



# LEADERSHIP

# 2017

## ANNUAL REPORT

High quality facilities  
with outstanding  
reputations in their  
communities

Established  
partnerships with  
physicians that  
enable efficiency  
and optimum care

A commitment  
to care reflected  
in high patient  
quality and  
satisfaction scores



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Management

# Letter from the CEO

## A LOOK AHEAD

Dear Shareholders,

Medical Facilities Corporation is a growing company with a unique heritage and promising future. Founded 14 years ago, Medical Facilities Corporation now proudly partners with over 300 physician owners to lead 5 specialty surgical hospitals and 8 advanced ambulatory surgery centers in 11 states. Our skilled physician partners and their care teams are strongly committed to patient care and satisfaction. As a result, our facilities are market leaders that will continue to propel our long-term performance.

Throughout this annual report, you will see our continued trends of solid performance in 2017, including:

- \$385.3 million in net revenue, a 13.5 percent increase over \$339.5 million in 2016
- \$94.6 million in Adjusted EBITDA, a 4.3 percent increase over \$90.7 million in 2016
- 67.5 percent payout ratio, compared to 69 percent in 2016

We are pleased with these trends, as they allow us the ability to allocate resources to invest in growth while maintaining a reliable dividend stream and increasing shareholder value.

As we look ahead to 2018, I am excited to be joined by an entrepreneurial and experienced leadership team. At the beginning of 2018, we acquired 7 ambulatory surgery centers in a partnership with NueHealth, LLC, to bring our total to 8, and continue to look for accretive acquisitions to add to our portfolio.

As we plan for the future, our work will be guided by four key strategies for growth and operational success:

### **Industry Leading Quality and Service.**

Our facility partners are committed to continue achieving the high quality and patient satisfaction scores, ratings and awards that have placed them among the best in the United States. Our extraordinary physicians, care givers and team members consistently maintain high standards of patient care and service excellence. And, our facilities are specifically designed for physicians to operate at high efficiency while providing attractive patient amenities and environments, a quality that is also a key factor in physician recruitment and retention.

### **Strong Physician-Centric Management Model.**

Medical Facilities Corporation's success is rooted in partnerships with physicians. Empowered physicians drive higher quality of care and higher patient satisfaction. Medical Facilities Corporation

brings value to our partnerships with efficient business practices, access to data and resources and strategic planning. Together with our physician partners, our facilities are able to efficiently deliver exceptional patient care in their communities.

### **Organic and Acquisition Growth.**

**Organic Growth.** We will continue to focus on enhancing and adding services at our existing facilities, including the recruitment of new physicians and the addition of ancillary services such as urgent care clinics. Urgent care clinics offer easily accessible walk-in treatment for non-life-threatening illness and injury, which diversifies our service offerings while delivering the needed access to care in the local community.

**Acquisition Growth.** Every acquisition opportunity will be assessed with careful due diligence to ensure any new facility we acquire matches the high quality and strong performance in the existing portfolio. We follow strict criteria, specifically looking for:

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

### **Maximized Operating Efficiencies.**

With a strong and growing portfolio of facilities, our scale enables us to leverage operational efficiencies. As our growth continues, we will focus additional time and attention on helping facility partners improve efficiencies with value add services like group purchasing and the sharing of best practices.

Now is an exciting time for Medical Facilities Corporation. Our reputation for performance and excellence is only possible with the sincere commitment of our physician partners, facility leaders and teams who provide high quality patient-centered care every day. On behalf of Medical Facilities Corporation's management team and the Board of Directors, thank you for your ongoing support.

Sincerely,  
Robert O. Horrar  
President and Chief Executive Officer

# ABOUT MFC



Medical Facilities Corporation, in partnership with physicians, owns surgical facilities across the United States.

We are committed to providing the highest quality of care to our patients. Our facilities provide a competitive alternative to larger, traditionally-run hospitals. Our physician partners play an active role in the daily management and strategic direction of our facilities. They are an integral part of Medical Facilities Corporation's mission to provide the highest quality of care in an environment that is safe, convenient and comfortable to our patients, their families, our employees and healthcare practitioners who use our facilities. Our facilities rank among the highest in industry surveys and studies of patient satisfaction and quality scores.



North Little Rock, Arkansas

# ARKANSAS SURGICAL HOSPITAL

Arkansas Surgical Hospital specializes in orthopedic, spine, cosmetic, and breast oncology surgeries, while also offering pain management treatments and diagnostic procedures. Recently, urgent care services were added to meet a growing need. Focusing on a limited number of specialties has given us the opportunity to create a high degree of expertise and better levels of quality care. The physicians and other caregivers have extensive experience in their fields; No other facility in Arkansas performs more joint replacements. Our hospital was recognized as the only double five-star rated hospital in Arkansas and only one of 19 hospitals in the United States by the Centers for Medicare & Medicaid Services.

At Arkansas Surgical Hospital we constantly work to maintain quality services and an exceptional patient experience. With spacious suites, an on-site restaurant, and personalized attention, we are surpassing patient expectations and industry standards.



## Proven Quality: HCAHPS Quality Topic<sup>1</sup>

Patients who reported  
YES, they would definitely  
recommend the hospital:

**70%**

Arkansas Average

**89%**

Arkansas Surgical Hospital

**72%**

National Average



“

It is a privilege each day to work alongside the best of the best in our industry and such an honor to be involved in helping our patients achieve such positive outcomes time and time again.”

