

*This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stock broker, bank manager, lawyer, accountant or other professional advisor.*

*This Offer has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.*

*This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, and deposits will not be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of that jurisdiction. However, Medical Facilities Corporation may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and to extend the Offer to Shareholders in such jurisdiction.*

*For U.S. Shareholders: The Offer is made by a Canadian issuer for its own securities, and while the Offer is subject to disclosure requirements of Canada, investors should be aware that these requirements are different from those of the United States. Financial statements of the Company have been prepared in accordance with international financial reporting standards and thus may not be comparable to financial statements of U.S. companies. The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that the Company is located in Canada, and that some of its officers and directors are non-residents of the United States.*

September 16, 2022



**OFFER TO PURCHASE FOR CASH  
UP TO \$34.5 MILLION IN VALUE OF ITS COMMON SHARES AT A PURCHASE PRICE OF  
NOT LESS THAN \$10.00 AND NOT MORE THAN \$11.50 PER COMMON SHARE**

Medical Facilities Corporation (“MFC” or the “Company”) hereby offers to purchase common shares of the Company (the “Common Shares”) validly tendered and not properly withdrawn having an aggregate purchase price not exceeding \$34.5 million. The purchase price per Common Share will be determined by the Company in the manner described below but will not be less than \$10.00 and not more than \$11.50. The offer and all deposits of Common Shares are subject to the terms and conditions set forth in this Offer to Purchase, the accompanying Issuer Bid Circular (the “Circular”), the related Letter of Transmittal and the Notice of Guaranteed Delivery (which together constitute the “Offer”).

**The Offer will commence on the date set forth above and expires at 5:00 p.m. (Eastern time) on October 24, 2022 or at such later time and date to which the Offer may be extended by MFC (the “Expiration Date”).** MFC reserves the right to withdraw the Offer and not take up and pay for any Common Shares deposited under the Offer unless certain conditions are satisfied. See Section 7 of the Offer to Purchase – “Certain Conditions of the Offer”.

Holders of Common Shares (“Shareholders”) who wish to accept the Offer may do so in one of two ways: (a) by making an auction tender (“**Auction Tender**”) pursuant to which they agree to sell to the Company at a specified price per Common Share (not less than \$10.00 and not more than \$11.50 and in increments of \$0.10 within that range) a specified number of Common Shares owned by them; or (b) by making a purchase price tender in which the tendering Shareholders do not specify a price per Common Share, but rather agree to have a specified number of Common Shares purchased at the Purchase Price (as defined below), to be determined pursuant to the Offer (“**Purchase Price Tender**”), understanding that if

they make a Purchase Price Tender, for the purpose of determining the Purchase Price, such Common Shares will be deemed to have been tendered at the minimum price of \$10.00 per Common Share.

Shareholders who wish to deposit Common Shares without specifying a price at which such Common Shares may be purchased by the Company should make a Purchase Price Tender. Under a Purchase Price Tender, Common Shares will be purchased, upon the terms and subject to the conditions of the Offer, at the Purchase Price (as defined below) determined as provided herein. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

MFC is conducting the Offer through a “modified Dutch Auction” procedure. Through this procedure, MFC will, upon the terms and subject to the conditions of the Offer, determine a single price per Common Share (the “**Purchase Price**”) (which will be not more than \$11.50 and not less than \$10.00 per Common Share) that it will pay for Common Shares validly deposited pursuant to the Offer and not properly withdrawn, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$10.00 per Common Share for purposes of determining the Purchase Price (which is the minimum price per Common Share under the Offer). The Purchase Price will be the lowest price per Common Share of not more than \$11.50 and not less than \$10.00 per Common Share at which Common Shares have been deposited or have been deemed to be deposited under the Offer that will enable MFC to purchase the maximum number of Deposited Common Shares (as defined below) having an aggregate purchase price not exceeding \$34.5 million. Common Shares validly deposited pursuant to an Auction Tender will only be taken up if the price specified in the Auction Tender by the depositing Shareholder is equal to or less than the Purchase Price.

Each Shareholder who has properly deposited Common Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender and who has not properly withdrawn such Common Shares will receive the Purchase Price, payable in cash (subject to applicable withholding taxes, if any), for all Common Shares purchased, on the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of odd lots, each as described herein. MFC will first accept for purchase Common Shares validly deposited by any Shareholder who beneficially holds, as of the close of business on the Expiration Date, odd lots of fewer than 100 Common Shares in the aggregate and who deposits all such Common Shares pursuant to an Auction Tender at a price equal to or less than the Purchase Price or pursuant to a Purchase Price Tender.

Shareholders validly depositing Common Shares pursuant to Auction Tenders at \$10.00 per Common Share (the minimum purchase price under the Offer) and Shareholders validly depositing Common Shares pursuant to Purchase Price Tenders can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to the proration provisions and the preferential acceptance of Odd Lot Holders, each as described herein).

If the number of Common Shares validly deposited prior to the Expiration Date (and not properly withdrawn in accordance with Section 6 of the Offer to Purchase, “Withdrawal Rights”) pursuant to Auction Tenders at a price equal to or less than the Purchase Price and pursuant to Purchase Price Tenders would result in an aggregate purchase price in excess of \$34.5 million, then such Deposited Common Shares will be purchased on a *pro rata* basis according to the number of Common Shares deposited or deemed to be deposited at a price equal to or less than the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional Common Shares), except that odd lot deposits will not be subject to proration. See Section 3 of the Offer to Purchase, “Number of Common Shares, Proration”, for additional details, including the formula that we will use to determine proration. If no

Auction Tenders or Purchase Price Tenders are made pursuant to the Offer, the Company will not purchase any Common Shares pursuant to the Offer.

All Auction Tenders and Purchase Price Tenders will be subject to adjustment to avoid the purchase of fractional Common Shares (rounding down to the nearest whole number of Common Shares). All payments to Shareholders will be subject to deduction of applicable withholding taxes. See Section 13 of the Circular, “Income Tax Considerations”.

All Deposited Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

The Company has concluded it can rely on the “liquid market exemption” specified in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and has determined that: (i) a liquid market (calculated in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) existed for the Common Shares at the time the Offer was announced and as at the date hereof; and (ii) it is reasonable to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for Shareholders who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. The board of directors of the Company (the “**Board of Directors**”) has also obtained a liquidity opinion of National Bank Financial Inc. as of the close of business on September 9, 2022 which, subject to the qualifications, assumptions and restrictions set out therein, confirms the determination of the Company with respect to market liquidity. A copy of the opinion is attached hereto as Schedule A.

As of September 12, 2022, 29,414,759 Common Shares were issued and outstanding. The Common Shares are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “**DR**”. Accordingly, the Offer is for up to 3,450,000 Common Shares or approximately 11.73% of the total number of issued and outstanding Common Shares if the Purchase Price is determined to be \$10.00 (which is the minimum price per Common Share pursuant to the Offer) or up to 3,000,000 Common Shares or approximately 10.20% of the total number of issued and outstanding Common Shares if the Purchase Price is determined to be \$11.50 (which is the maximum Purchase Price per Common Share pursuant to the Offer). On September 12, 2022 (the last trading day before the Offer was publicly announced), the closing price of the Common Shares on the TSX was \$9.49 per Common Share. During the past 12 months, the closing prices of the Common Shares on the TSX have ranged from a low of \$7.54 to a high of \$12.25.

Under the normal course issuer bid (the “**NCIB**”) which commenced on December 1, 2021 and expires on November 30, 2022, the Company has purchased and cancelled 1,703,900 Common Shares. There will be no further purchases of Common Shares under the NCIB until after the Expiration Date or date of termination of the Offer.

**None of MFC, its Board of Directors, the Depository or National Bank Financial Inc. makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares under the Offer.** See Section 3 of the Circular, “Purpose and Effect of the Offer”. Shareholders must make their own decisions as to whether to deposit Common Shares under the Offer. **Shareholders should carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer. See Section 13 of the Circular – “Income Tax Considerations”.**

Shareholders wishing to deposit all or any portion of their Common Shares pursuant to the Offer must comply in all respects with the delivery procedures described herein. See Section 5 of the Offer to Purchase, “Procedure for Depositing Common Shares”.

**The Offer expires at 5:00 p.m. (Eastern time) on October 24, 2022, unless extended, varied or withdrawn.**

*The Depositary for the Offer is:*

**Computershare Investor Services Inc.**

**By Mail**

P.O. Box 7021  
31 Adelaide Street East  
Toronto, Ontario  
M5C 3H2  
Canada  
Attention: Corporate Actions

**By Hand, Registered Mail or Courier**

100 University Avenue, 8th Floor  
Toronto, Ontario  
M5J 2Y1  
Canada  
Attention: Corporate Actions  
Toll Free in Canada and the U.S.: 1-800-564-  
6253  
Outside North America: 1-514-982-7512

## FORWARD-LOOKING STATEMENTS

Certain statements made in this Offer and Circular may constitute “forward-looking information” within the meaning of applicable securities legislation. All information contained in this Offer and Circular, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, statements regarding the timing, completion and announcement of the results of the Offer, the Company continuing to have sufficient financial resources and working capital to conduct its ongoing business and operations and to pursue its foreseeable or planned business, strategic direction and capital allocation priorities, potential future purchases of additional Common Shares by the Company following expiry of the Offer, the receipt of the Extension Relief by the Company, the Company’s status as a reporting issuer and the continued listing of the Common Shares on the TSX, the purchase of Common Shares under the Offer being in the best interests of the Company and an appropriate use of financial resources, the intentions of the Company’s officers and directors to participate in the Offer and the costs and expenses incurred in connection with the Offer as well as statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of MFC and its subsidiaries. All of the forward-looking information in this Offer and Circular 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 Company operates.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: the duration and impact of the novel coronavirus SARS-CoV-2 (“COVID-19”) on the Company’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, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability, ability to execute on corporate strategy including dispositions of non-core assets and overhead cost reductions, 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 Company’s annual management’s discussion and analysis and under the heading “Risk Factors” in the Company’s most recently filed annual information form (which is available on SEDAR at [www.sedar.com](http://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 Offer and Circular and, except as required under applicable law, the Company does not undertake the obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

### INFORMATION FOR UNITED STATES SHAREHOLDERS ONLY

The Offer is made by MFC, a Canadian issuer, for its own securities, and while the Offer is subject to the disclosure requirements of the province of British Columbia and the other provinces and territories of Canada, U.S. Shareholders should be aware that these disclosure requirements are different from those of the United States. Financial statements of MFC have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are subject to Canadian auditing and auditor independence standards and, therefore, they may not be comparable to financial statements of U.S. companies prepared in accordance with United States generally accepted accounting principles.

It is a violation of Rule 14e-4 promulgated under the Exchange Act for a person acting alone or in concert with others, directly or indirectly, to tender Common Shares for such person's own account unless at the time of tender and at the Expiry Time such person has a “net long position” in (i) a number of Common Shares that is equal to or greater than the amount tendered and will deliver or cause to be delivered such Common Shares for the purpose of tendering to the Company within the period specified in the Offer; or (ii) other securities immediately convertible into, exercisable for or exchangeable into a number of Common Shares (“**Equivalent Securities**”) that is equal to or greater than the number of Common Shares tendered and, upon the acceptance of such tender, will acquire such Common Shares by conversion, exchange, or exercise of such Equivalent Securities to the extent required by the terms of the Offer and will deliver or cause to be delivered such Common Shares so acquired for the purpose of tender to the Company within the period specified in the Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of Common Shares made pursuant to any method of delivery set forth in the Circular will constitute the tendering Shareholder's acceptance of the terms and conditions of the Offer, as well as the tendering Shareholder's representation and warranty to the Company that (i) such Shareholder has a “net long position” in a number of Common Shares or Equivalent Securities at least equal to the Common Shares being tendered within the meaning of Rule 14e-4; and (ii) such tender of Common Shares complies with Rule 14e-4. The Company's acceptance for payment of Common Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering Shareholder and the Company upon the terms and subject to the conditions of the Offer.

The enforcement by Shareholders of civil liabilities under U.S. federal securities laws may be adversely affected by the fact that the Company is organized under the laws of the province of British Columbia, that certain of its directors and officers are residents of Canada, that some or all of the experts, named in the Circular are non-residents of the United States and that all or a substantial portion of the assets of the Company and said persons are located outside the United States. It may be difficult to effect service of process on the Company, its officers and directors and the experts named in the Circular. Additionally, it might be difficult for Shareholders to enforce judgments of U.S. courts based on civil liability provisions of the U.S. federal securities laws or the securities or “blue sky” laws of any state within the United States in a Canadian court against the Company or any of its non-U.S. resident directors, officers or the experts named in the Circular or to bring an original action in a Canadian court to enforce liabilities based on the federal or state securities laws against such persons.

U.S. Shareholders should be aware that the acceptance of the Offer will have certain tax consequences under United States and Canadian law. See Section 13 of the Circular – “Income Tax Considerations”. U.S. Shareholders should consult their tax advisors with respect to their particular circumstances and tax considerations applicable to them.

Neither the United States Securities and Exchange Commission, nor any U.S. domestic state, Canadian provincial, territorial or foreign securities commission, has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this Offer. Any representation to the contrary is a criminal offence.

### **NOTICE TO HOLDERS OF OPTIONS AND CONVERTIBLE OR EXCHANGEABLE SECURITIES**

The Offer is made only for Common Shares and is not made for any options to purchase Common Shares or any other securities of MFC that are convertible into or exchangeable or exercisable for Common Shares. Any holder of such options or other securities convertible into or exchangeable or exercisable for Common Shares who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable laws, exercise the option or other securities convertible into or exchangeable or exercisable for Common Shares in order to obtain Common Shares and deposit those Common Shares in accordance with the terms of the Offer. Any such conversion, exchange or exercise must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such options or other securities will have the Common Shares issued or deliverable and, if applicable, will have received the certificate(s) or DRS position(s) representing the Common Shares, on such exercise, available for deposit at or prior to the Expiry Time, or in sufficient time to comply with the procedures referred to below in Section 5 of the Offer to Purchase, “Procedure for Depositing Common Shares”. Any such conversion, exercise or exchange will be irrevocable, including where the Common Shares tendered are subject to proration or otherwise are not taken up.

### **CURRENCY**

All references to “\$” in the Offer to Purchase and the Circular are in Canadian dollars, except where otherwise indicated.

### **INTERPRETATION**

Unless the context otherwise requires, all references in the Offer to Purchase and Circular to “we”, “us”, “MFC” or the “Company” refer solely to Medical Facilities Corporation, except for such references in Section 1 of the Circular where such terms refer to Medical Facilities Corporation and its subsidiaries. All information in this Offer to Purchase and Circular is given as of September 12, 2022 unless otherwise indicated.

## TABLE OF CONTENTS

<b>OFFER TO PURCHASE FOR CASH</b> .....	<b>I</b>
<b>FORWARD-LOOKING STATEMENTS</b> .....	<b>V</b>
<b>INFORMATION FOR UNITED STATES SHAREHOLDERS ONLY</b> .....	<b>VI</b>
<b>NOTICE TO HOLDERS OF OPTIONS AND CONVERTIBLE OR EXCHANGEABLE SECURITIES</b> .....	<b>VII</b>
<b>CURRENCY</b> .....	<b>VII</b>
<b>INTERPRETATION</b> .....	<b>VII</b>
<b>GLOSSARY</b> .....	<b>1</b>
<b>SUMMARY</b> .....	<b>4</b>
<b>OFFER TO PURCHASE</b> .....	<b>13</b>
1. The Offer .....	13
2. Purchase Price .....	14
3. Number of Common Shares, Proration .....	14
4. Announcement of Purchase Price, Number of Common Shares Validly Tendered and Aggregate Purchase Price .....	15
5. Procedure for Depositing Common Shares .....	15
6. Withdrawal Rights .....	20
7. Certain Conditions of the Offer .....	21
8. Extension and Variation of the Offer .....	24
9. Taking Up and Payment for Deposited Common Shares .....	25
10. Payment in the Event of Mail Service Interruption .....	26
11. Liens and Dividends .....	26
12. Notice .....	27
13. Acquisitions and Dispositions of Common Shares by the Company .....	27
14. Other Terms .....	27
<b>CIRCULAR</b> .....	<b>29</b>
1. MFC .....	29
2. Authorized Capital .....	29
3. Purpose and Effect of the Offer .....	29
4. Financial Statements .....	32
5. Trading Price and Volume .....	33
6. Dividends and Dividend Policy .....	33
7. Previous Distributions and Purchases of Securities .....	34
8. Interest of Directors and Officers and Transactions and Arrangements Concerning Securities .....	34
9. Commitments to Acquire Common Shares .....	35
10. Benefits from the Offer and Effect on Interested Parties .....	36
11. Material Changes in the Affairs of the Company .....	36
12. Intention to Deposit Common Shares .....	36
13. Income Tax Considerations .....	36
14. Legal Matters and Regulatory Approvals .....	46
15. Source of Funds .....	47
16. Dealer Manager .....	47
17. Depository .....	47
18. Fees and Expenses .....	47
19. Statutory Rights .....	48
20. Valuation and Bona Fide Prior Offers .....	48
<b>APPROVAL AND CERTIFICATE</b> .....	<b>49</b>
<b>CONSENT OF NATIONAL BANK FINANCIAL INC.</b> .....	<b>50</b>
<b>CONSENT OF GOODMAN'S LLP</b> .....	<b>51</b>
<b>SCHEDULE A – LIQUIDITY OPINION OF NATIONAL BANK FINANCIAL INC.</b> .....	<b>52</b>

## GLOSSARY

In this document, unless the subject matter or context is inconsistent therewith, the following terms have the following meanings:

“**Agent’s Message**” means a message, transmitted by DTC, to and received by the Depository and forming a part of a DTC book entry confirmation.

“**Auction Tender**” means an auction tender delivered by Shareholders wishing to tender to the Offer in which the tendering Shareholders specify the number of Common Shares being tendered at a price per Common Share of not less than \$10.00 and not more than \$11.50 and in increments of \$0.10 within that range.

“**Board of Directors**” means the board of directors of the Company.

“**Book Entry Confirmation**” means a confirmation of a book entry transfer of Common Shares into the Depository’s account established at CDS in accordance with the terms of the Offer.

