 assessments during the current year, management recorded an impairment loss of $13.4 million on the Loan Receivable during the nine months ended September 30, 2022, fully impairing the Loan Receivable. On December 29, 2022, the Corporation completed the full and final settlement of the Loan Receivable for proceeds of $1.4 million, and therefore recorded an impairment gain of the same amount on the Loan Receivable during the three months ended December 31, 2022, resulting in a net impairment loss of $12.0 million on the Loan Receivable for the year ended December 31, 2022.

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, 2022, and recorded an impairment of goodwill, other intangibles and equipment of $16.5 million in the MFC Nueterra ASCs CGU.

Taxes

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

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

change from those used in current valuation, management may be required to recognize an adjustment in future periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

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

Management is responsible for the financial information published by the Corporation. In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have certified that the 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, 2022, and has concluded that the design and effectiveness of these controls and procedures at December 31, 2022 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, 2022 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls at December 31, 2022 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, 2022 and ended on December 31, 2022, 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 Facilities face increasing competition to recruit and retain physicians, an effort which continues to be a challenge due to physician aging and retirement.

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 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 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.

On January 30, 2023, the current U.S. administration announced that the COVID-19 Public Health Emergency is unlikely to continue past May 11, 2023. The Corporation and the Facilities continue to 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.