Sarah Loftin, RN  
Director of Quality Services  
Arkansas Surgical Hospital

Mishawaka, Indiana

# UNITY MEDICAL AND SURGICAL HOSPITAL

Unity Medical and Surgical Hospital has a long-standing tradition of providing quality patient care. Our patient-focused team of specialists tailors care plans for each patient. This ensures patients receive personalized and compassionate care.

A focus on patient satisfaction allows us to deliver better results and more positive outcomes. With a patient-to-nurse ratio of just three-to-one and a near-zero infection rate, our hospital routinely receives local, state and national awards for patient healthcare. Our hospital was recently rated the top hospital and most recommended hospital in Indiana according to medicare.gov. In 2017, the hospital was honored to receive the Guardian of Excellence Award from Press Ganey for achieving HCAHPS scores among the top five percent of hospitals nationally.



## Proven Quality: HCAHPS Quality Topic<sup>1</sup>

Patients who reported YES, they would definitely recommend the hospital:

**74%**

Indiana Average

**91%**

Unity Medical and Surgical Hospital

**72%**

National Average





“

The personal touch is remembered and enhances the experience. Our physician board maintains that we have a low patient to nurse ratio to deliver close patient care. Patients notice the personal care and touch.”

Dr. Madhu Rao  
Orthopedic Surgeon  
Unity Medical and Surgical Hospital

Oklahoma City, Oklahoma

# OKLAHOMA SPINE HOSPITAL

Oklahoma Spine Hospital is one of the United States' first physician-owned and -operated specialty surgical spine hospitals and is the only facility in the Oklahoma City metropolitan area focusing on the treatment of disorders of the spine. This important distinction makes the hospital a destination for spine care throughout Oklahoma. A commitment to delivering superior results for patients has resulted in the hospital offering new and innovative procedures for spine surgery.

The quality of patient care and the outcomes achieved drive our surgical team. With dedicated professionals and best-in-class treatments and facilities, Oklahoma Spine Hospital has been rated the #1 Hospital in Oklahoma for Patient Safety in Spinal Surgery<sup>2</sup> and consistently receives the Guardian of Excellence Award from Press Ganey for achieving HCAHPS scores that put it among the top five percent of hospitals nationally.



## Proven Quality: HCAHPS Quality Topic<sup>1</sup>

Patients who reported YES, they would definitely recommend the hospital:

**74%**

Oklahoma Average

**87%**

Oklahoma Spine Hospital

**72%**

National Average



“

I have not one complaint. I would use the same hospital and same physician — I received excellent care, both before and after.”

Oklahoma Spine Hospital Patient

Rapid City, South Dakota

# BLACK HILLS SURGICAL HOSPITAL

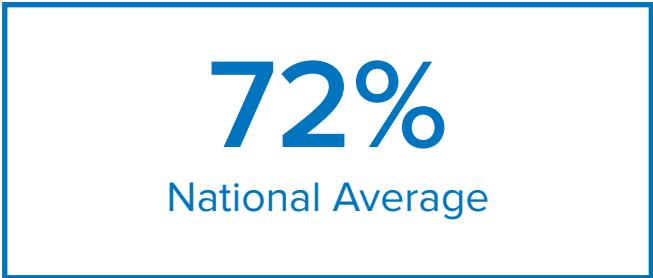
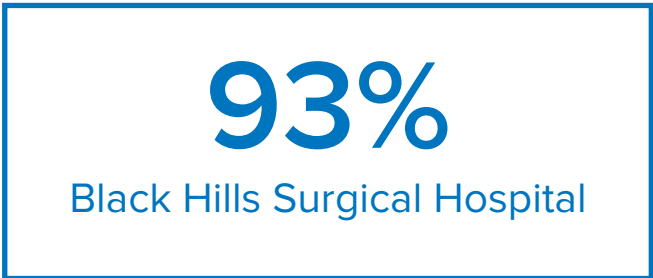
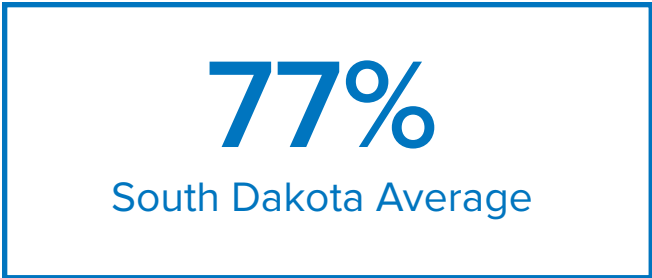
Black Hills Surgical Hospital is a premier surgical hospital and imaging center, offering a wide range of specialized medical services, with a primary focus on orthopedic and neurosurgery procedures. The hospital's three urgent care locations provide patients with convenient access, expanded outreach and treatment options for a range of illnesses while offering similar high-quality patient amenities. Advanced medical technologies complement the hospital staff's expertise and deliver a superior healthcare experience to patients.

After 22 years of service in our community, we remain committed to the complete patient experience, with private suites, made-to-order gourmet meals, and a one-to-three nurse-to-patient ratio. U.S. News & World Report has ranked Black Hills Surgical Hospital as the #6 Hospital in the U.S. for quality service and care. The hospital has also been accredited by Surgical Review Corporation under its Center of Excellence for Orthopedic and Neurosurgery program.