“**business day**” means any day other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario or Vancouver, British Columbia, or a United States federal holiday, and for purposes of the Exchange Act (as applicable) shall consist of the time period between 12:01 a.m. through 12:00 midnight Eastern time.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDSX.

“**CDSX**” means the book entry system administered by CDS.

“**Circular**” means the attached issuer bid circular.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Common Shares**” means common shares in the capital of the Company.

“**Company**” means Medical Facilities Corporation.

“**Depository**” means Computershare Investor Services Inc.

“**Deposited Common Shares**” means Common Shares validly deposited pursuant to the Offer and not properly withdrawn.

“**DRS**” means the Direct Registration System maintained by the Company’s transfer agent.

“**DTC**” means the Depository Trust Company.

“**Eligible Institution**” means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP).

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**Expiration Date**” means October 24, 2022 or such later date to which the Offer may be extended by the Company.

“**Expiry Time**” means 5:00 p.m. (Eastern time) on the Expiration Date or such later time on the Expiration Date to which the Offer may be extended by the Company.

“**Extension Relief**” means the exemptive relief the Company has filed for from applicable Canadian securities regulatory authorities to permit it, if it so chooses, to extend the Offer, in circumstances in which all of the terms and conditions of the Offer have either been satisfied or waived by the Company, without first taking up Common Shares which have been deposited (and not withdrawn) before the Offer was previously scheduled to expire.

“**IRS**” means the United States Internal Revenue Service.

“**Letter of Transmittal**” means the letter of transmittal in the form forwarded with the Circular.

“**MFC**” means Medical Facilities Corporation.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, as amended.

“**NCIB**” means the normal course issuer bid of the Company that commenced on December 1, 2021 and expiring on November 30, 2022 (or earlier if the number of Common Shares approved for purchase has been reached) for up to 3,101,774 Common Shares, under which there have been purchases of 1,703,900 Common Shares and any renewal of that normal course issuer bid, and there will be no further purchases of Common Shares until after the Expiration Date or date of termination of the Offer.

“**Non-Resident Shareholder**” means a Shareholder who, for purposes of the Tax Act and at all relevant times: (i) is not resident or deemed to be resident in Canada, (ii) does not use or hold, and is not deemed to use or hold, its Common Shares in connection with carrying on a business in Canada, (iii) deals at arm’s length with, and is not affiliated with, MFC, and (iv) is not an insurer that carries on an insurance business in Canada and elsewhere.

“**Notice of Guaranteed Delivery**” means the notice of guaranteed delivery in the form forwarded with the Circular.

“**Odd Lot Holders**” means Shareholders who beneficially own fewer than 100 Common Shares.

“**Offer**” means the offer made to Shareholders to purchase that number of Common Shares having an aggregate purchase price not exceeding \$34.5 million, the terms and conditions of which are set forth in the Offer to Purchase, the accompanying Circular and the related Letter of Transmittal and Notice of Guaranteed Delivery.

“**Offer to Purchase**” means the attached offer to purchase.

“**person**” means and includes any individual, sole proprietorship, partnership, joint venture, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a trustee, executor, administrator or other legal representative and any governmental authority or any agency or instrumentality thereof.

“**PFIC**” means a “passive foreign investment company” within the meaning of Code Section 1297(a).

“**Purchase Price**” means the price per Common Share (being not more than \$11.50 and not less than \$10.00 per Common Share) that the Company will pay for Deposited Common Shares, determined in accordance with the process described in Section 2 of this Offer to Purchase.

“**Purchase Price Tender**” means a deposit (or deemed deposit) where tendering Shareholders do not specify a price per Common Share, but rather agree to have a specified number of Common Shares purchased at the Purchase Price as determined under the Offer, it being understood that, for the purposes of determining the Purchase Price, Shares that are the subject of Purchase Price Tenders will be deemed to have been tendered at the minimum price of \$10.00 per Common Share.

“**Resident Shareholder**” means a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) is or is deemed to be a resident of Canada, (ii) deals at arm’s length with, and is not affiliated with, MFC, (iii) holds its Common Shares as capital property and (iv) is not exempt from tax under Part I of the Tax Act.

“**SEDAR**” means the Canadian System for Electronic Document Analysis and Retrieval.

“**Shareholder**” means the registered or beneficial holder of outstanding Common Shares, as the context requires.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, and the regulations promulgated thereunder.

“**TSX**” means the Toronto Stock Exchange.

“**withdrawal right**” means the right of any Shareholder to withdraw Common Shares deposited pursuant to the Offer and in accordance with the terms and process described in Section 6 of this Offer to Purchase.

## SUMMARY

*This general summary (“**Summary**”) is solely for the convenience of Shareholders and is qualified in its entirety by reference to the full text and more specific details in the Offer. This Summary highlights material information relating to this Offer, but it is not meant to be a substitute for the information contained in the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. Therefore, the Company urges Shareholders to carefully read the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery in their entirety prior to making any decision regarding whether or not to deposit Common Shares held or the price or prices at which a Shareholder may choose to deposit Common Shares to the Offer. The Company has included cross-references in this Summary to other sections of the Offer to Purchase, the Circular and the Letter of Transmittal where a Shareholder will find a more complete discussion of the topics mentioned in this Summary. Unless otherwise defined in this Offer to Purchase, capitalized terms have the meaning assigned to them under the heading “Glossary” above.*

*Shareholders who are in doubt as to how to deal with this Offer should consult their investment dealer, stock broker, bank manager, lawyer, accountant or other professional advisor.*

### **WHO IS OFFERING TO PURCHASE MY COMMON SHARES?**

MFC is offering to purchase for cancellation that number of Common Shares validly tendered and not properly withdrawn pursuant to the Offer having an aggregate purchase price not exceeding \$34.5 million.

### **WHY IS MFC MAKING THE OFFER?**

MFC is making the Offer because its Board of Directors, based on a number of factors, including recommendations from management, believes that the purchase of Common Shares is in the best interests of the Company and represents an appropriate use of its available cash on hand in furtherance of the Company’s corporate strategy to return capital to Shareholders. MFC and its Board of Directors believe that the Offer represents an equitable and efficient means for the Company to distribute up to \$34.5 million of capital to Shareholders who elect to tender, while at the same time proportionately increasing the equity interest in the Company of Shareholders who do not deposit their Common Shares to the Offer. See Section 3 of the Circular, “Purpose and Effect of the Offer”.

### **WHAT WILL THE PURCHASE PRICE FOR THE COMMON SHARES BE AND WHAT WILL BE THE FORM OF PAYMENT?**

The Company is conducting the Offer through a procedure called a “modified Dutch Auction”. This procedure allows Shareholders making Auction Tenders to select a price of not more than \$11.50 per Common Share and not less than \$10.00 per Common Share (and in increments of \$0.10 within that range) at which they are willing to deposit all or part of their Common Shares. As promptly as practicable after 5:00 p.m. (Eastern time) on October 24, 2022, the Company will, upon the terms and subject to the conditions of the Offer, determine a single Purchase Price (which will be not more than \$11.50 and not less than \$10.00 per Common Share) that the Company will pay for Common Shares validly deposited pursuant to the Offer and not properly withdrawn, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$10.00 per Common Share for purposes of determining the Purchase Price (which is the minimum price per Common Share under the Offer). Shareholders who validly deposit Common Shares without specifying

the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

The Purchase Price will be the lowest price per Common Share of not more than \$11.50 and not less than \$10.00 per Common Share at which Common Shares have been deposited or have been deemed to be deposited under the Offer that will enable the Company to purchase the maximum number of Common Shares deposited pursuant to the Offer, having an aggregate purchase price not exceeding \$34.5 million. MFC will publicly announce the Purchase Price promptly after it has been determined and, upon the terms and subject to the conditions of the Offer (including the proration provisions and the preferential acceptance of odd lots, each as described herein), the Company will pay the Purchase Price in cash to all Shareholders who have validly deposited (and have not properly withdrawn) their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders, subject to proration and applicable withholding taxes. See Section 2 of the Offer to Purchase, "Purchase Price". All Common Shares purchased by the Company pursuant to the Offer (including Common Shares tendered at auction prices below the Purchase Price) will be purchased at the same Purchase Price.

#### **HOW MANY COMMON SHARES WILL MFC PURCHASE?**

MFC will purchase, at the Purchase Price, Common Shares validly deposited under the Offer and not properly withdrawn up to a maximum aggregate purchase price of \$34.5 million. Since the Purchase Price will only be determined after the Expiry Time, the number of Common Shares that will be purchased will not be known until after that time.

If the Purchase Price is determined to be \$10.00 per Common Share, the minimum Purchase Price under the Offer, the maximum number of Common Shares that will be purchased under the Offer is 3,450,000. Assuming that the Offer is fully subscribed, if the Purchase Price is determined to be \$11.50 per Common Share, the maximum Purchase Price under the Offer, the maximum number of Common Shares that will be purchased under the Offer is 3,000,000.

As at September 12, 2022, there were 29,414,759 Common Shares issued and outstanding. The maximum of 3,450,000 Common Shares that the Company is offering to purchase hereunder represents approximately 11.73% of the total number of Common Shares issued and outstanding as at September 12, 2022. Assuming the Offer is fully subscribed, the minimum of 3,000,000 Common Shares that the Company is offering to purchase hereunder represents approximately 10.20% of the total number of Common Shares issued and outstanding as at September 12, 2022. See Section 3 of the Offer to Purchase, "Number of Common Shares, Proration".

#### **WHAT HAPPENS IF THE NUMBER OF COMMON SHARES DEPOSITED TO THE OFFER WOULD RESULT IN AN AGGREGATE PURCHASE PRICE OF MORE THAN \$34.5 MILLION?**

If the Offer would result in an aggregate purchase price of more than \$34.5 million, we will purchase a pro-rated portion of the Common Shares so tendered pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders (after giving preferential treatment to Odd Lot Holders).

See Section 3 of the Offer to Purchase, "Number of Common Shares, Proration", for additional details, including the formula that we will use to determine proration. If no Auction Tenders or Purchase Price Tenders are made pursuant to the Offer, we will not purchase any Common Shares pursuant to the Offer.

**CAN A SHAREHOLDER DEPOSIT THE COMMON SHARES IT HOLDS AT DIFFERENT PRICES?**

Yes. A Shareholder making an Auction Tender can elect to deposit some of the Common Shares held by that Shareholder to the Offer at one price and other Common Shares at one or more other prices, but a Shareholder may not deposit the same Common Shares pursuant to more than one method of tender or pursuant to an Auction Tender at more than one price. A Shareholder may deposit different Common Shares pursuant to Auction Tenders and Purchase Price Tenders. If a Shareholder desires to deposit Common Shares in separate lots pursuant to more than one method of tender or pursuant to an Auction Tender at a different price for each lot, that Shareholder must complete a separate Letter of Transmittal (and, if applicable, a Notice of Guaranteed Delivery) for each method and/or price pursuant to an Auction Tender at which that Shareholder is depositing Common Shares. See Section 5 of the Offer to Purchase, "Procedure for Depositing Common Shares".

**CAN A SHAREHOLDER TENDER ONLY A PORTION OF THE COMMON SHARES IT OWNS?**

Yes. A Shareholder does not have to tender all of the Common Shares it owns to participate in the Offer, unless the Shareholder is an Odd Lot Holder in which case the Shareholder must tender all of its Common Shares. The Shareholder may not tender more Common Shares than it owns in the Offer.

Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all of the Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. See Section 5 of this Offer to Purchase, "Procedure for Depositing Shares".

**HOW DOES A SHAREHOLDER DEPOSIT COMMON SHARES?**

In order to deposit Common Shares pursuant to the Offer, a Shareholder must either:

- deliver a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) with any required signatures guaranteed by an Eligible Institution, and any other documents required by the Letter of Transmittal, to the Depository at its address set forth on the Letter of Transmittal, prior to 5:00 p.m. (Eastern time) on October 24, 2022 (or such later date and time if the Expiry Time of the Offer is extended). A Shareholder who holds share certificates must deliver the certificates for all Common Shares validly deposited pursuant to the Offer in proper form for transfer, together with its Letter of Transmittal. A Shareholder whose Common Shares are held through DRS or represented by ownership statements must only deliver its Letter of Transmittal and is not required to submit their DRS positions or ownership statement;
- tender by following the procedures for book-entry transfer, provided that a Book Entry Confirmation through the CDSX system (in the case of Common Shares held in CDS) or an Agent's Message (in the case of Shares held in DTC) is received by the Depository at its office in Toronto, Ontario prior to the Expiry Time; or
- follow the guaranteed delivery procedures described under Section 5 of the Offer to Purchase, "Procedure for Depositing Common Shares".

If a Shareholder wishes to deposit Common Shares under the Offer and the Common Shares held are registered in the name of an investment dealer, stock broker, bank, trust company or other nominee, the Shareholder should immediately contact its nominee in order to take the necessary steps to be able to

deposit the Common Shares held under the Offer. See Section 5 of the Offer to Purchase, "Procedure for Depositing Common Shares".

A Shareholder may deposit Common Shares pursuant to the Offer either pursuant to an "Auction Tender" or a "Purchase Price Tender". A Shareholder may deposit some Common Shares pursuant to an Auction Tender and others pursuant to a Purchase Price Tender. A Shareholder may not deposit the same Common Shares pursuant to more than one method of tender or pursuant to an Auction Tender at more than one price. See Section 5 of this Offer to Purchase, "Procedure for Depositing Common Shares". Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. See Section 5 of the Offer to Purchase, "Procedure for Depositing Common Shares".

***Auction Tender:*** If a Shareholder is making an Auction Tender, the Shareholder must specify the minimum price per Common Share (of not more than \$11.50 and not less than \$10.00 per Common Share, in increments of \$0.10) at which that Shareholder is willing to sell its Common Shares to the Company. Common Shares validly deposited pursuant to an Auction Tender and not properly withdrawn will only be taken up if the price specified in the Auction Tender is equal to or less than the Purchase Price determined by the Company.

***Purchase Price Tender:*** If a Shareholder wishes to deposit Common Shares but does not wish to specify a minimum price at which the Company may purchase such Common Shares, the Shareholder should make a Purchase Price Tender. Shareholders should be aware that Common Shares tendered in Purchase Price Tenders will be deemed to have been tendered at the minimum purchase price of \$10.00 per Common Share.

If a Shareholder validly deposits Common Shares pursuant to an Auction Tender at \$10.00 per Common Share (the minimum purchase price under the Offer) or if a Shareholder validly deposits Common Shares pursuant to a Purchase Price Tender, that Shareholder can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to the proration provisions and the preferential acceptance of Odd Lot Holders).

Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender. No alternative, conditional or contingent tenders will be accepted.

See Section 2 of the Offer to Purchase, "Purchase Price".

#### **HOW LONG DOES A SHAREHOLDER HAVE TO DEPOSIT COMMON SHARES HELD?**

A Shareholder may deposit Common Shares held until the Offer expires. The Offer expires at 5:00 p.m. (Eastern time) on October 24, 2022, or at a later time as the Company may determine. If an investment dealer, stock broker, bank, trust company or other nominee holds Common Shares for a Shareholder, it is likely that the nominee has established an earlier deadline for that Shareholder to instruct the nominee to accept the Offer on its behalf. A Shareholder should immediately contact the Shareholder's investment dealer, stock broker, bank, trust company or other nominee to determine the nominee's deadline. See Section 8 of the Offer to Purchase, "Extension and Variation of the Offer".

#### **CAN THE OFFER BE EXTENDED, VARIED OR TERMINATED?**

Yes. The Company has filed an exemptive relief application with securities regulatory authorities in Canada to permit the Company to extend the Offer, in circumstances in which all of the terms and conditions of the Offer have either been satisfied or waived by MFC, without first taking up Common

Shares which have been deposited (and not withdrawn) before the Offer was previously scheduled to expire. If the Extension Relief is not obtained, MFC will not be permitted to extend the Offer in the event the Offer is undersubscribed on the original Expiration Date and all conditions of the Offer have been satisfied or waived by MFC without first taking up all Common Shares validly deposited under the Offer and not withdrawn. See Section 8 of the Offer to Purchase, "Extension and Variation of the Offer".

The Company expressly reserves the right, in its sole discretion (i) to terminate the Offer and not take up and pay for any Shares not theretofore taken up and paid for upon the occurrence of any of the events specified under Section 7 of the Offer to Purchase, "Certain Conditions of the Offer", and (ii) at any time or from time to time prior to the Expiration Date, to amend the Offer in any respect, including increasing or decreasing the number of Common Shares the Company may purchase or the range of prices it may pay pursuant to the Offer, subject to compliance with applicable securities legislation.

The Company will not provide for any subsequent offering period following the Expiration Date.

#### **HOW WILL A SHAREHOLDER BE NOTIFIED IF MFC EXTENDS THE OFFER?**

If MFC extends the Offer, MFC will issue a press release no later than 9:00 a.m. (Eastern time) on the next business day following the last previously scheduled or announced Expiration Date. See Section 8 of the Offer to Purchase, "Extension and Variation of the Offer".

#### **WHAT WILL HAPPEN IF A SHAREHOLDER DOES NOT DEPOSIT COMMON SHARES HELD?**

Upon completion of the Offer, if a Shareholder does not deposit the Common Shares held by it to the Offer, that Shareholder will realize a proportionate increase in its equity interest in MFC to the extent the Company purchases Common Shares pursuant to the Offer. See Section 3 of the Circular, "Purpose and Effect of the Offer".

#### **ARE THERE ANY CONDITIONS TO THE OFFER?**

Yes. The Offer is subject to a number of conditions that are customary for transactions of this nature, such as changes in market price of the Common Shares or in stock markets generally, the absence of court and governmental action prohibiting the Offer and the absence of changes in general market conditions or MFC's business that, in the Company's sole judgment, acting reasonably, make it inadvisable to proceed with the Offer. See Section 7 of the Offer to Purchase, "Certain Conditions of the Offer".