## Proven Quality: HCAHPS Quality Topic<sup>1</sup>

Patients who reported YES, they would definitely recommend the hospital:







“

This facility allows doctors to practice their best medicine. Administration is very responsive to our suggestions and to improving quality of care, and the resulting efficiencies are staggering. ”

Bryan Den Hartog, M.D.  
Orthopedic Surgeon, Foot and Ankle Specialist  
Black Hills Surgical Hospital's Orthopedic and Spine Center



Sioux Falls, South Dakota

# SIoux FALLS SPECIALTY HOSPITAL

Sioux Falls Specialty Hospital is a leading healthcare facility that provides specialty care services to Sioux Falls area residents as well as patients from the rest of South Dakota and nearby states, in an environment of quality, safety, and patient comfort. Operating since 1985, we offer a wide range of services including orthopedics, ophthalmology, pain management, imaging, urgent care and occupational health and medical services. We employ the best technologies and innovative procedures for patient treatment, including high-field 3T MRI and open upright MRI scanners. Patient care is a prime focus at our hospital. In 2017, several members of our team were recognized by the National Summit and National Pinnacle Awards from Custom Learning Systems for service excellence.



## Proven Quality: HCAHPS Quality Topic<sup>1</sup>

Patients who reported  
YES, they would definitely  
recommend the hospital:

**77%**

South Dakota Average

**89%**

Sioux Falls Specialty Hospital

**72%**

National Average



“

Very kid-friendly recovery area. Our recovery nurse was wonderful. We were allowed to be with our daughter almost immediately out of surgery. Your facility definitely has this process down to an art! Thank you for your expertise! ”

Sioux Falls Specialty Hospital Patient

Newport Beach, California

# NEWPORT CENTER SURGICAL

Newport Center Surgical is an ambulatory surgery center that provides outpatient medical procedures. Our range of services covers gastroenterology, gynecology, orthopedics, pain management and cosmetic surgery. Accredited as a Medicare-Deemed Multi-Specialty Facility by the Accreditation Association for Ambulatory Health Care, we offer innovative treatments using the best technologies available and are committed to providing our patients a safe and pleasant visit.



## 2017 HIGHLIGHTS

Achieved record  
revenue of

**\$385.3M**

**\$94.6M**

Adjusted EBITDA<sup>3</sup>

**24.6%**

Adjusted EBITDA margin

**C\$51.7M**

Cash available for distribution<sup>3</sup>

**67.5%**

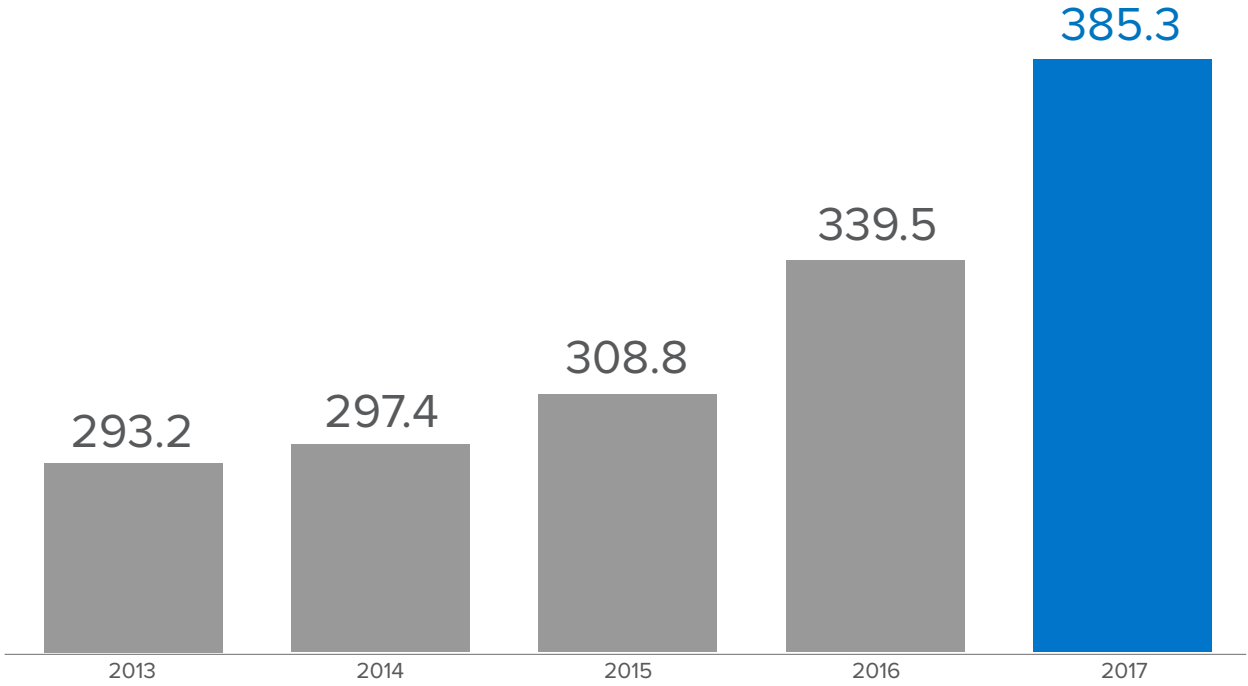
Payout ratio<sup>3</sup>

Through December  
31, 2017 paid 165  
consecutive dividends  
since inception

Repurchased 95,600  
common shares at  
an average price of  
C\$14.71 per share

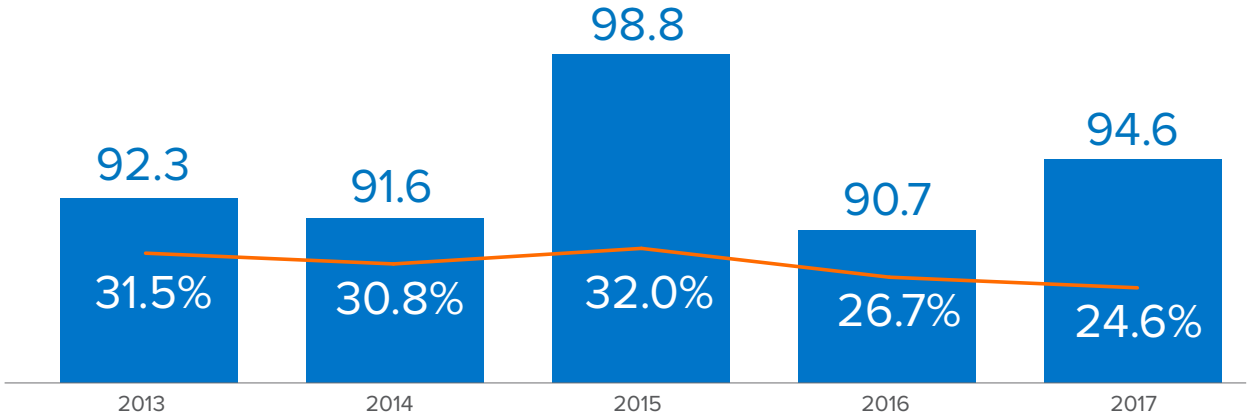
# FINANCIAL TRENDS

Revenue (\$ millions)



## Adjusted EBITDA

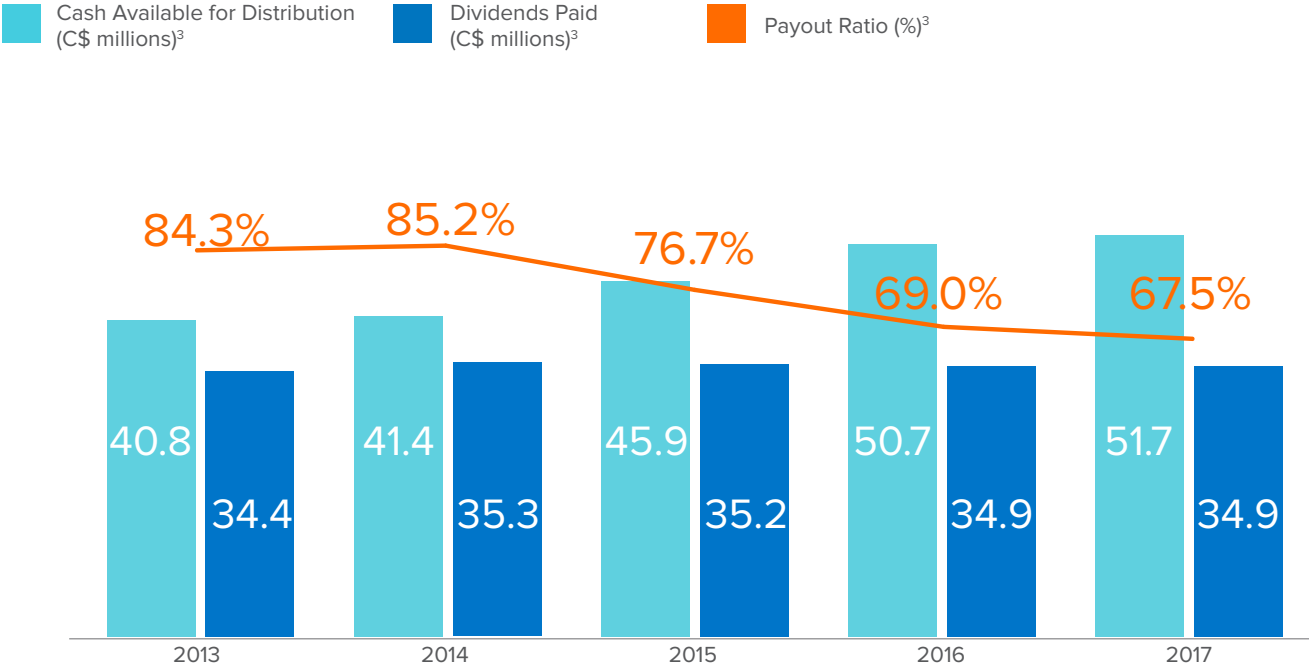
Adjusted EBITDA (\$ millions)<sup>3</sup>      Adjusted EBITDA Margin (%)