#### **ONCE A SHAREHOLDER HAS DEPOSITED COMMON SHARES TO THE OFFER, CAN THAT SHAREHOLDER WITHDRAW THOSE COMMON SHARES?**

Yes. A Shareholder may withdraw Common Shares deposited pursuant to the Offer (i) at any time before those Common Shares have been taken up by the Company; (ii) at any time before the expiration of 10 days from the date that a notice of change or variation (unless the Common Shares deposited pursuant to the Offer have been taken up by the Company before the date of the notice of change or variation, and other than a variation that (a) consists solely of an increase in the consideration offered for those Common Shares under the Offer where the time for deposit is not extended for greater than 10 days, or (b) consists solely of the waiver of a condition of the Offer) has been given in accordance with Section 8 of the Offer to Purchase, "Extension and Variation of the Offer"; and (iii) if those Common Shares have not been paid for by the Company within three business days after having been taken up. See Section 6 of the Offer to Purchase, "Withdrawal Rights".

### **HOW DOES A SHAREHOLDER WITHDRAW COMMON SHARES PREVIOUSLY DEPOSITED?**

For a withdrawal to be effective, a written notice of withdrawal from or on behalf of the Shareholder must be received by the Depository prior to the time at which the Common Shares deposited pursuant to the Offer are taken up by the Company at the office as set forth on the Letter of Transmittal or Notice of Guaranteed Delivery of the relevant Common Shares. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal or Notice of Guaranteed Delivery that accompanied the Common Shares being withdrawn and must specify the name of the person who deposited the Common Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Common Shares, and the number of Common Shares to be withdrawn. Some additional requirements apply if the Common Shares to be withdrawn have been delivered to the Depository. The withdrawal will take effect only upon actual receipt by the Depository of the properly completed and executed written notice. See Section 6 of the Offer to Purchase, “Withdrawal Rights”.

### **WHAT DOES A SHAREHOLDER DO IF THAT SHAREHOLDER OWNS AN “ODD LOT” OF COMMON SHARES?**

If a Shareholder owns in the aggregate fewer than 100 Common Shares as of the close of business on the Expiration Date and that Shareholder validly deposits all such Common Shares pursuant to an Auction Tender at a price equal to or less than the Purchase Price or pursuant to a Purchase Price Tender, the Company will purchase all of those Common Shares without proration (but otherwise subject to the terms and conditions of the Offer) if the Company purchases any Common Shares pursuant to the Offer. This proration preference is not available to holders of 100 or more Common Shares even if holders have separate share certificates, ownership statements or DRS positions for fewer than 100 Common Shares or hold fewer than 100 Shares in different accounts. Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. If a Shareholder owns an “odd lot” of Common Shares, that Shareholder must check (or tick) the “Odd Lots” box in either the Letter of Transmittal or the Notice of Guaranteed Delivery. See Section 3 of the Offer to Purchase, “Number of Common Shares, Proration” and Section 5 of the Offer to Purchase, “Procedure for Depositing Common Shares”.

### **WHEN WILL MFC PAY FOR THE COMMON SHARES DEPOSITED?**

MFC will publicly announce the Purchase Price promptly after it has been determined and will take up Common Shares to be purchased pursuant to the Offer promptly after the Expiry Time (which is required to occur no later than 10 days after such time). MFC will pay for such Common Shares promptly after taking up such Common Shares (which payment is required to occur no later than three business days after the Common Shares have been taken up). See Section 9 of the Offer to Purchase, “Taking Up and Payment for Deposited Common Shares”. If the Extension Relief is granted, in the event that the Company elects to extend the Offer, it will not take up or pay for any Common Shares until the expiry of such extension.

### **WHAT IS THE RECENT MARKET PRICE OF THE COMMON SHARES?**

On September 12, 2022, the last trading day prior to the announcement by MFC of the Offer, the closing price of the Common Shares on the TSX was \$9.49. During the past 12 months, the closing prices of the Common Shares on the TSX have ranged from a low of \$7.54 to a high of \$12.25. See Section 5 of the Circular, “Trading Price and Volume”.

## **WILL A SHAREHOLDER HAVE TO PAY BROKERAGE COMMISSIONS IF COMMON SHARES ARE DEPOSITED?**

If a Shareholder is a registered Shareholder and deposits Common Shares directly to the Depositary, the Shareholder will not incur any brokerage commissions. If the Shareholder holds Common Shares through an investment dealer, broker, bank, trust company or other nominee, MFC urges the Shareholder to consult its nominee to determine whether the Shareholder will incur any brokerage commissions or other transaction costs. See Section 5 of the Offer to Purchase, "Procedure for Depositing Common Shares".

## **WHAT ARE THE INCOME TAX CONSEQUENCES OF DEPOSITING COMMON SHARES?**

**Shareholders should carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer. See Section 13 of the Circular – "Income Tax Considerations".**

For Canadian federal income tax purposes, a Shareholder who sells Common Shares to MFC under the Offer will be deemed to receive a dividend under the Tax Act equal to the excess, if any, of the amount paid by MFC over the "paid-up capital" of the Common Shares for purposes of the Tax Act. In view of the potential deemed dividend tax treatment of a sale of Common Shares under the Offer, Shareholders who wish to sell their Common Shares should consult their tax advisors regarding selling their Common Shares in the market as an alternative to accepting the Offer. The selling price for such market sales may be different from the Purchase Price.

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined in Section 13 of the Circular – "Income Tax Considerations") pursuant to the Offer generally will be treated either as (a) a sale or exchange eligible for capital gain or loss treatment or (b) a distribution in respect of shares, depending on the circumstances of such U.S. Holder and its ownership of shares before and after the Offer. The receipt of cash by a Non-U.S. Holder (as defined in Section 13 of the Circular – "Income Tax Considerations") generally will not be subject to U.S. federal income taxation. The Company has not performed an analysis or made a determination as to its status as a PFIC under Section 1297 of the Code for the current year or any past years. The PFIC determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income. Accordingly, there can be no assurance that the Company will not be classified as a PFIC for any taxable year. If the Company were a PFIC with respect to a U.S. Holder, then such U.S. Holder generally would be subject to adverse tax consequences upon the sale of Common Shares pursuant to the Offer.

The potential deemed dividend tax treatment of a sale of Common Shares under the Offer, as well as certain other Canadian federal income tax considerations and certain United States federal income tax considerations, including our status as a PFIC, are described in general terms in Section 13 of the Circular – "Income Tax Considerations". Shareholders are urged to carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer and consult with their tax advisors in this regard.

## **HAS MFC OR ITS BOARD OF DIRECTORS ADOPTED A POSITION ON THE OFFER?**

None of the Company, its Board of Directors, the Depositary or National Bank Financial Inc. makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares under the Offer or as to the purchase price or purchase prices at which any Shareholder may deposit Common Shares under the Offer. Shareholders must make their own decisions as to whether to deposit or refrain from depositing Common Shares pursuant to the Offer and, if so, how many Common Shares to deposit and whether to specify a price and, if so, at what price to deposit such Common Shares.

Shareholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of depositing Common Shares pursuant to the Offer.

#### **WILL MFC'S DIRECTORS OR OFFICERS DEPOSIT COMMON SHARES TO THE OFFER?**

The persons named under "Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company" (the "**Directors and Officers**") have indicated that they do not intend to deposit any of such person's or company's Common Shares pursuant to the Offer.

To the knowledge of the Company and its directors and officers, after reasonable inquiry, no employees of the Company (as a group, but excluding the Directors and Officers) have indicated an intention to deposit Common Shares pursuant to the Offer. However, in the event that the circumstances or decisions of any such persons or companies change, they may decide to tender, or not to tender, Common Shares to the Offer or sell their Common Shares through the facilities of the TSX or otherwise during the period prior to the Expiration Date. See Section 12 of the Circular – "Intention to Deposit Common Shares".

#### **HOW WILL MFC PAY FOR THE COMMON SHARES?**

MFC will fund any purchase of Common Shares pursuant to the Offer, including related fees and expenses, from cash on hand and, as required, a drawdown on the Company's available credit facilities. The Offer is not conditional upon the receipt of financing. See Section 3 of the Circular, "Purpose and Effect of the Offer" and Section 15 of the Circular, "Source of Funds".

#### **WILL MFC HAVE SUFFICIENT FINANCIAL RESOURCES REMAINING UPON COMPLETION OF THE OFFER?**

After giving effect to the Offer, MFC believes that it will continue to have sufficient financial resources and working capital to conduct its business.

#### **WHAT IMPACT WILL THE OFFER HAVE ON THE LIQUIDITY OF THE MARKET FOR THE COMMON SHARES?**

MFC's Board of Directors has determined that it is reasonable to conclude that, following completion of the Offer, there will be a market for Shareholders who do not deposit Common Shares under the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. In addition, the Board of Directors has obtained a liquidity opinion from National Bank Financial Inc. See Section 3 of the Circular, "Purpose and Effect of the Offer – Liquidity of Market" and Schedule A.

#### **WHOM CAN I TALK TO IF I HAVE QUESTIONS?**

For further information regarding the Offer, a Shareholder may contact the Depositary or consult its own stock broker or other professional advisors. The telephone number of the Depositary is set forth on the back page of this Offer to Purchase and Circular.

**NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER SHAREHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING COMMON SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THE OFFER. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH**

**INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.**

## OFFER TO PURCHASE

### To the Holders of the Common Shares of MFC

#### 1. The Offer

The Company hereby offers to purchase for cancellation that number of Common Shares validly tendered and not properly withdrawn pursuant to the Offer having an aggregate purchase price not exceeding \$34.5 million pursuant to: (a) Auction Tenders at a price per Common Share of not more than \$11.50 and not less than \$10.00, in increments of \$0.10 per Common Share, as specified by such Shareholders or (b) Purchase Price Tenders, in any case, on the terms and subject to the conditions set forth in this Offer to Purchase, the accompanying Circular, the related Letter of Transmittal and the Notice of Guaranteed Delivery. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

The Offer will commence on September 16, 2022, the date of this Offer to Purchase, and expire at 5:00 p.m. (Eastern time) on October 24, 2022, or at such later time and date to which the Offer may be extended by MFC.

**THE OFFER IS NOT CONDITIONAL UPON ANY MINIMUM NUMBER OF COMMON SHARES BEING DEPOSITED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 7 OF THE OFFER TO PURCHASE, “CERTAIN CONDITIONS OF THE OFFER”.**

All Shareholders who have validly deposited and not properly withdrawn their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes, if any), for all Common Shares purchased, upon the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of Odd Lot Holders described herein. Registered Shareholders who deposit their Common Shares directly to the Depository will not incur any brokerage commissions. Shareholders who hold Common Shares through an investment dealer, stock broker, bank, trust company or other nominee are urged to consult with their nominee to determine whether they will incur any brokerage commissions or other transaction costs. See Section 5 of the Offer to Purchase, “Procedure for Depositing Common Shares”.

All Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

**None of MFC, its Board of Directors, the Depository or National Bank Financial Inc. makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares. Shareholders must make their own decisions as to whether to deposit or refrain from depositing Common Shares pursuant to the Offer and, if they decide to deposit, how many Common Shares to deposit and whether to specify a price, and, if so, at what price to deposit such Common Shares. Shareholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of depositing Common Shares pursuant to the Offer. See Section 13 of the Circular – “Income Tax Considerations”.**

The accompanying Circular, Letter of Transmittal and Notice of Guaranteed Delivery contain important information and should be read carefully before making a decision with respect to the Offer.

## **2. Purchase Price**

As promptly as practicable following the Expiration Date, the Company will determine a single Purchase Price per Common Share (not less than \$10.00 and not more than \$11.50) that it will pay for Deposited Common Shares, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$10.00 per Common Share (which is the minimum price per Common Share under the Offer) for the purpose of determining the Purchase Price. The Purchase Price will be the lowest price per Common Share that will enable MFC to purchase the maximum number of Common Shares validly deposited pursuant to Auction Tenders and Purchase Price Tenders and not properly withdrawn having an aggregate purchase price not exceeding \$34.5 million.

Shareholders should be aware that Common Shares tendered in Purchase Price Tenders will be deemed to have been tendered at the minimum price of \$10.00 per Common Share.

As promptly as practicable after determining the Purchase Price, MFC will publicly announce the Purchase Price and all Shareholders who have validly deposited and not properly withdrawn their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes), for all Common Shares purchased upon the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of Odd Lot Holders described below. See Section 3 of the Offer to Purchase, “Number of Common Shares, Proration”.

Shareholders validly depositing Common Shares pursuant to Auction Tenders at \$10.00 per Common Share (the minimum purchase price under the Offer) and Shareholders validly depositing Common Shares pursuant to Purchase Price Tenders can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to provisions relating to proration and the preferential acceptance of Odd Lot Holders described below).

All Auction Tenders and Purchase Price Tenders will be subject to adjustment to avoid the purchase of fractional Common Shares (rounding down to the nearest whole number of Common Shares). All payments to Shareholders will be subject to deduction of applicable withholding taxes. See Section 13 of the Circular – “Income Tax Considerations”.

The Purchase Price will be denominated in Canadian dollars and the payment of amounts owing to a depositing Shareholder will be made in Canadian dollars, unless a Shareholder elects to be paid in U.S. dollars in accordance with their Letter of Transmittal.

## **3. Number of Common Shares, Proration**

MFC will purchase, upon the terms and subject to the conditions of the Offer, at the Purchase Price, Deposited Common Shares up to a maximum aggregate purchase price of \$34.5 million. Since the Purchase Price will only be determined after the Expiration Date, the number of Common Shares that will be purchased will not be known until after the Expiration Date. If the Purchase Price is determined to be \$10.00 per Common Share (being the minimum purchase price under the Offer), the maximum number of Common Shares that will be purchased under the Offer is 3,450,000. Assuming that the Offer is fully subscribed, if the Purchase Price is determined to be \$11.50 per Common Share (being the maximum purchase price under the Offer), the minimum number of Common Shares that will be purchased under the Offer is 3,000,000.

As at September 12, 2022, there were 29,414,759 Common Shares issued and outstanding. The maximum of 3,450,000 Common Shares that MFC is offering to purchase hereunder represents approximately 11.73% of the total number of Common Shares issued and outstanding as at September 12, 2022. Assuming the Offer is fully subscribed, the minimum of 3,000,000 Common Shares that MFC is offering to purchase hereunder represents approximately 10.20% of the total number of Common Shares issued and outstanding as at September 12, 2022.

Under the NCIB which commenced on December 1, 2021 and expires on November 30, 2022, the Company has purchased 1,703,900 Common Shares. There will be no further purchases of Common Shares under the NCIB until after the Expiration Date or date of termination of the Offer.

If the aggregate purchase price (calculated at the Purchase Price per Common Share) for Deposited Common Shares deposited pursuant to Auction Tenders at prices equal to or less than the Purchase Price and pursuant to Purchase Price Tenders is less than or equal to \$34.5 million, MFC will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price all Deposited Common Shares.

If the number of Deposited Common Shares deposited pursuant to Auction Tenders at prices equal to or less than the Purchase Price and pursuant to Purchase Price Tenders would result in an aggregate purchase price in excess of \$34.5 million, then such Deposited Common Shares will be purchased on a *pro rata* basis according to the number of Common Shares deposited or deemed to be deposited at prices equal to or less than the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional Common Shares), except that odd lot deposits will not be subject to proration.

For the purposes of the foregoing, an odd lot deposit is a deposit by a Shareholder owning in the aggregate fewer than 100 Common Shares as of the close of business on the Expiration Date, who deposits all such Common Shares pursuant to an Auction Tender at a price or prices equal to or less than the Purchase Price or pursuant to a Purchase Price Tender prior to the Expiry Time on the Expiration Date and who checks (or ticks) the box captioned "Odd Lots" in either the Letter of Transmittal or the Notice of Guaranteed Delivery. As set forth above, odd lots will be accepted for purchase before any proration. MFC's determination as to proration will be final and binding on all parties.

#### **4. Announcement of Purchase Price, Number of Common Shares Validly Tendered and Aggregate Purchase Price**

The Company will publicly announce the Purchase Price, the number of Common Shares validly tendered to the Offer, the number of Deposited Common Shares to be purchased and the aggregate purchase price promptly after the Expiration Date.

#### **5. Procedure for Depositing Common Shares**

##### ***Proper Deposit of Common Shares***

To deposit Common Shares pursuant to the Offer, (a) a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Common Shares with signatures that are guaranteed if so required in accordance with the Letter of Transmittal, and any other documents required by the Letter of Transmittal must be received by the Depositary at one of the addresses listed in the Letter of Transmittal prior to the Expiration Date, (b) the guaranteed delivery procedure described below must be followed, or (c) such Common Shares must be transferred pursuant to the procedures for book-entry transfer described below (and a Book-Entry Confirmation through the CDSX system (in the case of Common Shares held by CDS) or an Agent's Message (in the case of Common Shares held in DTC) must be received by the Depositary in lieu of a Letter of Transmittal). For greater certainty, Shareholders whose Common Shares are held through DRS or represented by an ownership statement

must only deliver a completed and duly executed Letter of Transmittal, and any other documents required by the Letter of Transmittal, in order to validly tender Common Shares.

**A non-registered Shareholder who desires to deposit Common Shares under the Offer should immediately contact such Shareholder's investment dealer, stock broker, commercial bank, trust company or other nominee in order to take the necessary steps to be able to deposit such Common Shares under the Offer. If an investment dealer, stock broker, bank, trust company or other nominee holds Common Shares for a Shareholder, it is likely that the nominee has established an earlier deadline for that Shareholder to instruct the nominee to accept the Offer on its behalf.**

**Participants of CDS or DTC should contact CDS or DTC, as applicable, to obtain instructions as to the method of depositing Common Shares under the terms of the Offer. CDS and DTC will be issuing instructions to their participants as to the method of depositing Common Shares under the terms of the Offer.**

In accordance with Instruction 5 contained in the Letter of Transmittal, each registered Shareholder desiring to deposit Common Shares pursuant to the Offer must indicate (a) in Box A captioned "Type of Tender" on such Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery, whether Common Shares are deposited pursuant to an Auction Tender or Purchase Price Tender (b) in Box B, if an Auction Tender is made, the price per Common Share (of not more than \$11.50 and not less than \$10.00 per Common Share, in increments of \$0.10 per Common Share within that range) at which such Common Shares are being deposited, and (c) in Box C, if applicable, whether the Shareholder is making an odd lot deposit in accordance with Instruction 6 of the Letter of Transmittal.

Common Shares deposited pursuant to an Auction Tender will only be taken up if the price specified in the Auction Tender is equal to or less than the Purchase Price.

A Shareholder desiring to deposit Common Shares in separate lots at a different price for each lot must complete a separate Letter of Transmittal (and, if applicable, a separate Notice of Guaranteed Delivery) for each price at which the Shareholder is depositing Common Shares. The same Common Shares cannot be deposited pursuant to different tender methods or pursuant to an Auction Tender at more than one price.

Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders.

Shareholders who tender Common Shares without specifying whether the tender is an Auction Tender or Purchase Price Tender will be deemed to have made a Purchase Price Tender. If multiple boxes are checked in the same Letter of Transmittal indicating that Common Shares are being deposited pursuant to an Auction Tender or Purchase Price Tender, all Common Shares identified will be deemed to have been tendered pursuant to a Purchase Price Tender.

### ***Notice to Holders of Options and Convertible or Exchangeable Securities***

The Offer is made only for Common Shares and is not made for any options to purchase Common Shares or any other securities of MFC that are convertible into or exchangeable or exercisable for Common Shares. Any holder of such options or other securities convertible into or exchangeable or exercisable for Common Shares who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable laws, exercise the option or other securities convertible into or exchangeable or exercisable for Common Shares in order to obtain Common Shares and deposit those Common Shares in accordance with the terms of the Offer. Any such conversion, exchange or exercise must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such options or other securities will have the

Common Shares issued or deliverable and, if applicable, will have received the certificate(s) or DRS position(s) representing the Common Shares, on such exercise, available for deposit at or prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in this Section 5 “Procedure for Depositing Common Shares”. Any such conversion, exercise or exchange will be irrevocable, including where the Common Shares tendered are subject to proration or otherwise are not taken up. Holders of options or other securities should consult their income tax advisors, as there are income tax consequences associated with the exercise of such securities, and should read Section 13 of the Circular – “Income Tax Considerations” as there are tax consequences associated with the deposit of Common Shares to the Offer.

### ***Signature Guarantees***

No signature guarantee by a Canadian Schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Exchange Inc. Medallion Signature Program (MSP) (each such entity, an “Eligible Institution”) is required on the Letter of Transmittal if (a) the Letter of Transmittal is signed by the registered holder of the Common Shares exactly as the name of the registered holder appears on the share certificate, ownership statement or DRS position deposited therewith, and payment and delivery is to be made directly to such registered holder, or (b) Common Shares are deposited for the account of an Eligible Institution. In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution.

If a certificate, ownership statement or DRS position representing Common Shares is registered in the name of a person other than the signatory to a Letter of Transmittal, or if payment is to be made, or certificates, ownership statements or DRS positions representing Common Shares not purchased or deposited are to be issued, to a person other than the registered holder, the certificate, ownership statement or DRS position must be endorsed or accompanied by an appropriate share transfer power of attorney, in either case, signed exactly as the name of the registered holder appears on the certificate, ownership statement or DRS position with the signature on the certificate or share transfer power of attorney signature guaranteed by an Eligible Institution.

### ***Book-Entry Transfer Procedures***

Any financial institution that is a CDS Participant may make book-entry delivery of the Common Shares through CDSX, CDS’s on-line tendering system pursuant to which book-entry transfers may be effected by causing CDS to transfer such Common Shares into the Depository’s account in accordance with CDS’s procedures for such transfer. Delivery of Common Shares to the Depository by means of a book-entry transfer through CDSX will constitute a valid tender under the Offer.

Shareholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depository at its Toronto, Ontario office address set forth on the back cover page of this Offer to Purchase and Circular prior to the Expiration Date. Shareholders, through their respective CDS Participants, who utilize CDSX to accept the Offer through a book-entry transfer of their holdings into the Depository’s account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and, therefore, such instructions received by the Depository are considered a valid tender in accordance with the terms of the Offer. Delivery of documents to CDS in accordance with its procedures does not constitute delivery to the Depository.

Shareholders who have an account maintained by DTC may accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent’s Message in respect thereof, or a properly completed and duly executed Letter of Transmittal and

any other required documents, are received by the Depositary at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. If necessary, the Depositary will establish an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC's systems may cause DTC to make a book-entry transfer of a Shareholder's Common Shares into the Depositary's account in accordance with DTC's procedures for such transfer. However, as noted above, although delivery of Common Shares may be effected through book-entry transfer at DTC, either a Letter of Transmittal (or a manually executed photocopy thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of a Letter of Transmittal, and any other required documents, must, in any case, be received by the Depositary, at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depositary.

### ***Method of Delivery***

The method of delivery of certificates representing Common Shares and all other required documents is at the option and risk of the depositing Shareholder. If certificates representing Common Shares are to be sent by mail, then registered mail, properly insured, is recommended and it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Depositary on or prior to such date. Delivery of a share certificate representing Common Shares will only be complete upon actual receipt of such share certificate (and all required accompanying documents) representing such Common Shares by the Depositary.

### ***Procedure for Guaranteed Delivery***

If a Shareholder wishes to deposit Common Shares pursuant to the Offer and cannot deliver certificates for such Common Shares, or the book-entry transfer procedures described above cannot be completed, prior to the Expiry Time, or time will not permit all required documents to reach the Depositary prior to the Expiry Time, such Common Shares may nevertheless be deposited if all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery, or a manually executed photocopy thereof, substantially in the form provided by MFC indicating the type of deposit and, in the case of an Auction Tender, the price at which the Common Shares are being deposited, is received by the Depositary at its mailing address in Toronto, Ontario as set out in the Notice of Guaranteed Delivery prior to the Expiry Time on the Expiration Date; and
- (c) all Deposited Common Shares (including original share certificates, if such Common Shares are held in certificated form) in proper form for transfer (or confirmation of book-entry transfer), together with a properly completed and duly executed Letter of Transmittal or a manually executed photocopy thereof or, in the case of a book-entry transfer, a Book-Entry Confirmation through the CDSX system (in the case of Shares held in CDS) or an Agent's Message (in the case of Shares held in DTC), and any other documents required by the Letter of Transmittal, are received by the Toronto, Ontario office of the Depositary, before 5:00 p.m. (Eastern time) on or before the second trading day on the TSX after the Expiration Date.

The Notice of Guaranteed Delivery may be hand delivered, couriered, mailed or transmitted by e-mail to the Toronto office of the Depositary listed in the Notice of Guaranteed Delivery, and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Common Shares deposited and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Common Shares, a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Common Shares with signatures that are guaranteed if so required or, in the case of a book entry transfer, a Book Entry Confirmation through the CDSX system (in the case of Common Shares held in CDS) or an Agent's Message (in the case of Common Shares held in DTC) and any other documents required by the Letter of Transmittal.

The tender information specified in a Notice of Guaranteed Delivery by a person completing such Notice of Guaranteed Delivery will, in all circumstances, take precedence over the tender information that is specified in the related Letter of Transmittal that is subsequently deposited.

### ***Determination of Validity, Rejection and Notice of Defect***

All questions as to the number of Common Shares to be accepted, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Common Shares will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. MFC reserves the absolute right to reject any deposits of Common Shares determined by it not to be in proper form or completed in accordance with the instructions herein and in the Letter of Transmittal or the acceptance for payment of or payment for which may, in the opinion of the Company's counsel, be unlawful. MFC also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in the deposit of any particular Common Shares and MFC's interpretation of the terms of the Offer (including these instructions) will be final and binding on all parties. No individual deposit of Common Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with deposits must be cured within such time as MFC shall determine. **None of MFC, the Depositary, National Bank Financial Inc., nor any other person is or will be obligated to give notice of defects or irregularities in deposits, nor shall any of them have any liability for failure to give any such notice.** The Company's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding.

Under no circumstances will interest be paid by the Company or the Depositary by reason of any delay in making payment to any person using the guaranteed delivery procedures, including without limitation any delay arising because the Common Shares to be delivered pursuant to the guaranteed delivery procedures are not so delivered to the Depositary, and therefore payment by the Depositary on account of such Common Shares is not made until after the date the payment for the Deposited Common Shares accepted for payment pursuant to the Offer is to be made by the Company.

### ***Formation of Agreement***

The proper deposit of Common Shares pursuant to any one of the procedures described above will constitute a binding agreement between the depositing Shareholder and the Company, effective as of the close of trading on the TSX on the Expiration Date, upon the terms and subject to the conditions of the Offer.

### ***Further Assurances***

Each Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal to execute, upon request of MFC, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Common Shares to the Company. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such Shareholder and shall, to the extent permitted by law, survive the death or incapacity,

bankruptcy or insolvency of the Shareholder and all obligations of the Shareholder therein shall be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

## **6. Withdrawal Rights**

Except as otherwise provided in this Section 6, deposits of Common Shares pursuant to the Offer will be irrevocable. A Shareholder may withdraw Common Shares deposited pursuant to the Offer: (a) at any time before those Common Shares have been taken up by the Company; (b) at any time before the expiration of 10 days from the date that a notice of change or variation (unless the Common Shares deposited pursuant to the Offer have been taken up by the Company before the date of the notice of change or variation, and other than a variation that (i) consists solely of an increase in the consideration offered for those Common Shares under the Offer where the time for deposit is not extended for greater than 10 days, or (ii) consists solely of the waiver of a condition of the Offer) has been given in accordance with Section 8 of this Offer to Purchase, "Extension and Variation of the Offer"; or (c) if those Common Shares have not been paid for by the Company, within three business days after having been taken up.

For a withdrawal to be effective, a written or printed copy of a notice of withdrawal must be actually received by the Depository by the applicable date and time specified above at the place of deposit of the relevant Common Shares. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal or Notice of Guaranteed Delivery in respect of the Common Shares being withdrawn or, in the case of Common Shares tendered by a CDS Participant, be signed by such participant in the same manner as the participant's name is listed on the applicable Book-Entry Confirmation through the CDSX system or, in the case of Common Shares tendered by a DTC participant, be signed by such participant in the same manner as the participant's name is listed on the applicable Agent's Message, and must specify the name of the person who deposited the Common Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Common Shares, and the number of Common Shares to be withdrawn. If the certificates for the Common Shares deposited pursuant to the Offer have been delivered or otherwise identified to the Depository, then, prior to the release of such certificates, the depositing Shareholder must submit the serial numbers shown on the particular certificates evidencing the Common Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in Section 5 of this Offer to Purchase – "Procedure for Depositing Common Shares"), except in the case of Common Shares deposited by an Eligible Institution. A withdrawal of Common Shares deposited pursuant to the Offer may only be accomplished in accordance with the foregoing procedure. The withdrawal shall take effect only upon actual receipt by the Depository of a written or printed copy of a properly completed and executed notice of withdrawal.

**A Shareholder who wishes to withdraw Common Shares under the Offer and who holds Common Shares through an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to withdraw such Common Shares under the Offer. Participants of CDS or DTC should contact these depositories with respect to the withdrawal of Common Shares under the Offer.**

**All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding. None of the Company, the Depository, National Bank Financial Inc. or any other person shall be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.**

Any Common Shares properly withdrawn will thereafter be deemed not deposited for purposes of the Offer. However, withdrawn Common Shares may be redeposited by a Shareholder prior to the Expiry

Time by again following the procedures described in Section 5 of this Offer to Purchase – “Procedure for Depositing Common Shares”.

If the Company extends the period of time during which the Offer is open, is delayed in its purchase of Common Shares or is unable to purchase Common Shares pursuant to the Offer for any reason, then, without prejudice to the Company’s rights under the Offer, the Depositary may, subject to applicable law, retain on behalf of the Company all Deposited Common Shares, and such Common Shares may not be withdrawn except to the extent that depositing Shareholders are entitled to withdrawal rights as described in this Section 6.

## **7. Certain Conditions of the Offer**

Notwithstanding any other provision of the Offer, the Company shall not be required to accept for purchase, to purchase or to pay for any Deposited Common Shares, and may withdraw, terminate, extend, vary or cancel the Offer or may postpone the payment for Common Shares deposited, if, at any time before the payment for any such Common Shares, any of the following events shall have occurred (or shall have been determined by the Company, in its sole judgement, to have occurred), which in the Company’s sole discretion and judgement, acting reasonably, in any such case and regardless of the circumstances (including any action or inaction by the Company), makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

- (a) there shall have been threatened, taken or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of some or all of the Common Shares by the Company or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) seeking material damages or that otherwise, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company’s securities or the business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of the Company and its subsidiaries taken as a whole or has impaired or may materially impair the contemplated benefits of the Offer to the Company, or otherwise make it inadvisable to proceed with the Offer;
- (b) there shall have been any action or proceeding threatened, pending or taken or approval withheld or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or the Company or any of its subsidiaries by any court, government or governmental authority or regulatory or administrative agency or any statute, rule or regulation shall become operative or applicable in any jurisdiction that, in the sole judgment of the Company, acting reasonably, might directly or indirectly result in any of the consequences referred to in clauses (i) or (ii) of paragraph (a) above or would or might prohibit, prevent, restrict or delay consummation of or materially impair the contemplated benefits to the Company of the Offer, or otherwise make it inadvisable to proceed with the Offer;
- (c) no other approval, permit, authorization, favorable review or consent or waiver of or filing with any government or governmental authority or regulatory or administrative agency in any jurisdiction, or any third party consent, required in the reasonable judgement of the Company to be obtained or made in connection with the Offer shall not

have been obtained, completed or made on terms and conditions satisfactory to the Company, acting reasonably;

- (d) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the United States; (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States (whether or not mandatory); (iii) a natural disaster, the commencement of a war, armed hostilities, act of terrorism or other international or national calamity directly or indirectly involving Canada or the United States or any other region where the Company maintains significant business activities; (iv) any continuation or escalation of the Russian Federation's military invasion of the Ukraine, including any response to the invasion from any country which is a member of the North Atlantic Treaty Organization, that, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company's business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or the trading in, or value of, the Common Shares; (v) any limitation by any government or governmental authority or regulatory or administrative authority or agency or any other event that, in the sole judgment of the Company, acting reasonably, might affect the extension of credit by banks or other lending institutions; (vi) any significant change, in the sole judgment of the Company, acting reasonably, in the market price of the Common Shares since the close of business on September 12, 2022; (vii) any material change in short term or long term interest rates; (viii) any change or changes (or any development involving any prospective change or changes) in the general political, market, economic or financial conditions that, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company's business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of the Company and its subsidiaries taken as a whole, or the trading in, or value of, the Common Shares (including any change attributable to the COVID-19 pandemic); or (ix) any decline in any of the S&P/TSX Composite Index, the Dow Jones Industrial Average or the S&P 500 by an amount in excess of 10%, measured from the close of business on September 12, 2022, or (x) in the case of any of the foregoing existing at the time of the commencement of the Offer, an acceleration or worsening thereof;
- (e) there shall have occurred any significant decrease in the value of the Company's principal assets, individual or in the aggregate;
- (f) there shall have occurred any change or changes (or any development involving any prospective change or changes) in the business, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of the Company or its subsidiaries that, in the sole discretion or judgment of the Company, acting reasonably, has, had or may have a material adverse effect with respect to the Company and its subsidiaries taken as a whole;
- (g) any take-over bid or tender or exchange offer with respect to some or all of the securities of MFC, or any merger, business combination or acquisition proposal, disposition of assets, or other similar transaction with or involving MFC or any of its affiliates, other than the Offer, or any solicitation of proxies, other than by management, to seek to control or influence the Board of Directors, shall have been proposed, announced or made by any individual or entity;

- (h) the Company shall have determined, in its sole judgment, acting reasonably, that the Purchase Price for a Common Share exceeds the fair market value of such Share at the time of the acquisition of such Share by the Company pursuant to the Offer, determined without reference to the Offer;
- (i) National Bank Financial Inc. shall have withdrawn or amended the liquidity opinion provided by it in connection with the Offer;
- (j) the Company will have determined that the consummation of the Offer is reasonably likely to cause the Common Shares to be delisted from the TSX;
- (k) the Company will have determined, in its sole judgment, acting reasonably, that it would be subject to Part VI.1 tax under the Tax Act in connection with the Offer;
- (l) the completion of the Offer subjects the Company to any material tax liability;
- (m) a material change in Canadian, the United States or any other currency exchange rates or a suspension of or limitation on the markets for such currencies that in the sole judgment of the Company, acting reasonably, could have, a material adverse effect on the business, properties, assets, liabilities, capitalization, shareholders' equity, condition (financial or otherwise), operations, results of operations or prospects of the Company and its subsidiaries, taken as a whole, or on the trading in the Common Shares;
- (n) the Company shall have concluded, in its sole judgment, acting reasonably, that the Offer or the take-up and payment for any or all of the Common Shares by the Company is illegal or not in compliance with applicable law, or that necessary exemptions under applicable securities legislation are not available to the Company for the Offer and, if required under any such legislation, the Company shall not have received the necessary exemptions from or waivers of the appropriate courts or securities regulatory authorities in respect of the Offer; or
- (o) any changes shall have occurred or been proposed to the Tax Act or the Code, the publicly available administrative policies or assessing practices of the Canada Revenue Agency or the IRS, or to relevant tax jurisprudence that, in the sole judgment of the Company, acting reasonably, are materially adverse to MFC or a Shareholder.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company in its sole discretion, acting reasonably, regardless of the circumstances (including any action or inaction by the Company) giving rise to any such conditions, or may be waived by the Company, in its sole discretion, in whole or in part at any time. The failure by the Company at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by the Company concerning the events described in this Section 7 shall be final and binding on all parties.

Any waiver of a condition or the withdrawal of the Offer by the Company shall be deemed to be effective on the date on which notice of such waiver or withdrawal by the Company is delivered or otherwise communicated to the Depositary. MFC, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, shall immediately make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX and the applicable Canadian securities regulatory authorities. If the Offer is withdrawn, the Company shall not be

obligated to take up, accept for purchase or pay for any Common Shares deposited under the Offer, and the Depositary will return all certificates for Deposited Common Shares or the equivalent DRS positions, Letters of Transmittal and Notices of Guaranteed Delivery and any related documents to the parties by whom they were deposited.