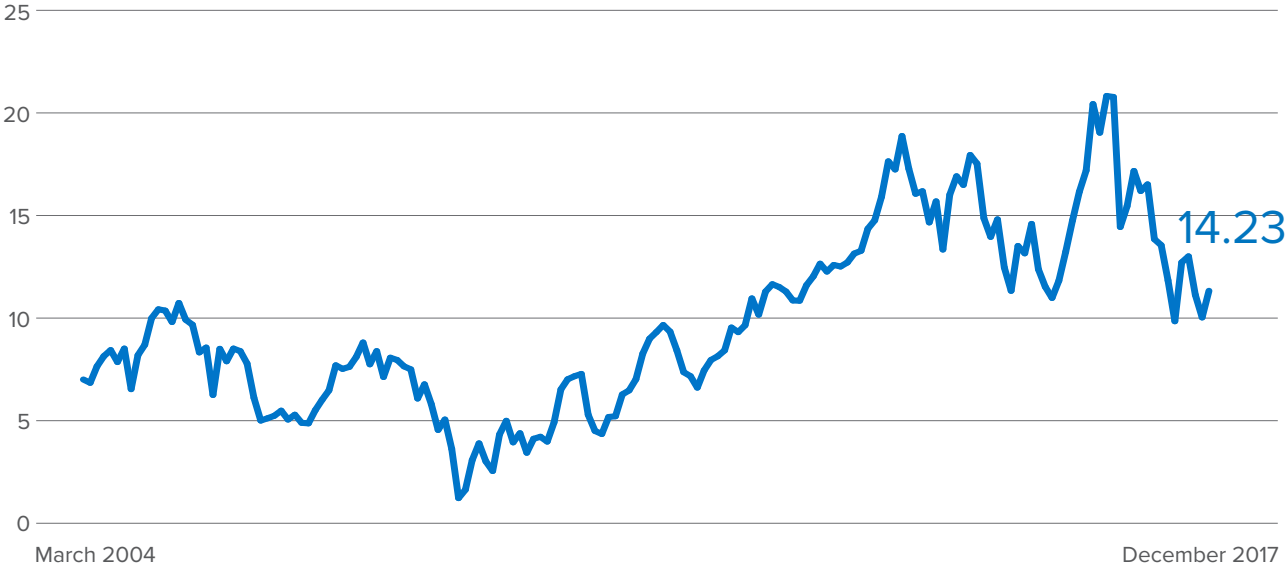
All figures in US\$ unless otherwise stated.



## Strong Cash Flow

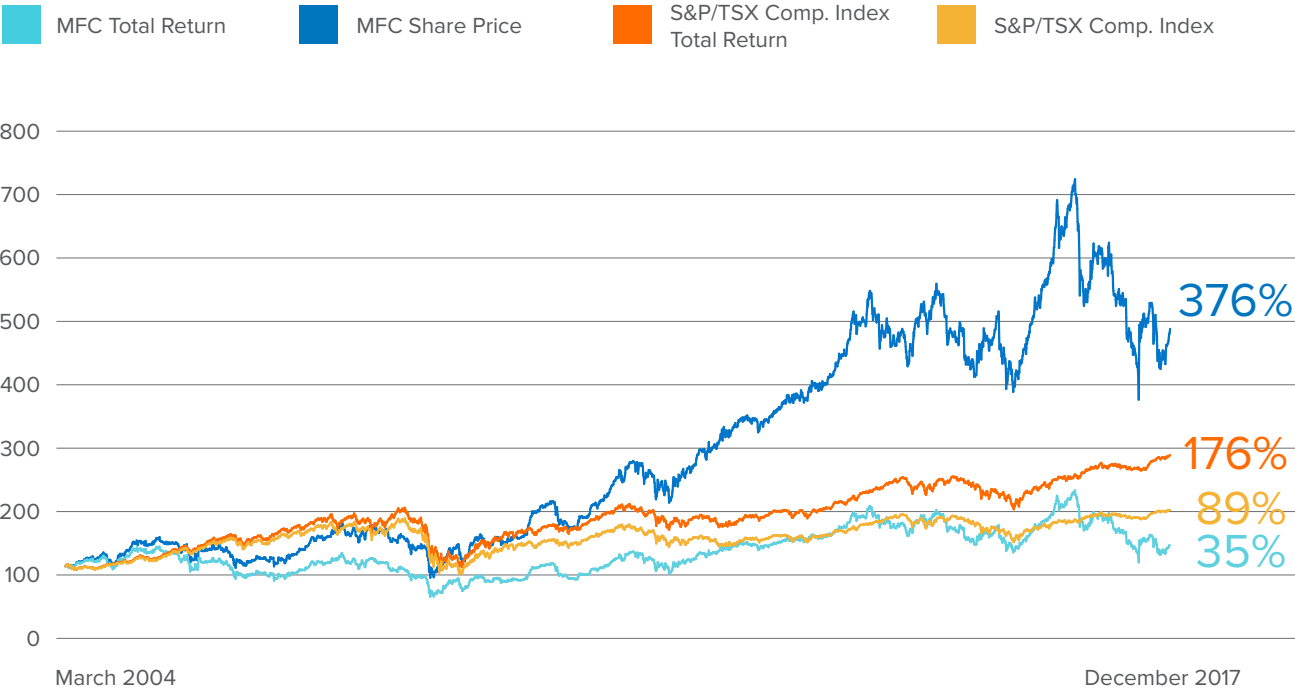


## Share Price Performance Since Inception (C\$)



All figures in US\$ unless otherwise stated.