## **8. Extension and Variation of the Offer**

Subject to applicable law and obtaining the Extension Relief, the Company expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified in Section 7 of this Offer to Purchase, “Certain Conditions of the Offer” shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written notice, or oral notice to be confirmed in writing, of extension or variation to the Depositary and by causing the Depositary to provide to all Shareholders, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth in Section 12 of this Offer to Purchase – “Notice”. Promptly after giving notice of an extension or variation to the Depositary, but, in the case of an extension, no later than 9:00 a.m. (Eastern time) on the next business day following the last previously scheduled or announced Expiration Date, the Company will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX and the applicable Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated by fax or electronic mail to the Depositary at its principal office in Toronto, Ontario.

The Company has filed an application for the Extension Relief with the securities regulatory authorities in Canada to permit the Company to extend the Offer, in circumstances in which all of the terms and conditions of the Offer have either been satisfied or waived by the Company, without first taking up Common Shares, which have been deposited (and not withdrawn) before the Offer was previously scheduled to expire. Accordingly, if the Extension Relief is granted, in the event that the Company elects to extend the Offer, it will not take up or pay for any Common Shares until the expiry of such extension. If the Extension Relief is not obtained, the Company will not be permitted to extend the Offer in the event the Offer is undersubscribed on the original Expiration Date and all conditions of the Offer have been satisfied or waived by the Company.

Where the terms of the Offer are varied (other than a variation consisting solely of the waiver of a condition of the Offer), the period during which Common Shares may be deposited pursuant to the Offer shall not expire before 10 days (except for any variation increasing or decreasing the percentage of Common Shares to be purchased, the consideration provided for under the Offer or fees payable to any soliciting dealer, in which case the Offer shall not expire before 10 business days) after the notice of variation has been given to holders of Common Shares, unless otherwise permitted by applicable law. In the event of any variation, all Common Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Company in accordance with the terms of the Offer, subject to Section 6 of this Offer to Purchase – “Withdrawal Rights”. An extension of the Expiration Date or a variation of the Offer does not constitute a waiver by the Company of its rights in Section 7 of this Offer to Purchase, “Certain Conditions of the Offer”.

If the Company makes a material change in the terms of the Offer or there is a material change in the information concerning the Offer, the Company will extend the time during which the Offer is open to the extent required under applicable Canadian and United States securities legislation.

The Company also expressly reserves the right, in its sole discretion, (i) to terminate the Offer and not take up and pay for any Common Shares not theretofore taken up and paid for upon the occurrence of any of the conditions specified in Section 7 of this Offer to Purchase, “Certain Conditions of the Offer”, and/or (ii) at any time or from time to time, to vary the Offer in any respect, including increasing or

decreasing the aggregate purchase price for Common Shares that the Company may purchase or the range of prices it may pay pursuant to the Offer, subject to compliance with applicable Canadian and United States securities legislation.

Any such extension, delay, termination or variation will be followed as promptly as practicable by a public announcement. Without limiting the manner in which the Company may choose to make any public announcement, except as provided by applicable law, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through its usual news wire service.

## **9. Taking Up and Payment for Deposited Common Shares**

Promptly after it has determined the Purchase Price in accordance with Section 2 of the Offer to Purchase, "Purchase Price", MFC will publicly announce the Purchase Price and will take up and pay for Common Shares to be purchased pursuant to the Offer promptly after the Expiration Date (which is required to occur no later than 10 days after such time). MFC will promptly pay for such Common Shares after taking up the Common Shares (which payment is required to occur no later than three business days after the Common Shares have been taken up).

### ***Number of Common Shares***

For purposes of the Offer, MFC will be deemed to have accepted for payment, subject to proration and the preferential acceptance of Odd Lot Holders, Common Shares deposited and not withdrawn pursuant to Auction Tenders equal to or less than the Purchase Price and pursuant to Purchase Price Tenders if, as and when MFC gives written notice to the Depository of its acceptance of such Common Shares for payment pursuant to the Offer.

### ***Payment***

The Purchase Price will be denominated in Canadian dollars and all payments to Shareholders under the Offer will be made in Canadian dollars, unless a Shareholder elects to be paid in U.S. dollars in accordance with their Letter of Transmittal.

Payment for Common Shares accepted for purchase pursuant to the Offer will be made by depositing the aggregate Purchase Price for such Common Shares with the Depository by bank transfer or other means satisfactory to the Depository, who will act as agent for the depositing Shareholders for the purpose of receiving payment from MFC and transmitting such payment to the depositing Shareholders. **Under no circumstances will interest accrue or be paid by MFC or the Depository on the Purchase Price to any person depositing Common Shares regardless of any delay in making payment, including any delay in making payment to any person using the guaranteed delivery procedures.**

In the event of proration of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, MFC will determine the proration factor and pay for those Deposited Common Shares accepted for payment promptly after the Expiration Date. However, MFC does not expect to be able to announce the final results of any such proration for at least three business days after the Expiration Date.

All Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

The Company reserves the right, in its sole discretion, to delay taking up or paying for any Common Shares or to terminate the Offer and not take up or pay for any Common Shares if any condition specified in Section 7 of this Offer to Purchase, "Certain Conditions of the Offer", is not satisfied or waived, by giving written notice thereof or other communication confirmed in writing to the Depository. The Company also reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Common Shares in order to comply, in whole or in part, with any applicable law. If the Extension Relief is granted, in the event that the Company elects to extend the Offer, it will not take up or pay for any Common Shares until the expiry of such extension.

The Purchase Price for Common Shares deposited and purchased will be paid by cheque issued to the order of, and certificate(s) or equivalent ownership statement or DRS position(s) representing Common Shares not deposited or not purchased under the Offer will be issued to, the person signing the relevant Letter of Transmittal or to the order of such other person as identified by the person signing such Letter of Transmittal, by properly completing the appropriate boxes in such Letter of Transmittal. In the absence of an address being provided, cheques or certificates will be forwarded to the address of the person as shown on the share register for the Common Shares. Payments will be made net of any applicable withholding taxes. A Shareholder may also request that the Purchase Price for Common Shares deposited and purchased be paid by wire payment by properly completing the appropriate box in the Letter of Transmittal. The Purchase Price for Common Shares deposited by book-entry transfer and purchased will be paid by credit to the relevant account at CDS/DTC.

The Depository will forward, at the Company's expense, cheques and certificates representing certificated Common Shares not purchased by first-class insured mail, postage pre-paid, to the person signing the relevant Letter of Transmittal or to such other person or such other address as identified by the person in such Letter of Transmittal (unless the person signing the Letter of Transmittal instructs the Depository to hold such certificates for Common Shares and/or cheques for pickup or, alternatively, to make a wire payment) by properly completing the appropriate box in such Letter of Transmittal. See Section 10 of the Offer to Purchase, "Payment in the Event of Mail Service Interruption", in the event of real or possible mail service interruption. Any Common Shares deposited by book-entry transfer and not purchased will be credited to the relevant account at CDS/DTC.

All Common Shares purchased by the Company pursuant to the Offer shall be cancelled.

#### **10. Payment in the Event of Mail Service Interruption**

Notwithstanding the provisions of the Offer, cheques issued in payment for Common Shares purchased under the Offer and certificates for any Common Shares to be returned will not be mailed if the Company determines that delivery by mail may be delayed. Persons entitled to cheques or certificates that are not mailed for this reason may take delivery at the office of the Depository at which the deposited certificates for the Common Shares were delivered until the Company has determined that delivery by mail will no longer be delayed. MFC will provide notice, in accordance with Section 12 of this Offer to Purchase, "Notice", of any determination not to mail under this Section 10 as soon as reasonably practicable after such determination is made.

#### **11. Liens and Dividends**

Common Shares acquired pursuant to the Offer shall be acquired by the Company free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any dividends or distributions that may be paid, issued, distributed, made or transferred on or in respect of such Common Shares to Shareholders of record on or prior to the date upon which the Common Shares are taken up and paid for under the Offer shall be for the account of such Shareholders. Each Shareholder of record on that date will be entitled to

receive that dividend or distribution whether or not such Shareholder deposits Common Shares pursuant to the Offer.

## **12. Notice**

Except as may be otherwise required by law and without limiting any other lawful means of giving notice, any notice to be given by the Company or the Depositary under the Offer will be deemed to have been properly given if it is broadly disseminated by press release or mailed by first-class mail, postage prepaid, to the registered holders of Common Shares at their respective addresses as shown on the share registers maintained in respect of the Common Shares and will be deemed to have been received following the issuance of such release or on the first business day following the date of mailing, as applicable. These provisions apply despite (i) any accidental omission to give notice to any one or more Shareholders, and (ii) an interruption of mail service following mailing, if applicable. In the event of an interruption of mail service following mailing, the Company will use reasonable efforts to disseminate the notice by other means, such as publication. If any notice is to be given by mail and post offices are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which the Company or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is issued by way of a news release and if it is published once in the National Edition of the *Globe and Mail* or the *National Post* and in a French language daily newspaper of general circulation in the Province of Québec.

## **13. Acquisitions and Dispositions of Common Shares by the Company**

Except in limited circumstances under applicable law, the Company is not permitted to acquire, or make or enter into an agreement, commitment or understanding to acquire, beneficial ownership of the Common Shares, other than under the Offer until after the Expiry Time.

In addition, except for purchases made through the facilities of the TSX and in accordance with applicable law, during the period commencing on the Expiration Date and ending on the 20<sup>th</sup> business day after the Expiration Date, whether or not any Common Shares are taken up under the Offer, the Company must not acquire or offer to acquire beneficial ownership of any Common Shares except by way of a transaction that is generally available to all Shareholders on identical terms.

Although the Company has no present intention to sell Common Shares taken up under the Offer, the Company reserves the right to make or enter into agreements, commitments or understandings at or prior to the Expiry Time to sell any such Common Shares after the Expiry Time, subject to applicable law and in compliance with section 2.7(2) of NI 62-104. For the purposes of this Section 13 of this Offer to Purchase, the “Company” includes any person acting jointly or in concert with the Company.

## **14. Other Terms**

No stock broker, dealer or other person has been authorized to give any information or to make any representation on behalf of the Company other than as contained in the Offer, and, if any such information or representation is given or made, it must not be relied upon as having been authorized by the Company.

It is a term of the Offer that for the purposes of subsection 191(4) of the Tax Act, the “specified amount” in respect of each Common Share will be an amount equal to the closing trading price for the Common Shares on the TSX on the Expiration Date.

Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 13 of the Circular – “Income Tax Considerations”.

The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

MFC, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer and the validity of any withdrawals of Common Shares. The Offer is not being made to, and deposits of Common Shares will not be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. MFC may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to Shareholders in any such jurisdiction.

The accompanying Circular, together with this Offer to Purchase, constitutes the issuer bid circular required under Canadian securities legislation applicable to MFC with respect to the Offer.

The accompanying Circular contains additional information relating to the Offer.

**DATED** this 16<sup>th</sup> day of September, 2022, at Toronto, Ontario.

**MEDICAL FACILITIES CORPORATION**

(Signed) *Robert Horrar*  
Robert Horrar  
Chief Executive Officer

## CIRCULAR

This Circular is being furnished in connection with the Offer by MFC to purchase for not more than \$34.5 million in cash up to 3,450,000 of its Common Shares at a Purchase Price of not less than \$10.00 per Common Share and not more than \$11.50 per Common Share. Terms defined in the Offer to Purchase and not otherwise defined herein have the same meaning in this Circular. The terms and conditions of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Reference is made to the Offer to Purchase for details of its terms and conditions.

### 1. MFC

Medical Facilities Corporation was incorporated under the *Business Corporations Act* (Ontario) on January 12, 2004 and was continued under the laws of the Province of British Columbia on May 16, 2005. The registered office of the Company is located at 1066 West Hastings Street, Suite 2600, Vancouver, British Columbia and the head office of the Company is located at 4576 Yonge Street, Suite 701, Toronto, Ontario. The Company was originally established to hold 100% of the membership interests in Medical Facilities Holdings (USA), LLC. On May 31, 2011, the Corporation converted from an income participating security structure to a traditional common share structure pursuant to a court-approved plan of arrangement. Concurrently with the arrangement, the Company undertook a restructuring of its U.S. corporate structure. The Common Shares are listed and posted for trading on the TSX under the symbol “DR”.

MFC is subject to the continuous disclosure requirements of applicable Canadian securities legislation and the rules of the TSX, and in accordance therewith, files periodic reports and other information with Canadian provincial and territorial securities regulators and the TSX relating to its business, financial condition and other matters. Shareholders may access documents filed with Canadian provincial and territorial securities regulators through the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### 2. Authorized Capital

The authorized and issued capital of the Company consists of an unlimited number of Common Shares, of which 29,414,759 Common Shares are issued and outstanding as of September 12, 2022.

#### *Common Shares*

Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors and are entitled to one vote per Common Share on all matters to be voted on at all meetings of Shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

### 3. Purpose and Effect of the Offer

MFC and its Board of Directors believe that the Offer represents an equitable and efficient means for the Company to distribute up to \$34.5 million of capital to Shareholders who elect to tender and is in furtherance of its corporate strategy to return capital to Shareholders, while at the same time proportionately increasing the equity interest in the Company of Shareholders who do not deposit their Common Shares to the Offer. The Offer is not expected to preclude the Company from completing any foreseeable or planned business opportunities. After giving effect to the Offer, MFC believes that it will continue to have sufficient financial resources and working capital to conduct its business.

On September 12, 2022, the Board of Directors unanimously determined to proceed with the Offer because, based on a number of factors, including recommendations from management, it believes the purchase of Common Shares is in the best interests of the Company and represents an appropriate use of its available cash on hand. In considering whether the Offer would be in the best interests of the Company and its Shareholders, the Board of Directors gave careful consideration to a number of factors, including, without limitation, the following:

- (a) the Offer is a prudent use of the Company's financial resources given its business profile and assets, the current market price of the Common Shares, the excess capital position of the Company and its cash requirements and borrowing costs;
- (b) after giving effect to the Offer, the Company will continue to have sufficient financial resources and working capital to conduct its ongoing business and operations and expects that it will continue to have sufficient financial resources to pursue its foreseeable or planned business opportunities;
- (c) the positive impact that the purchase of Shares would have on the Company's earnings and cash flow calculated on a per Common Share basis, as well as on the return on equity on the Common Shares;
- (d) the Offer provides Shareholders who are considering the sale of all or a portion of their Shares with the opportunity to sell such Common Shares for cash should they desire liquidity in quantities and at prices which may otherwise be unavailable in the market and without the usual transaction costs associated with market sales;
- (e) the deposit of Common Shares under the Offer is optional for all Shareholders, and all Shareholders are free to accept or reject the Offer;
- (f) the Offer provides for equal and hence fair treatment of all Shareholders;
- (g) Shareholders wishing to tender Common Shares may do so pursuant to Auction Tenders or Purchase Price Tenders, or by tendering a portion of Common Shares pursuant to Auction Tenders and another portion of Shares pursuant to Purchase Price Tenders;
- (h) Shareholders owning fewer than 100 Common Shares whose Common Shares are purchased pursuant to the Offer will avoid any odd lot discounts which may be applicable to a sale of Common Shares over the facilities of the TSX;
- (i) the Offer is not conditional on any minimum number of Common Shares being deposited;
- (j) Shareholders who do not deposit their Shares under the Offer will realize a proportionate increase in their equity interest in the Company to the extent that Shares are purchased by the Company pursuant to the Offer;
- (k) the advice of the Company's financial advisor, National Bank Financial Inc., in respect of the Offer, including an opinion from National Bank Financial Inc. regarding the liquidity of the market for the Common Shares after completion of the Offer; and
- (l) the fact that it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the Common Shares who do not tender to the Offer that is

not materially less liquid than the market that existed at the time of the making of the Offer.

The foregoing summary of the factors considered by the Board of Directors is not, and is not intended to be, exhaustive. In view of the variety of factors and the amount of information considered in connection with its determination to proceed with the Offer, the Board of Directors did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion.

In summary, for all the reasons set out above, the Board of Directors has approved the making of the Offer, certain terms and conditions of the Offer, the Offer to Purchase, this Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery.

Subject to certain exceptions, applicable Canadian securities legislation prohibits the Company and its affiliates from acquiring any Common Shares, other than pursuant to the Offer, until at least 20 business days after the Expiration Date or date of termination of the Offer. One of these exceptions would permit the Company to purchase additional Common Shares under the NCIB following the Expiration Date or date of termination of the Offer and we intend on making such purchases at that time. Subject to applicable law, MFC may purchase additional Common Shares in the future on the open market, in private transactions, through issuer bids or otherwise. Any such purchases may be on the same terms or on terms that are more or less favourable to Shareholders than the terms of the Offer. Any possible future purchases by the Company will depend on many factors, including the market price of the Common Shares, the Company's business and financial position, the results of the Offer and general economic and market conditions.

**None of MFC, its Board of Directors, the Depository or National Bank Financial Inc. makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing any or all of such Shareholder's Common Shares. No person has been authorized to make any such recommendation. Shareholders are urged to evaluate carefully all information in the Offer, consult their own investment and tax advisors and make their own decisions whether to deposit Common Shares and, if so, how many Common Shares to deposit and whether to specify a price and, if so, at what price to deposit such Common Shares. Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 13 of this Circular – "Income Tax Considerations".**

#### *Liquidity of Market*

As at September 12, 2022, there were 29,414,759 Common Shares issued and outstanding, of which approximately 29,329,144 million Common Shares comprised the "public float", which excludes Common Shares beneficially owned, or over which control or direction is exercised, by "related parties" of the Company, as defined under applicable securities laws (which includes directors and senior officers of MFC and any of its subsidiaries as well as any person that beneficially owns or exercises control or direction over 10% or more of the issued and outstanding Common Shares) and by other employees of MFC and any of its subsidiaries. The "related parties" of the Company have agreed not to deposit their Common Shares pursuant to the Offer. The maximum number of Common Shares that MFC is offering to purchase pursuant to the Offer represents approximately 11.73% of the Common Shares issued and outstanding as at September 12, 2022. In the event that MFC takes up and purchases the maximum of 3,450,000 Common Shares pursuant to the Offer, the "public float" will comprise approximately 25,879,144 million Common Shares. In the event that MFC takes up and purchases the minimum of 3,000,000 Common Shares pursuant to the Offer, the "public float" will comprise approximately 26,329,144 million Common Shares.

MFC is relying on the “liquid market exemption” specified in MI 61-101 from the requirement to obtain a “formal valuation” applicable to the Offer. Accordingly, the valuation requirements of securities regulatory authorities in Canada applicable to issuer bids generally are not applicable in connection with the Offer.

MFC has determined that there is a liquid market in the Common Shares because:

- (a) there is a published market for the Common Shares (being the TSX);
- (b) during the 12-month period before September 13, 2022 (the date the Offer was publicly announced):
  - (i) the number of issued and outstanding Common Shares was at all times at least 5,000,000 (excluding Common Shares beneficially owned, or over which control or direction was exercised, by related parties), all of which Common Shares are freely tradeable;
  - (ii) the aggregate trading volume of Common Shares on the TSX was at least 1,000,000 Common Shares;
  - (iii) there were at least 1,000 trades in the Common Shares on the TSX; and
  - (iv) the aggregate value of the trades in the Common Shares on the TSX was at least \$15,000,000; and
- (c) the market value of the Common Shares on the TSX, as determined in accordance with MI 61-101, was at least \$75,000,000 for August 2022 (the calendar month preceding the calendar month in which the Offer was publicly announced).

MFC has also obtained a liquidity opinion of National Bank Financial Inc. to the effect that a liquid market for the Common Shares existed based on trading information as at the close of business on September 9, 2022 and that it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of Common Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. A copy of the liquidity opinion of National Bank Financial Inc. is attached hereto as Schedule A. Accordingly, the valuation requirements of securities regulatory authorities in Canada applicable to issuer bids generally are not applicable in connection with the Offer.

Based on the liquid market test set out above and the liquidity opinion of National Bank Financial Inc., the Company determined that it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of Common Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. Further, the Company does not anticipate any change in a principal market following completion of the Offer.

For further information, see the tables and information included in Section 5 of the Circular, “Trading Price and Volume”, Section 6 of the Circular, “Dividends and Dividend Policy” and Section 7 of the Circular, “Previous Distributions and Purchases of Securities”.

#### **4. Financial Statements**

A copy of the audited consolidated financial statements of MFC the related management’s discussion and analysis as at and for the years ended December 31, 2021 and 2020 and the unaudited interim condensed

consolidated financial statements of MFC as at and for the three months ended March 31, 2022, the three months ended June 30, 2022 and the six months ended June 30, 2022 are available on SEDAR at www.sedar.com. Shareholders may obtain copies of the unaudited interim condensed consolidated financial statements, without charge, by contacting the Company at 1.855.925.6014 (within North America) or 416.925.6014 (outside of North America).

## 5. Trading Price and Volume

The Common Shares are listed on the TSX under the symbol “DR”.

### *Common Shares*

The following table sets forth the high and low closing prices per Common Share and the monthly trading volume of the Common Shares on the TSX for the 12 months preceding the date of the Offer. Prices and volume are based on the reported amounts from TMX Datalinx.

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
September, 2021	10.17	9.15	1,684,659
October, 2021	10.07	9.09	1,445,246
November, 2021	9.92	7.54	1,902,697
December, 2021	9.38	7.78	1,269,842
January, 2022	10.3	8.64	1,565,525
February, 2022	10.56	9.57	1,175,512
March, 2022	12.17	9.65	2,034,016
April, 2022	12.25	9.83	1,201,375
May, 2022	10.13	8.01	1,507,628
June, 2022	8.77	7.63	955,806
July, 2022	10.04	8.42	569,803
August, 2022	10.58	9.52	1,182,674
September 1-12, 2022	10.20	9.49	175,548

On September 12, 2022, the last trading day prior to the date of the announcement by MFC of the approval by its Board of Directors of the Offer, the closing price of the Common Shares on the TSX was \$9.49.

## 6. Dividends and Dividend Policy

Although dividends are expected to be declared and paid on an ongoing basis, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, the Company’s financial condition, results of operations, capital requirements and such other factors as the Board of Directors determines to be relevant.

During the two years preceding the date of the Offer, the Company has declared the following dividends on the Common Shares:

<b>Quarter</b>	<b>Dividends</b>	<b>Record Date</b>	<b>Payment Date</b>
Q2/20	\$0.07	June 30, 2020	July 15, 2020
Q3/20	\$0.07	September 30, 2020	October 15, 2020

<u>Quarter</u>	<u>Dividends</u>	<u>Record Date</u>	<u>Payment Date</u>
Q4/20	\$0.07	December 31, 2020	January 15, 2021
Q1/21	\$0.07	March 31, 2021	April 15, 2021
Q2/21	\$0.07	June 30, 2021	July 15, 2021
Q3/21	\$0.07	September 30, 2021	October 15, 2021
Q4/21	\$0.0805	December 31, 2021	January 15, 2022
Q1/22	\$0.0805	March 31, 2022	April 14, 2022
Q2/22	\$0.0805	June 30, 2022	July 15, 2022

## **7. Previous Distributions and Purchases of Securities**

On November 29, 2021, MFC announced the filing of the NCIB to purchase Common Shares through the facilities of the TSX and on alternative Canadian trading systems in accordance with the requirements of the TSX. As part of the NCIB, MFC may purchase up to a maximum of 3,101,774 Common Shares through the facilities of the TSX or alternative Canadian trading systems. The Common Shares that may be repurchased pursuant to the NCIB represent 5% of the outstanding Common Shares. For the period from December 1, 2021 to the date hereof, under the NCIB, the Company has purchased for cancellation a total of 1,703,900 Common Shares at an average purchase price of approximately \$9.06 per Common Share. In accordance with applicable securities laws, the Company has suspended repurchases of any Common Shares under the NCIB until after the expiry or termination of the Offer.

Other than as set out above and excluding securities purchased or sold pursuant to the exercise of stock options, warrants and conversion rights, during the 12 months preceding the date of the Offer, no Common Shares were purchased or sold by the Company.

Neither the Company nor any selling securityholder has distributed any Common Shares in the five years preceding the date of the Offer.

## **8. Interest of Directors and Officers and Transactions and Arrangements Concerning Securities**

*Interest of Directors and Officers.* Except as set forth in the Offer to Purchase and Circular, neither the Company nor, to the Company's knowledge, after reasonable inquiry, any of its officers or directors or any of the officers or directors of its subsidiaries, is a party to any contract, arrangement or understanding, formal or informal, with any securityholder relating, directly or indirectly, to the Offer or with any other person or company with respect to any securities of the Company in relation to the Offer, nor are there any contracts or arrangements made or proposed to be made between the Company and any of its directors or officers and no payments or other benefits are proposed to be made or given by way of compensation for loss of office or as to such directors or officers remaining in or retiring from office if the Offer is successful.

Except as publicly disclosed, neither the Company nor, to the Company's knowledge, any of its officers or directors has current plans or proposals which relate to, or would result in, any extraordinary corporate transaction involving the Company, such as a merger, a reorganization, the sale or transfer of a material amount of its assets or the assets of any of its subsidiaries (although the Company considers from time to time various acquisition or divestiture opportunities), any material change in its present Board of Directors or management, any material change in its indebtedness or capitalization, any other material change in its business or corporate structure, any material change in its articles, or any actions similar to any of the foregoing.

*Ownership of the Securities of the Company.* To the knowledge of the Company, after reasonable inquiry, the following table indicates, as at September 12, 2022, the number of securities of the Company beneficially owned or over which control or direction is exercised, by (a) the CEO, CFO or COO of the Company, of a significant shareholder of the Company or of a major subsidiary of the Company, (b) the directors of the Company or of a major subsidiary of the Company, (c) a person or company responsible for a principal business unit, division or function of the Company and (d) a significant shareholder of the Company.

Name	Relationship with the Company	Common Shares		Exchangeable		Options		DSUs	
		Number of Common Shares	Percentage of Outstanding Common Shares	Number of Exchangeable Shares	Percentage of Outstanding Exchangeable Shares	Number of Share Options	Percentage of Outstanding Share Options	Number of Deferred Share Units	Percentage of Outstanding Deferred Share Units
Lois Cormack	Director	-	-	-	-	-	-	22,187	2.23%
Richard Blake Curd	Director	-	-	9,219	0.15%	-	-	-	-
Stephen F. Dineley	Director	415	0.001%	-	-	-	-	63,170	6.34%
Erin Suzanne Enright	Director	-	-	-	-	-	-	91,818	9.22%
Michael Victor Gisser	Director	-	-	-	-	-	-	3,281	0.33%
Ronald Gully	Director or Senior Officer of Insider or Subsidiary of Issuer	-	-	-	-	-	-	-	-
Robert Oreon Horrar	Director	25,000	0.08%	-	-	800,000	53.33%	402,369	40.39%
John Joseph Kaup	Director or Senior Officer of Insider or Subsidiary of Issuer	-	-	600	0.01%	-	-	-	-
Lew Wayne Papendick	Director	-	-	600	0.01%	-	-	-	-
Jason Patrick Redman	Director	-	-	-	-	-	-	1,571	0.16%
James Davis Rolfe	Chief Development Officer	29,000	0.10%	-	-	350,000	23.33%	115,478	11.59%
John Schario	Chief Operating Officer	23,300	0.08%	-	-	50,000	3.33%	59,900	6.01%
Reza Shahim	Director	-	-	-	-	-	-	94,995	9.54%
Bradley Clark Thaemert	Director	-	-	-	-	-	-	-	-
David N. T. Watson	Chief Financial Officer	7,900	0.03%	-	-	300,000	20.00%	141,418	14.20%

To the knowledge of the Company, after reasonable inquiry, directors and officers of MFC and its subsidiaries (including the persons named in the table above) beneficially own, or control or direct, directly, approximately 0.30% of the issued and outstanding Common Shares as of the date hereof.

To the knowledge of the directors and officers of the Company and based on publicly available information, no Shareholder currently holds greater than 10% of the issued and outstanding Common Shares.

## 9. Commitments to Acquire Common Shares

Other than pursuant to the Offer, MFC has no agreements, commitments or understandings to purchase or otherwise acquire, and will not purchase or otherwise acquire prior to the Expiry Time, Common Shares or other securities of the Company.

To the Company's knowledge, after reasonably inquiry, aside from purchases through the exercise of options, no person or company named above under "Interest of Directors and Officers and Transactions and Arrangements Concerning Securities" has any agreements, commitments or understandings to purchase or otherwise acquire Common Shares or other securities of MFC.

#### **10. Benefits from the Offer and Effect on Interested Parties**

No person named under "Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company" will receive any direct or indirect benefit from accepting or refusing to accept the Offer other than the Purchase Price for any Common Shares tendered to the Offer and purchased by the Company in accordance with the terms of the Offer.

#### **11. Material Changes in the Affairs of the Company**

Except as publicly disclosed by the Company or as described or referred to in the Offer to Purchase or this Circular, the directors and officers of the Company are not aware of any plans or proposals for material changes in the affairs of the Company, or of any undisclosed material changes that have occurred since December 31, 2021, the date of the most recent audited consolidated annual financial statements of the Company.

#### **12. Intention to Deposit Common Shares**

The persons named under "Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company" (the "**Directors and Officers**") have indicated that they do not intend to deposit any of such person's or company's Common Shares pursuant to the Offer.

To the knowledge of the Company, after reasonable inquiry, no employees of the Company (as a group, but excluding the Directors and Officers) have indicated an intention to deposit Common Shares pursuant to the Offer. However, in the event that the circumstances or decisions of any such persons or companies change, they may decide to tender, or not to tender, Common Shares to the Offer or sell their Common Shares through the facilities of the TSX or otherwise during the period prior to the Expiration Date.

#### **13. Income Tax Considerations**

##### **Certain Canadian Federal Income Tax Considerations**

###### ***General***

**This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their tax advisors concerning the application and effect of the income and other taxes of any country, province, territory, state or local tax authority, having regard to their particular circumstances.**

MFC has been advised by Goodmans LLP that the following summary accurately describes, as of the date hereof, certain of the material Canadian federal income tax considerations under the Tax Act generally applicable to Shareholders who sell Common Shares beneficially owned by such Shareholders to MFC pursuant to the Offer.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. The summary assumes that all of the Tax Proposals will be implemented in the form proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and practices, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary is not exhaustive of all Canadian federal income tax considerations.

This summary is not applicable to a Shareholder (i) that is a “financial institution” for the purposes of the “mark-to-market” rules, (ii) that is a “specified financial institution”, (iii) that reports its “Canadian tax results” in a currency other than Canadian dollars, (iv) an interest in which is a “tax shelter investment”, or (v) that has entered into a “derivative forward agreement”, a “synthetic disposition arrangement” or a “dividend rental agreement” in respect of the Common Shares, as each of those terms is defined in the Tax Act. This summary is also not applicable to a Shareholder that acquired Common Shares pursuant to the exercise of an employee stock option or otherwise in connection with his or her employment and who disposes of the Common Shares pursuant to the Offer. All of the foregoing Shareholders should consult their tax advisors regarding their particular circumstances.

**The potential deemed dividend tax treatment described below on the sale of Common Shares pursuant to the Offer differs from the capital gain (or capital loss) treatment which would generally apply to a sale of Common Shares in the market. Accordingly, Shareholders who wish to sell their Common Shares and who are not generally exempt from Canadian federal income tax should consult their own tax advisors regarding selling their Common Shares in the market as an alternative to selling Common Shares pursuant to the Offer.**

### ***Canadian Currency***

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition or deemed disposition of a Common Share must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the applicable rate of exchange (for purposes of the Tax Act) quoted by the Bank of Canada on the date such amounts arose, or such other rate of exchange as is acceptable to the Canada Revenue Agency.

### ***Shareholders Resident in Canada***

The following portion of the summary is, subject to the discussion under “*General*” above, applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) is or is deemed to be a resident of Canada, (ii) deals at arm’s length with, and is not affiliated with, MFC, (iii) holds its Common Shares as capital property and (iv) is not exempt from tax under Part I of the Tax Act (herein, a “**Resident Shareholder**”). The Common Shares will generally be considered to be capital property to a Resident Shareholder provided that the Resident Shareholder does not hold the Common Shares in the course of carrying on a business of buying and selling shares and has not acquired the Common Shares in a transaction considered to be an adventure or concern in the nature of trade. Certain Resident Shareholders that might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have the Common Shares and all other “Canadian securities” (as defined in the Tax Act) owned by such Resident Shareholders in the taxation year of the election and all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Resident Shareholders should consult their tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available or advisable having regard to their particular circumstances.

### *Disposition of Common Shares*

A Resident Shareholder who sells Common Shares to MFC pursuant to the Offer will be deemed to receive a taxable dividend equal to the excess, if any, of the amount paid by MFC for the Common Shares over the paid-up capital of such Common Shares for purposes of the Tax Act. MFC estimates that the paid-up capital per Common Share on the date of take-up under the Offer will be approximately \$10.98 (and following the Expiration Date, MFC will advise Shareholders of any material change to this estimate). The exact quantum of the deemed dividend, if any, cannot be guaranteed.

Any dividend deemed to be received by a Resident Shareholder who is an individual (including certain trusts) will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by Canadian resident individuals from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if MFC validly designates the dividend as an “eligible dividend”. There may be limitations on the ability of a corporation to designate dividends as eligible dividends. Subject to such limitations, MFC intends to designate all deemed dividends arising as a result of a sale of Common Shares pursuant to the Offer as eligible dividends for these purposes.

Subject to the application of subsection 55(2) of the Tax Act, as described below, any dividend deemed to be received by a Resident Shareholder that is a corporation will be included in computing such Resident Shareholder’s income as a dividend, and will ordinarily be deductible in computing its taxable income subject also to all other limitations under the Tax Act. To the extent that such a deduction is available, private corporations (as defined in the Tax Act) and certain other corporations may be liable to pay refundable tax under Part IV of the Tax Act.

Under subsection 55(2) of the Tax Act, a Resident Shareholder that is a corporation may be required to treat all or a portion of any deemed dividend that is deductible in computing taxable income as proceeds of disposition of the Common Shares and not as a dividend, generally in circumstances where: (i) the Resident Shareholder would have realized a capital gain if it disposed of any Common Share at fair market value immediately before the sale of Common Shares to the Company; (ii) the sale to the Company resulted in a significant reduction in such capital gain; and (iii) the amount of the deemed dividend (if any) exceeds the “safe income” in respect of the particular Common Share that could reasonably be considered to contribute to such capital gain (as determined for purposes of the Tax Act). The application of subsection 55(2) involves a number of factual considerations that will differ for each Resident Shareholder and a Resident Shareholder to whom it may be relevant is urged to consult its tax advisors concerning its application having regard to its particular circumstances.

The amount paid by MFC under the Offer for the Common Shares less any amount deemed to be received by the Resident Shareholder as a dividend (after the application of subsection 55(2) in the case of a corporate Resident Shareholder) will be treated as proceeds of disposition of the Common Shares. The Resident Shareholder will realize a capital gain (or capital loss) on the disposition of the Common Shares equal to the amount by which the Resident Shareholder’s proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Common Shares sold to MFC pursuant to the Offer.

### *Taxation of Capital Gains and Losses*

Generally, a Resident Shareholder will be required to include in computing its income for a taxation year one-half of any capital gain (a “**taxable capital gain**”) realized by it in that year. Subject to and in accordance with the provisions of the Tax Act, a Resident Shareholder must deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Resident Shareholder in that year, and any excess may be carried back to any of the

three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years.

The amount of a capital loss realized on the disposition of a Common Share by a Resident Shareholder that is a corporation may, to the extent and under the circumstances specified in the Tax Act, be reduced by the amount of dividends received or deemed to be received on the Common Shares (including any dividends deemed to be received as a result of the sale of Common Shares to the Company under the Offer). Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or trust. Resident Shareholders who may be affected by these rules are urged to consult with their tax advisors in this regard.

Special rules may apply to suspend or deny, as applicable, any capital loss realized by a Resident Shareholder on the disposition of Common Shares pursuant to the Offer if the Resident Shareholder (or a person affiliated with the Resident Shareholder for purposes of the Tax Act) acquires additional Common Shares in the period commencing 30 days prior to, and ending 30 days after, the disposition, and such acquired Common Shares are owned by such Resident Shareholder (or a person affiliated with the Resident Shareholder for purposes of the Tax Act) at the end of such period. Resident Shareholders who may be affected by these rules are urged to consult their own tax advisors.