# Relative Total Return Since Inception (C\$)



Assumes C\$100 investment with dividends reinvested in Medical Facilities' common shares.

All figures in US\$ unless otherwise stated.

# OUR STRATEGY FOR GROWTH

## Growing to enhance long-term shareholder value

Medical Facilities Corporation is committed to organic growth and growth through strategic acquisitions. As the company evolves, we will also continue the financial prudence it has maintained since inception.

**Organic growth** remains a key focus as we work with our local leadership teams to strengthen and grow existing markets.

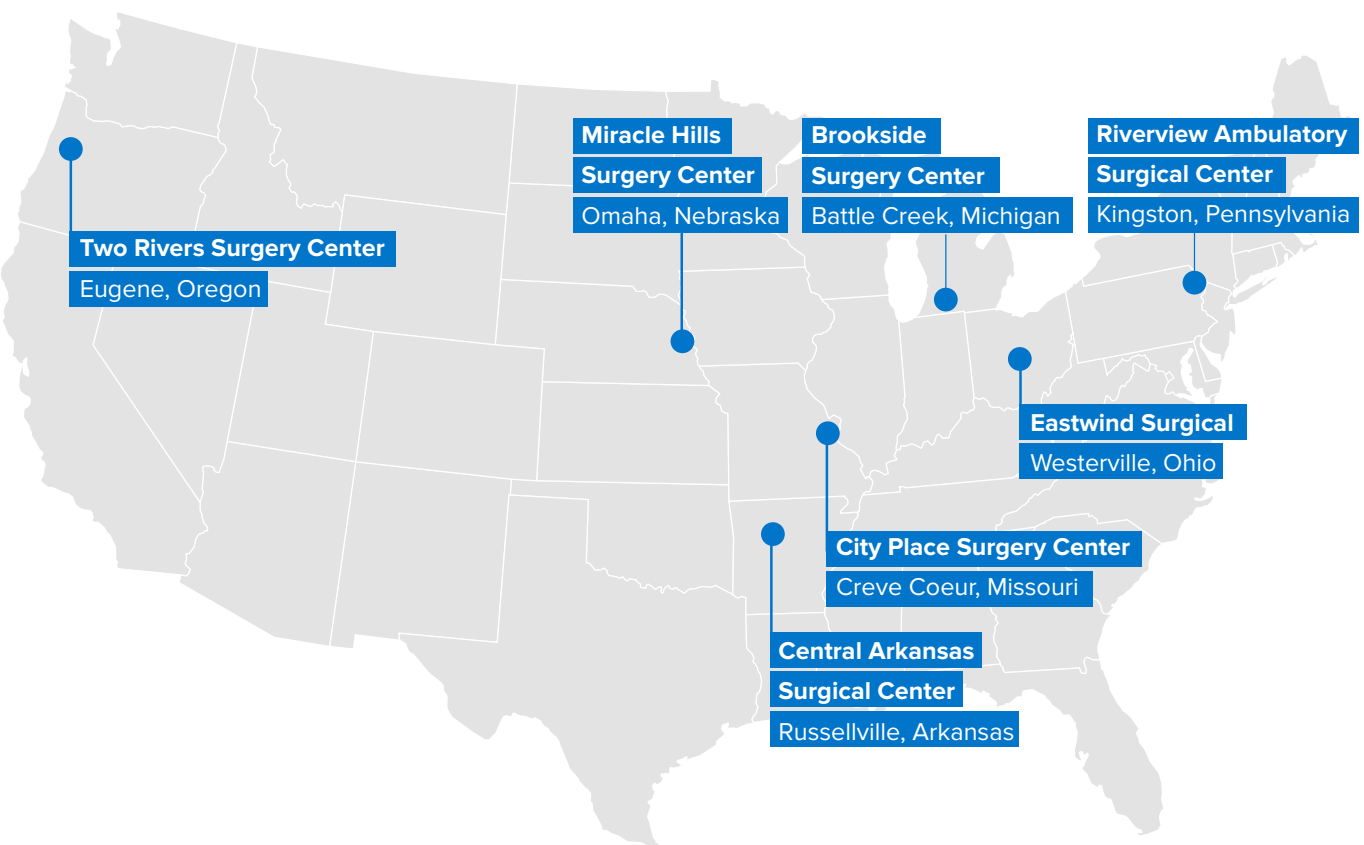
### 2017 Successes

- Added practicing physicians and additional services across the facilities.
- Expanded service offerings at Arkansas Surgical Hospital and Sioux Falls Specialty Hospital by adding urgent care clinics.

- Improved procurement practices and pursued cost-reduction strategies across our network of facilities.

**Acquisition growth** focused on physician-aligned surgical hospitals, ambulatory surgery centers and ancillaries continues to be a priority to further secure our strong financial foundation by increasing and diversifying our revenue base. In 2017, we considered many opportunities to acquire high-quality facilities that would fit our disciplined acquisition criteria and complement our existing portfolio. As a result of the extensive due diligence and screening, at the beginning of 2018 we announced and completed the acquisition of seven ambulatory surgery centers through a partnership with NueHealth, LLC.