A Resident Shareholder that is a Canadian-controlled private corporation throughout the year (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on its “aggregate investment income” for the year, which is defined to include an amount in respect of taxable capital gains (but not dividends, or deemed dividends, that are deductible in computing taxable income). Tax Proposals announced by the Minister of Finance (Canada) propose to extend this additional tax to “substantive CCPCs”, as defined in the Tax Proposals. Resident Shareholders who may be affected by these rules are urged to consult with their own tax advisors in this regard.

#### *Alternative Minimum Tax*

A capital gain realized, or a dividend received (or deemed to be received) by a Resident Shareholder who is an individual, including a trust (other than certain specified trusts), as a result of the sale of Common Shares pursuant to the Offer may give rise to a liability for alternative minimum tax. Such Resident Shareholders should consult their tax advisors with respect to the alternative minimum tax rules set out in the Tax Act.

#### ***Non-Resident Shareholders***

The following portion of the summary is, subject to the discussion under “*General*” above, applicable to a Shareholder who, for purposes of the Tax Act and at all relevant times: (i) is not resident or deemed to be resident in Canada, (ii) does not use or hold, and is not deemed to use or hold, its Common Shares in connection with carrying on a business in Canada, (iii) deals at arm’s length with, and is not affiliated with, MFC, and (iv) is not an insurer that carries on an insurance business in Canada and elsewhere (herein, a “**Non-Resident Shareholder**”).

A Non-Resident Shareholder who sells Common Shares to MFC under the Offer will be deemed to receive a dividend equal to the excess, if any, of the amount paid by MFC for the Common Shares over their paid-up capital for purposes of the Tax Act. MFC estimates that the paid-up capital per Common Share on the date of take-up under the Offer will be approximately \$10.98 (and following the Expiration Date, MFC will advise Shareholders of any material change to this estimate). The exact quantum of the deemed dividend, if any, cannot be guaranteed.

Any dividend deemed to be received by a Non-Resident Shareholder will be subject to Canadian withholding tax at a rate of 25% or such lower rate as may be substantiated under the terms of an applicable tax treaty. For example, a dividend received or deemed to be received by a Non-Resident Shareholder that is a resident of the United States for the purposes of the Canada-United States Income Tax Convention (the “U.S. Treaty”), is fully entitled to benefits under the U.S. Treaty, and is the beneficial owner of such dividends will generally be subject to withholding tax at a treaty-reduced rate of 15% (or 5% if the beneficial owner of such dividends is a company that owns at least 10% of the Common Shares). Non-Resident Shareholders are urged to consult their own tax advisors to determine their entitlement, if any, to relief under an applicable tax treaty.

**In view of the potential deemed dividend tax treatment described above on a sale of Common Shares under the Offer and the potential resulting Canadian withholding tax, Non-Resident Shareholders who wish to sell their Common Shares should consult their tax advisors regarding selling their Common Shares in the market as an alternative to selling Common Shares pursuant to the Offer.**

The amount paid by MFC for the Common Shares (less any amount deemed to be received by the Non-Resident Shareholder as a dividend) will be treated as proceeds of disposition of the Common Shares. A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Common Shares under the Offer unless the Common Shares are “taxable Canadian property” to the Non-Resident Shareholder at the time of such sale and such gain is not exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty (if any). Generally, provided the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSX) at the time of disposition, the Common Shares will not constitute taxable Canadian property to a Non-Resident Shareholder, unless, at any time during the 60-month period immediately preceding the disposition, (a) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm’s length, partnerships in which the Non-Resident Shareholder or such non-arm’s length persons holds a membership interest directly or indirectly, or the Non-Resident Shareholder together with all such foregoing persons, owned 25% or more of the issued Common Shares or any other issued class of MFC’s shares; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from any one or combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (i) to (iii), whether or not that property exists. A Common Share may also be deemed to be taxable Canadian property to a Non-Resident Shareholder in certain circumstances specified in the Tax Act.

Even if a Common Share is taxable Canadian property to a Non-Resident Shareholder, any gain realized on a disposition of the Common Share may be exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty (if any). Non-Resident Shareholders should consult their own tax advisors in this regard.

In the event a Common Share is taxable Canadian property to a Non-Resident Shareholder at the time of disposition and the capital gain realized on disposition of the Common Share is not exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty, the tax consequences in respect of capital gains described above under “Shareholders Resident in Canada – *Taxation of Capital Gains and Losses*” will generally apply.

### **Certain United States Federal Income Tax Considerations**

The following is a summary of certain material U.S. federal income tax considerations generally applicable to Shareholders who sell Common Shares to the Company pursuant to the Offer. This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), applicable Treasury

Regulations, and administrative and judicial interpretations, all as of the date hereof, and all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all the tax consequences that may be relevant to a particular Shareholder in light of the Shareholder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. Different rules that are not discussed below may apply to some Shareholders subject to special tax rules, such as partnerships (or entities classified as partnerships for U.S. federal income tax purposes), insurance companies, tax-exempt persons, financial institutions, regulated investment companies, dealers or traders in securities or currencies, persons that hold Common Shares as a position in a "straddle" or as part of a "hedge", "conversion transaction" or other integrated investment, persons who received Common Shares as compensation, persons who will own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of all outstanding Common Shares of the Company, U.S. Holders (as defined below) whose functional currency is other than the United States dollar, Non-U.S. Holders (as defined below) who hold Common Shares in connection with a trade or business conducted in the United States, Non-U.S. Holders who are individuals present in the United States for 183 days or more in the taxable year of the disposition of Common Shares pursuant to the Offer. This summary does not address any state, local, or foreign tax or alternative minimum tax considerations that may be relevant to a Shareholder's decision to tender Common Shares pursuant to the Offer. This summary assumes Common Shares are held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Code.

**Shareholders are urged to consult their tax advisors with respect to the U.S. federal, state, and local tax consequences of participating in the Offer, as well as any tax consequences arising under the laws of any other taxing jurisdiction.**

A "U.S. Holder" is a beneficial owner of Common Shares who is: (a) a citizen or individual resident of the United States; (b) a corporation (or other business entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (d) a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons, or (2) otherwise has validly elected to be treated as a U.S. domestic trust for U.S. federal income tax purposes.

A "Non-U.S. Holder" is a beneficial owner of Common Shares who is neither a U.S. Holder nor a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

The U.S. federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds Common Shares will depend on the status of the partner and the activities of the partnership. Prospective participants in the Offer that are partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) are urged to consult their own tax advisors concerning the U.S. federal income tax consequences to them and their partners of the participation in the Offer by the partnership.

## **Tax Consequences to Tendering U.S. Holders**

### ***Treatment of the Purchase of Common Shares Pursuant to the Offer as a Sale or as a Distribution***

Subject to the discussion below under "— Passive Foreign Investment Company Considerations", the Company's purchase of Common Shares from a U.S. Holder pursuant to the Offer will be treated either as a sale of the Common Shares or as a distribution by the Company, depending upon the circumstances at the time the Common Shares are purchased. The purchase of Common Shares from a U.S. Holder will be treated as a sale if (a) the purchase results in a "complete redemption" of the U.S. Holder's equity interest in the Company, (b) the receipt of cash by the U.S. Holder is "not essentially equivalent to a dividend", or

(c) as a result of the purchase there is a “substantially disproportionate” reduction in the U.S. Holder’s equity interest in the Company, each within the meaning of Section 302(b) of the Code, as described below (referred to as the “**Section 302 Tests**”). The purchase of Common Shares from a particular U.S. Holder will be treated as a distribution if none of the Section 302 Tests is satisfied with respect to such holder.

In applying the Section 302 Tests, the constructive ownership rules of Section 318 of the Code apply. Thus, a U.S. Holder is treated as owning not only Common Shares actually owned by the U.S. Holder but also Common Shares actually (and in some cases constructively) owned by others. Under the constructive ownership rules, a U.S. Holder will be considered to own Common Shares owned, directly or indirectly, by certain members of the U.S. Holder’s family and by certain entities (such as corporations, partnerships, trusts, and estates) in which the U.S. Holder has an equity interest, as well as Common Shares that the U.S. Holder has an option to purchase.

- (a) Complete Redemption. A purchase of Common Shares pursuant to the Offer will result in a “complete redemption” of the U.S. Holder’s interest in the Company if, immediately after the sale, either (1) the U.S. Holder owns, actually and constructively, no Common Shares; or (2) the U.S. Holder actually owns no Common Shares and effectively waives constructive ownership of any constructively owned Common Shares under the procedures described in Section 302(c)(2) of the Code. U.S. Holders who desire to file such a waiver are urged to consult their tax advisors.
- (b) Not Essentially Equivalent to a Dividend. A purchase of Common Shares pursuant to the Offer will be treated as “not essentially equivalent to a dividend” if it results in a “meaningful reduction” in the selling U.S. Holder’s proportionate interest in the Company. Whether a U.S. Holder meets this test will depend on relevant facts and circumstances. In measuring the change, if any, in a U.S. Holder’s proportionate interest in the Company, the meaningful reduction test is applied by taking into account all Common Shares that the Company purchases pursuant to the Offer, including Common Shares purchased from other Shareholders.

The Internal Revenue Service (“IRS”) has held in a published ruling that, under the particular facts of the ruling, a small reduction in the percentage share ownership of a small minority shareholder in a publicly and widely held corporation who did not exercise any control over corporate affairs constituted a “meaningful reduction”. If, taking into account the constructive ownership rules of Section 318 of the Code, a U.S. Holder owns Common Shares that constitute only a minimal interest in the Company, and such holder does not exercise any control over the affairs of the Company, then any reduction in the U.S. Holder’s percentage ownership interest in the Company should constitute a “meaningful reduction”. Such selling U.S. Holder should, under these circumstances, be entitled to treat the purchase of such holder’s Common Shares pursuant to the Offer as a sale for U.S. federal income tax purposes. Shareholders are urged to consult their tax advisors with respect to the application of the “not essentially equivalent to a dividend” test in their particular circumstances.

- (c) Substantially Disproportionate. A purchase of Common Shares pursuant to the Offer will be “substantially disproportionate” as to a U.S. Holder if the percentage of the then outstanding Common Shares (and any other classes of shares entitled to vote) actually and constructively owned by such U.S. Holder immediately after the purchase is less than 80% of the percentage of the outstanding Common Shares actually and constructively owned by such U.S. Holder immediately before the purchase. Shareholders are urged to

consult their tax advisors with respect to the application of the “substantially disproportionate” test in their particular circumstances.

It may be possible for a tendering U.S. Holder to satisfy one of the Section 302 Tests by contemporaneously selling or otherwise disposing of all or some of the Common Shares that such U.S. Holder actually or constructively owns that are not purchased pursuant to the Offer. Correspondingly, a tendering U.S. Holder may not be able to satisfy one of the Section 302 Tests because of contemporaneous acquisitions of Common Shares by such U.S. Holder or a related party whose Common Shares are attributed to such U.S. Holder. Shareholders are urged to consult their tax advisors regarding the tax consequences of such sales or acquisitions in their particular circumstances.

We cannot predict whether or the extent to which the Offer will be oversubscribed. If the Offer is oversubscribed, the proration of tenders pursuant to the Offer will cause the Company to accept fewer Common Shares than are tendered. Consequently, we can give no assurance that a sufficient number of any U.S. Holder’s Common Shares will be purchased pursuant to the Offer to ensure that such purchase will be treated as a sale, rather than as a distribution, for U.S. federal income tax purposes under the rules discussed above.

#### ***Sale of Common Shares Pursuant to the Offer***

If any of the Section 302 Tests is satisfied by a U.S. Holder, then such holder generally will recognize taxable gain or loss equal to the difference between the amount received pursuant to the Offer (without reduction for withholding tax, if any) and such holder’s adjusted tax basis in the tendered Common Shares. A U.S. Holder’s adjusted tax basis generally will be the amount paid to acquire the Common Shares.

Any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Common Shares is longer than one year at the time of the sale. Any long-term capital gain recognized by a non-corporate U.S. Holder generally will be eligible for a reduced rate of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized generally will be treated as U.S.-source gain or loss for U.S. foreign tax credit purposes. Consequently, a U.S. Holder may not be able to use the foreign tax credit arising from any Canadian withholding tax imposed on the disposition of the Common Shares unless (a) such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources or (b) such U.S. Holder is eligible for the benefits of the Canada-United States Income Tax Convention and properly makes an election under the Code to treat any such gain from the disposition of the Common Shares as from foreign sources. The rules governing foreign tax credits are complex, and U.S. Holders are urged to consult their tax advisors regarding the creditability of any foreign taxes.

#### ***Distribution in Respect of Common Shares Pursuant to the Offer***

If none of the Section 302 tests are satisfied by a U.S. Holder, then the full amount received pursuant to the Offer (without reduction for withholding tax, if any) will be treated as a distribution with respect to such holder’s Common Shares. The tax basis of the U.S. Holder’s sold Common Shares will be added to the tax basis of such holder’s remaining Common Shares. This distribution will be treated as a dividend to the extent paid out of the Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The dividend will be includible in a U.S. Holder’s gross income without reduction for the tax basis of the surrendered Common Shares, and no current loss will be recognized. To the extent that the amount received exceeds a U.S. Holder’s share of the Company’s current and accumulated earnings and profits, the excess first will be treated as a tax-free return of capital to the extent of such holder’s tax basis in Common Shares and then as capital gain from the sale or exchange of such Common Shares. However, because we do not calculate earnings and profits under U.S.

federal income tax principles, U.S. Holders should expect the entire amount received pursuant to the Offer to be taxed as a dividend if such amount is treated as a distribution as described above.

Subject to applicable limitations, including that the Company is not classified as a PFIC (as defined below) for the current taxable year or for the preceding taxable year, dividends paid to certain non-corporate U.S. Holders will be eligible for taxation as “qualified dividend income” and therefore will be taxable at rates applicable to long-term capital gains, provided that certain holding period and other requirements are satisfied. The amount of the dividend will be treated as foreign-source dividend income and therefore U.S. Holders may be entitled to a foreign tax credit in respect of any Canadian withholding tax imposed on the disposition of the Common Shares (subject to general conditions and limitations of the foreign tax credit rules). Any dividends paid will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

### ***Passive Foreign Investment Company Considerations***

Certain adverse tax consequences could apply to a U.S. Holder if the Company is treated as a “passive foreign investment company” within the meaning of Code Section 1297(a) (a “PFIC”). In general, a non-U.S. corporation will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder holds Common Shares, either (i) at least 75% of the Company’s gross income for the taxable year is passive income; or (ii) at least 50% of the average value of its assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income includes, among other things, dividends, interest, rents or royalties (other than certain rents or royalties derived from the active conduct of a trade or business), annuities, and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation’s income. If the Company were classified as a PFIC for any taxable year that a U.S. Holder held Common Shares, the Company generally would continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding years, even if the Company ceased to satisfy the requirements for being a PFIC. In addition, a U.S. Holder would be treated as owning a proportionate interest in the shares of any non-U.S. subsidiaries treated as PFICs and would be subject to the PFIC rules on a separate basis with respect to its indirect interests in any such lower-tier PFICs. If the Company were a PFIC with respect to a U.S. Holder, then such U.S. Holder generally would be subject to adverse tax consequences upon the sale of Common Shares pursuant to the Offer.

The determination of whether any non-U.S. corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. The Company has not performed an analysis or made a determination as to its status as a PFIC under Section 1297 of the Code for current or any past years. The PFIC determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income. Accordingly, there can be no assurance that the Company will not be classified as a PFIC for any taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder held Common Shares, then gain recognized by such U.S. Holder upon the sale or other disposition of the Common Shares, including by reason of satisfying one of the Section 302 Tests in connection with the sale of Common Shares pursuant to the Offer, would be allocated ratably over such holder’s holding period for the Common Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate on ordinary income in effect for individuals or corporations, as appropriate for that taxable year, and an interest charge would be imposed on the

resulting tax liability. Certain elections, if made, might result in alternative treatments. U.S. Holders are urged to consult their own tax advisers about such elections.

If the Company were a PFIC with respect to a U.S. Holder treated as receiving a distribution with respect to Common Shares, as described above under “— Distribution in Respect of Common Shares Pursuant to the Offer”, then the distribution could be allocated to taxable years and subject to taxation in the same manner as gain, described immediately above. The favorable tax rates generally applicable to long-term capital gains discussed above with respect to dividends paid to non-corporate U.S. Holders would not apply.

A U.S. Holder may be able to mitigate the generally unfavorable U.S. federal income tax rules that apply to the ownership and disposition of stock of a PFIC (including potentially arising from the Offer) by making a timely and effective mark-to-market election under Section 1296 of the Code or by making a timely and effective election under Section 1295 of the Code to treat such non-U.S. corporation as a qualified electing fund, if such elections are available. A description of these elections (and other elections that may be made by a U.S. Holder) is beyond the scope of this discussion. We do not intend to provide the necessary information for a U.S. Holder to make a qualified electing fund election nor can any assurances be provided that the mark-to-market election will be available.

Subject to certain exceptions, if a U.S. Holder were to own Common Shares during any taxable year in which the Company is a PFIC, that holder generally would be required to file IRS Form 8621 both with respect to the Company and with respect to any lower-tier PFICs. Significant penalties are imposed for failing to file IRS Form 8621, and the failure to file such form may suspend the running of the statute of limitations for U.S. federal income tax purposes.

U.S. Holders are urged to consult their own tax advisers regarding the possible PFIC status of the Company for any relevant taxable year and the tax considerations relevant to a sale of the Common Shares pursuant to the Offer.

### ***Receipt of Foreign Currency***

If you are a registered Shareholder, you will receive the Purchase Price in Canadian dollars unless you exercise the right to elect in your Letter of Transmittal or Notice of Guaranteed Delivery to receive the Purchase Price in U.S. dollars.

If you are a non-registered Shareholder, you will receive the Purchase Price in Canadian dollars unless you contact the intermediary in whose name your Common Shares are registered and request that the intermediary make an election on your behalf. If your intermediary does not make an election on your behalf, you will receive payment in Canadian dollars.