### Newly acquired ambulatory surgery centers



# BOARD AND MANAGEMENT

## Board of Directors



**Marilynne Day-Linton**  
Chair of the Board of Directors

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



**David R. Bellaire**  
Chair of the Investment Committee

David Bellaire is an operating partner with Waud Capital Partners (Chicago) and an investor in and director for several private companies operating at the intersection of technology application and healthcare. He previously was a senior advisor following a decade as senior partner and director at Bain & Company where he held leadership roles in health insurance, provider and related service sectors. Prior to Bain & Company, Mr. Bellaire was EVP and COO of NASDAQ-listed health technology company, lead partner of Booz Allen Hamilton, SVP at APM, Inc. and Computer Sciences Corp., lead executive for two specialty reinsurance companies sold to an industry consolidator, and faculty member of Northwestern University Medical School. He has served in interim turnaround and merger/integration leadership roles and was the founder/CEO of a prosthetics company. He has served in a number of governance and ownership roles over his career including for a medical information company, toxicology labs, physical therapy company, national specialty pharmacy provider, genomic informatics company, and a pharmaceutical care services provider, among others. Mr. Bellaire received his MBA and graduate (prosthetics/bio-engineering) degrees from Northwestern University.



**Stephen Dineley**  
Chair of the Audit Committee

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



**Irving R. Gerstein**

Irving Gerstein, C.M., O.Ont. is a retired executive. Mr. Gerstein is chair of the board of directors of Atlantic Power Corporation (TSX:ATP; NYSE:AT) and lead director of Student Transportation Inc. (TSX:STB; NASDAQ:STB). He previously served as a director of other public corporations, including CTV Inc., Traders Group Limited, Guaranty Trust Company of Canada, Confederation Life Insurance Company, Scott's Hospitality Inc. and Economic Investment Trust Limited, and as an officer and director of Peoples Jewellers Limited. Mr. Gerstein is a Member of the Order of Canada and a Member of the Order of Ontario. He was a member of the Senate of Canada from 2009 to 2016. Mr. Gerstein is an honorary director of Mount Sinai Hospital (Toronto), having previously served as Chairman of the Board, Chairman Emeritus and a director over a period of 25 years. Mr. Gerstein received his BSc. in Economics from the University of Pennsylvania (Wharton School of Finance and Commerce).



**Robert O. Horrар**  
President and Chief  
Executive Officer

Robert Horrар is President and Chief Executive Officer of Medical Facilities which he joined in May 2017 initially as Chief Operating Officer. Mr. Horrар is a seasoned healthcare leader with more than 25 years of experience in health plan and hospital operations. He was formerly with Community Health Systems, Inc. which he joined in 1998 as Vice-President of Business Development ultimately reaching the position of Division President responsible for overseeing the operations of affiliated hospitals in Indiana, Tennessee and West Virginia. Before Community Health Systems, Mr. Horrар was with Humana, Inc. for over 11 years and held several key management positions, including Executive Director for Nevada operations. Mr. Horrар holds a Bachelor of Science degree in Economics from Centre College in Kentucky and a Master of Science degree in HealthCare Administration from Trinity University in Texas.



**Dale Lawr**  
Co-Chair of the  
Corporate Governance,  
Nominating and  
Compensation  
Committee

Dale Lawr is a CPA, CA with executive experience in a broad range of organizations in Canada and the United States, including public and private companies and a crown corporation. Until March 2015, Ms. Lawr was Chief Risk Officer at Infrastructure Ontario, which she joined in 2011 as Chief Financial Officer. Previously, Ms. Lawr was with Altus Group Limited (TSX:AIF), where she initially served as Chief Financial Officer and then as EVP Finance, Strategic Initiatives. Previously, Ms. Lawr lived in Chicago, where she served as Chief Financial Officer of RTC Industries Inc., a retail design firm; Vice President Finance of Frankel & Co., a national marketing services agency and a business unit of Publicis SA; and Senior Manager and Director of Finance for Accenture in the firm's Chicago and Toronto offices. Ms. Lawr holds an MBA from Rotman School of Management, University of Toronto and an ICD.D designation with the Institute of Corporate Directors. Ms. Lawr is on the board of directors and chairs the finance, audit and risk committee for the Ontario Institute for Cancer Research.



**Jeffrey C. Lozon**  
Co-Chair of the  
Corporate Governance,  
Nominating and  
Compensation  
Committee

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



**Reza Shahim, M.D.**

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



## Executive Officers



**Robert O. Hollar**  
President and Chief  
Executive Officer

Robert Hollar is President and Chief Executive Officer of Medical Facilities which he joined in May 2017 initially as Chief Operating Officer. Mr. Hollar is a seasoned healthcare leader with more than 25 years of experience in health plan and hospital operations. He was formerly with Community Health Systems, Inc. which he joined in 1998 as Vice-President of Business Development ultimately reaching the position of Division President responsible for overseeing the operations of affiliated hospitals in Indiana, Tennessee and West Virginia. Before Community Health Systems, Mr. Hollar was with Humana, Inc. for over 11 years and held several key management positions, including Executive Director for Nevada operations. Mr. Hollar holds a Bachelor of Science degree in Economics from Centre College in Kentucky and a Master of Science degree in HealthCare Administration from Trinity University in Texas.



**Tyler C. Murphy**  
Chief Financial Officer

Tyler Murphy joined Medical Facilities in November 2016, initially as Executive Vice President, Finance. Mr. Murphy has over seventeen years' experience in senior financial management in the healthcare industry and, prior to joining Medical Facilities, served as Vice President and Treasurer with one of the largest publicly-traded healthcare companies in the United States. Prior to this he was with another large investor-owned organization as Senior Vice-President, responsible for treasury, risk management and investor relations. He brings to Medical Facilities expertise in finance, accounting, investments, as well as executing on and integrating merger and acquisition targets. Mr. Murphy holds a Bachelor of Science degree in Business Administration from Auburn University and an MBA from the University of Alabama at Birmingham.



**James D. Rolfe**  
Chief Development  
Officer

Jim Rolfe joined Medical Facilities as Chief Development Officer in September 2016. Prior to joining Medical Facilities, Mr. Rolfe was Managing Director of Business Development and Transaction Advisory for one of the largest healthcare valuation and transaction advisory firms in the U.S. and worked with many large proprietary for-profit and not-for-profit health systems. Prior to this role, he was Vice President of Acquisitions and Development for one of the largest publicly-traded healthcare systems in the United States. He has been involved in over 45 transactions totaling \$2.5 billion. These transactions include the acquisition/divestiture of acute care hospitals, outpatient facilities, and physician practices as well as physician joint ventures in hospitals and outpatient facilities. In total he has over 25 years' experience in the financial services and healthcare sectors and holds a BBA from the University of Mississippi.



**James M. Porter**  
Vice-President,  
Operations

Jimmy Porter joined Medical Facilities as Vice-President, Operations in January 2018. Mr. Porter is a healthcare executive with significant finance, transaction, business development, data analysis and operations experience. He was formerly with Community Health Systems, Inc. ("CHS") which he joined in 2012 as Director, Acquisitions and Development, ultimately reaching the position of Senior Director Finance, Ambulatory Surgery Centers ("ASC") responsible for leading the financial operations of CHS' ASC division. Before CHS, Mr. Porter was a Senior Manager, Transaction Advisory Services – Healthcare with Ernst & Young which he joined in 2002. Mr. Porter holds a Masters of Accountancy and Bachelors of Business Administration, Accounting from the University of Georgia in Athens, Georgia.

# CORPORATE AND SHAREHOLDER INFORMATION

## Canadian Head Office

45 St. Clair Avenue West  
Suite 200  
Toronto, Ontario  
Canada M4V 1K6  
416-848-7380  
1-877-402-7162

[investors@medicalfc.com](mailto:investors@medicalfc.com)

## U.S. Headquarters

830 Crescent Centre Drive  
Suite 200  
Franklin, Tennessee 37067  
United States  
615-610-3700

## Stock Exchange Listing

Toronto Stock Exchange  
Common Shares: DR  
Convertible Debentures:  
DR.DB.A

## Annual Meeting

May 10, 2018 at 11:00 am ET  
TMX Broadcast Centre  
The Exchange Tower  
130 King Street West  
Toronto, Ontario  
Canada M5X 1J2

## Auditor

KPMG LLP  
333 Bay Street  
Suite 4600  
Toronto, Ontario  
Canada M5H 2S5

## Transfer Agent and Registrar

Computershare Investor  
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100 University Avenue  
8th Floor  
Toronto, Ontario  
Canada M5J 2Y1  
1-800-564-6253

## Investor Inquiries

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1-800-385-5451  
[cmacphail@national.ca](mailto:cmacphail@national.ca)

## Media Inquiries

Ellis Metz  
Media Relations Counsel  
Jarrard Phillips Cate & Hancock  
615-254-0575  
[emetz@jarrardinc.com](mailto:emetz@jarrardinc.com)

## Dividend Reinvestment

Eligible shareholders can reinvest their cash dividends in common shares of Medical Facilities Corporation by enrolling in the company's Dividend Reinvestment and Share Purchase Plan ("DRIP") which is administered by Computershare Trust Company of Canada. Full details can be obtained by visiting the DRIP section of Medical Facilities Corporation's website at [medicalfc.com/Investors/Dividends/drip.aspx](http://medicalfc.com/Investors/Dividends/drip.aspx)

## Eligible Dividend Designation

Pursuant to subsection 89(14) of the *Income Tax Act* (Canada) and its equivalent in any provinces or territories of Canada, all dividends (and deemed dividends) paid by Medical Facilities Corporation to Canadian residents on its common shares are designated as "eligible dividends", unless stated otherwise.

## Information for Shareholders Outside of Canada

Dividends paid to residents of countries with which Canada has bilateral tax treaties are generally subject to the 15% Canadian non-resident withholding tax. There generally is no Canadian tax on gains from the sale of shares (assuming ownership of less than 25%) of the company owned by non-residents not carrying on business in Canada. No government in Canada levies estate taxes or succession duties.

## Footnotes

1. The HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Survey, also known as the CAHPS® Hospital Survey or Hospital CAHPS®, is a standardized survey instrument and data collection methodology that has been in use since 2006 to measure patients' perspectives of hospital care. Ratings are for the reporting period from Q2 2016 through Q1 2017.
2. Carechex.com, an information service of Quantros Inc. CareChex provides a comprehensive evaluation of inpatient hospital quality performance using a variety of outcomes of care measures, expressed as a composite quality score (CQS).
3. Non-IFRS Financial Measures. Refer to Medical Facilities' 2017 Management's Discussion and Analysis.