The exchange rate that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by Computershare Trust Company of Canada, in its capacity as foreign exchange service provider to the Company, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Common Shareholder. Computershare Trust Company of Canada will act as principal in such currency conversion transactions.

The amount of any distribution paid to a U.S. Holder in foreign currency, or upon the sale or exchange of Common Shares pursuant to the Offer, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign

currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that will be treated as ordinary income or loss, and generally will be U.S.-source income or loss for foreign tax credit purposes. Each U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### ***Tax Consequences to Shareholders Who Do Not Tender Common Shares Pursuant to the Offer***

Shareholders (including Non-U.S. Holders) who do not sell Common Shares pursuant to the Offer will not incur any U.S. federal income tax liability as a result of the consummation of the Offer.

### ***Tax Consequences to Non-U.S. Holders***

Non-U.S. Holders generally will not be subject to U.S. federal income taxation as a result of selling Common Shares pursuant to the Offer. The rules governing the U.S. federal income taxation of the receipt by Non-U.S. Holders of cash pursuant to the Offer are, however, complex. Non-U.S. Holders are urged to consult their tax advisors concerning the application of U.S. federal, state, local and foreign income tax laws in their particular circumstances.

### ***Backup Withholding***

Under U.S. federal income tax laws, payments to a tendering Shareholder may be subject to “backup withholding” at the applicable statutory rate, unless a tendering Shareholder (a) provides a correct taxpayer identification number and any other required information and otherwise complies with applicable requirements of the backup withholding rules; or (b) is an exempt recipient and, when required, demonstrates this fact.

A Shareholder that does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS. To prevent backup withholding on cash payable pursuant to the Offer, each Shareholder that is a U.S. person (as defined in the instructions to the IRS Form W-9) should provide the Depository or other applicable withholding agent with his or her correct taxpayer identification number and certify that he or she is not subject to backup withholding by completing the IRS Form W-9 included in the Letter of Transmittal. In order to eliminate any U.S. backup withholding, a Shareholder that is not a U.S. person should provide the Depository or other applicable withholding agent with the appropriate IRS Form W-8, attesting to that Shareholder’s non-U.S. status.

Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability, and may claim a refund if they timely provide certain required information to the IRS.

## **14. Legal Matters and Regulatory Approvals**

The Company has filed an exemptive relief application with securities regulatory authorities in Canada to permit the Company to extend the Offer, in circumstances in which all of the terms and conditions of the Offer have either been satisfied or waived by MFC, without first taking up Common Shares which have been deposited (and not withdrawn) before the Offer was previously scheduled to expire. See Section 7 of the Offer to Purchase, “Certain Conditions of the Offer”.

MFC is not aware of any license or regulatory permit that is material to the Company’s business that might be adversely affected by the Company’s acquisition of Common Shares pursuant to the Offer or, except as noted below, of any approval or other action by any government or governmental, administrative or regulatory authority or agency in any jurisdiction, that would be required for the

acquisition of Common Shares by the Company pursuant to the Offer and that has not been obtained on or before the date hereof. Should any such approval or other action be required, the Company currently contemplates that such approval will be sought or other action will be taken. MFC cannot predict whether it may determine that it must delay the acceptance for payment of Common Shares deposited pursuant to the Offer pending the outcome of any such matter.

There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Company's business.

The Company's obligations under the Offer to take up and pay for Common Shares are subject to certain conditions. See Section 7 of the Offer to Purchase – "Certain Conditions of the Offer".

#### **15. Source of Funds**

The Company will fund any purchases of Common Shares pursuant to the Offer from available cash on hand.

#### **16. Dealer Manager**

The Company may retain a dealer manager for the Offer. Such dealer manager may form a soliciting dealer group. In that event, the Company will pay customary soliciting dealer fees in connection with the tender of Common Shares. Shareholders will not be obligated to pay any fee or commission if they accept the Offer by using the services of a dealer manager.

#### **17. Depositary**

MFC has appointed Computershare Investor Services Inc. to act as a depositary for, among other things, (a) the receipt of certificates representing Common Shares and related Letters of Transmittal deposited under the Offer, (b) the receipt of Notices of Guaranteed Delivery delivered pursuant to the procedures for guaranteed delivery set forth in Section 5 of the Offer to Purchase, (c) the receipt from the Company of cash to be paid in consideration of the Common Shares acquired by the Company under the Offer, as agent for the depositing Shareholders, and (d) the transmittal of such cash to the depositing Shareholders, as agent for the depositing Shareholders. The Depositary may contact Shareholders by mail, telephone, fax or electronic mail and may request brokers, dealers and other nominee Shareholders to forward materials relating to the Offer to beneficial owners. The Depositary is not an affiliate of MFC and the Depositary also acts as MFC's transfer agent and registrar.

#### **18. Fees and Expenses**

MFC has retained Computershare Investor Services Inc. to act as the depositary in connection with the Offer. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under applicable Canadian securities laws. MFC will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Common Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies may, upon request, be reimbursed by the Company for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

National Bank Financial Inc. has been retained by the Company to serve as its exclusive financial advisor in connection with the Offer and to deliver a liquidity opinion in connection with the Offer to the Board

of Directors for which it will receive a fee from MFC for its services. MFC has agreed to reimburse National Bank Financial Inc. for certain reasonable documented out-of-pocket expenses incurred in connection with the Offer and to indemnify National Bank Financial Inc. against certain liabilities to which it may become subject as a result of its engagement. None of the fees payable to National Bank Financial Inc. are contingent upon the conclusions reached by National Bank Financial Inc. in the liquidity opinion.

MFC is expected to incur expenses of approximately \$470,000 in connection with the Offer, which includes filing fees, advisory fees, the fees of National Bank Financial Inc. and the fees for legal, translation, accounting, depositary and printing services.

## **19. Statutory Rights**

Securities legislation in the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

## **20. Valuation and Bona Fide Prior Offers**

The Company is relying on the “liquid market exemption” specified in MI 61-101. Accordingly, the valuation requirements of securities regulatory authorities in Canada applicable to issuer bids generally are not applicable in connection with the Offer.

To the knowledge of MFC or any of its directors or senior officers, after reasonable inquiry, no prior valuation (as such term is defined in MI 61-101) regarding the Company, its securities or its material assets has been made in the 24 months before the date of the Offer.

There were no bona fide prior offers that relate to the Common Shares or are otherwise relevant to the Offer received by the Company during the 24 months preceding the date on which the Offer was publicly announced.

**APPROVAL AND CERTIFICATE**

September 16, 2022

The Board of Directors of Medical Facilities Corporation has approved the contents of the Offer to Purchase and the accompanying Circular dated September 16, 2022 and the delivery thereof to Shareholders. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

\_\_\_\_\_  
(Signed) *Robert Horrar*  
Robert Horrar  
Chief Executive Officer

\_\_\_\_\_  
(Signed) *David N. T. Watson*  
David N. T. Watson  
Chief Financial Officer

On behalf of the Board of Directors

\_\_\_\_\_  
(Signed) *Michael Gisser*  
Michael Gisser  
Director

\_\_\_\_\_  
(Signed) *Jason Redman*  
Jason Redman  
Director

**CONSENT OF NATIONAL BANK FINANCIAL INC.**

TO: The Board of Directors of Medical Facilities Corporation

We consent to the inclusion of our liquidity opinion dated September 12, 2022 as Schedule A to the Circular dated September 16, 2022, which schedule is incorporated by reference in the Circular and consent to the inclusion and reference to our liquidity opinion in the sections titled “Certain Conditions of the Offer”, “Purpose and Effect of the Offer” and “Fees and Expenses” of the Circular. Our liquidity opinion remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the directors of Medical Facilities Corporation will be entitled to rely upon our opinion.

September 16, 2022

*(Signed) National Bank Financial Inc.*

---

National Bank Financial Inc.

**CONSENT OF GOODMAN'S LLP**

TO: The Board of Directors of Medical Facilities Corporation

We consent to the inclusion of our name in the section titled "Income Tax Considerations – Certain Canadian Federal Income Tax Considerations" in the Circular dated September 16, 2022 of Medical Facilities Corporation in connection with its offer to the holders of its Common Shares.

September 16, 2022

(Signed) *Goodmans LLP*

Goodmans LLP

**SCHEDULE A – LIQUIDITY OPINION OF NATIONAL BANK FINANCIAL INC.**

September 12, 2022

Board of Directors of Medical Facilities Corporation  
Suite 701, 4576 Yonge Street  
Toronto, ON, M2N 6N4

To the Board of Directors:

### **LIQUIDITY OPINION OF NATIONAL BANK FINANCIAL INC.**

National Bank Financial Inc. (“**NBF**”, “**we**” or “**us**”) understands that Medical Facilities Corporation (“**Medical Facilities**” or the “**Company**”) intends to make an Offer (as defined herein) to purchase for cash common shares (the “**Common Shares**”) of the Company having an aggregate value of up to \$34,500,000 at a price of not less than \$10.00 and not more than \$11.50 per Common Share. NBF understands that no director or officer of the Company, who collectively own in aggregate 85,615 Common Shares (representing approximately 0.3% of the issued and outstanding Common Shares), has advised the Company that he or she intends to deposit Common Shares under the Offer. As at September 9, 2022, there were 29,414,759 Common Shares issued and outstanding.

In addition, we understand that the offer is subject to the terms and conditions set forth in the offer to purchase, the accompanying issuer bid circular (the “**Circular**”), the related letter of transmittal (the “**Letter of Transmittal**”), and the notice of guaranteed delivery (the “**Notice of Guaranteed Delivery**”) (which together constitute the “**Offer**”). We further understand that the Offer will be mailed to holders of Common Shares on or about September 16, 2022.

#### **NBF’s Engagement**

In an agreement dated August 31, 2022 (the “**Engagement Agreement**”), the Board of Directors of the Company (the “**Board**”) engaged NBF to act as its exclusive financial advisor in connection with the Offer and to prepare and deliver to the Board NBF’s opinion (the “**Opinion**”) as to whether, as of a certain date, i) a liquid market for the Common Shares exists as of the date hereof and ii) whether it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Common Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. This Opinion is being delivered to assist the Board in making its determination that the Offer qualifies for the “liquid market” exemption from the valuation requirements of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”). The Board has, on a voluntary basis, obtained the Opinion from NBF notwithstanding that such opinion is not required pursuant to MI 61-101.

NBF will receive a fee from the Company for its services that include providing the Opinion. Such fee is payable regardless of the conclusions reached in the Opinion or whether or not the Offer is successful. The Company has agreed to reimburse NBF for its reasonable out-of-pocket expenses and to indemnify NBF for certain liabilities arising out of NBF’s engagement in connection with the Offer.

#### **Relationship with Interested Parties**

None of NBF, National Bank of Canada (“**National Bank**”) or any of their affiliated entities (as such term is defined for purposes of MI 61-101):

- i. is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of the Company, or any control person of the Company, or any person that would reasonably be expected to be a control person of the Company upon successful completion of the Offer (collectively, the “**Interested Parties**”);
- ii. is acting as an advisor to any Interested Party in respect of the Offer (other than NBF in its capacity as financial advisor to the Board, pursuant the Engagement Agreement);
- iii. its compensation under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Opinion or the outcome of the Offer;
- iv. is the external auditor of the Company or of an Interested Party;
- v. has a material financial interest in the completion of the Offer;
- vi. during the 24 months before NBF was first contacted by the Company in respect of the Offer:
  - a. had a material involvement in an evaluation, appraisal or review of the financial condition of an Interested Party or an associated or affiliated entity of an Interested Party;
  - b. had a material involvement in an evaluation, appraisal or review of the financial condition of the Company or an associated or affiliated entity of the Company, if the evaluation, appraisal or review was carried out at the direction or request of any Interested Party or paid for by an Interested Party;
  - c. acted as a lead or co-lead underwriter of a distribution of securities by an Interested Party, or acted as a lead or co-lead underwriter of a distribution of securities by the Company if the retention of the underwriter was carried out at the direction or request of an Interested Party or paid for by an Interested Party;
  - d. had a material financial interest in a transaction involving an Interested Party; or
  - e. had a material financial interest in a transaction involving the Company; or
- vii. (x) is a lead or co-lead lender or manager of a lending syndicate in respect of the Offer, or (y) a lender of a material amount of indebtedness in a situation where an Interested Party or the Company is in financial difficulty and where the transaction would reasonably be expected to have the effect of materially enhancing the lender’s position.

NBF is a lead/agent as part of the syndicate with respect of Medical Facilities’ US\$150M credit facility as publicly announced on August 30, 2018. In addition, NBF is its broker of record in connection with the Medical Facilities NCIB effective as of April 7, 2022.

NBF, in the ordinary course of our business, acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have long or short positions in the debt or equity securities of the Company and from time to time, may have executed or may execute transactions for such entities and their respective associates and affiliates and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company and its associates and affiliates and the Offer.

In addition, in the ordinary course of its business, NBF or its controlling shareholder, National Bank, may have extended or may extend loans, or may have provided or may provide other financial services, to an Interested Party. Except as expressed herein, there are no understandings, agreements or commitments

between NBF or National Bank, on the one hand, and any Interested Party on the other hand with respect to any future business dealings.

### **Credentials of NBF**

NBF is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. NBF has extensive experience in the Canadian capital markets and has been involved in a significant number of transactions involving private and publicly traded companies. The Opinion is the opinion of NBF and the form and content hereof has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

### **Scope of Review**

In preparing our Opinion, we have reviewed and relied upon or carried out (without attempting to verify independently the completeness or accuracy thereof), among other things, the following:

- i. the most recent draft of the Circular dated September 16, 2022, together with the most recent drafts of the Letter of Transmittal and the Notice of Guaranteed Delivery;
- ii. publicly available filings and financial statements of Medical Facilities;
- iii. the trading activity, volumes, and price history of the Common Shares on the Toronto Stock Exchange and other alternative trading venues over the last 12 months;
- iv. the trading activity and volumes of shares of other companies listed and traded on the Toronto Stock Exchange;
- v. the distribution of ownership of the Common Shares to the extent publicly disclosed and/or provided by the Company;
- vi. the number of Common Shares proposed to be purchased under the Offer relative to i) the number of outstanding Common Shares less ii) the number of Common Shares owned by related parties of the Company and Common Shares or blocks thereof that are known by us to be not freely tradeable;
- vii. the customary difference (i.e. the “spread”) between bid and ask prices in trading activity of the Common Shares;
- viii. other public information with respect to Medical Facilities;
- ix. discussions with senior management of Medical Facilities and the Common Shares;
- x. discussions with senior management and the members of the Board of Medical Facilities including in respect to their intention to deposit Common Shares under the Offer;
- xi. the parameters set out in MI 61-101 that quantify the basis on which a “liquid market” is deemed to exist in respect of a class of securities;
- xii. certain precedent issuer bids that we considered relevant; and
- xiii. such other information as we considered necessary or appropriate in the circumstances.

We have conducted such additional analyses and investigations as we considered to be appropriate in the circumstances for the purpose of arriving at the Opinion contained herein as at date hereof.

## **Assumptions and Limitations**

This Opinion is rendered on the basis of securities market, economic and general business and financial conditions prevailing as at the date hereof, and conditions affecting the Company and the Common Shares as at the date hereof. In formulating our Opinion, we have made several other assumptions, the material assumptions being that: (i) there shall be no significant change in the holdings of the Common Shares, other than as a result of purchases by the Company under the Offer; (ii) all of the conditions required to complete the Offer will be met; (iii) the disclosure provided or incorporated by reference in the Circular and other relevant public documents with respect to the Company and its subsidiaries and the Offer is accurate in all material respects; and (iv) the final Offer will not differ in any material respect from the draft Offer that we reviewed.

NBF has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company and their consultants and advisors (collectively, the “**Information**”). The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

We have not prepared a formal valuation of the Company or any of its securities or assets and the Opinion should not be construed as such. The Opinion does not constitute an opinion concerning the fairness, from a financial point of view, of the consideration offered to the holders of Common Shares pursuant to the Offer. In addition, NBF is not a legal, tax or accounting expert and we express no opinion concerning any legal, tax or accounting matters concerning the Offer.

The Opinion has been provided to the Board for its use only to assist the Board in determining the availability of an exemption from the formal valuation requirements of MI 61-101 (pursuant to paragraph 3.4(b) thereof) and may not be relied upon for any other purpose or by any other person without the prior written consent of NBF. This is not an opinion referred to in paragraph (b) of subsection 1.2(1) of MI 61-101. The Opinion is given as of the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of NBF after the date hereof. Without limiting the foregoing, if, after the date hereof, we learn of any material change in any fact or matter affecting the Opinion, NBF reserves the right to change, modify or withdraw the Opinion.

NBF believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This Opinion is not to be construed as a recommendation to any shareholder of the Company as to whether or not to tender their Common Shares under the Offer. In addition, for the purpose of this Opinion, we are not expressing any opinion as to the value of the Common Shares or the prices at which such shares will trade after the completion of the Offer.

For purposes of this Opinion, the phrase “liquid market” has the meaning ascribed thereto in section 1.2(1)(a) of MI 61-101.

## **Conclusion**

Based upon and subject to the foregoing, it is our opinion, as at the date hereof, that:

- (i) a liquid market for the Common Shares exists; and
- (ii) it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for the holders the Common Shares who

do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

Yours very truly,

*National Bank Financial Inc.*

**NATIONAL BANK FINANCIAL INC.**

*The Depositary for the Offer is:*

**Computershare Investor Services Inc.**

P.O. Box 7021  
31 Adelaide Street East  
Toronto, Ontario M5C 3H2  
Attention: Corporate Actions

*By Hand, Courier or Registered Mail*

100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
Attention: Corporate Actions

*Inquiries*

**Toll Free (Canada & U.S.):** 1-800-564-6253  
**Telephone (Outside North America):** 1-514-982-7512  
**Website:** <https://www.computershare.com/ca/en>  
**E-mail:** [corporateactions@computershare.com](mailto:corporateactions@computershare.com)

Any questions or requests for assistance may be directed to the Depositary at the addresses and telephone number specified above. Shareholders also may contact their broker, commercial bank, trust company or other nominee for assistance concerning the Offer. Additional copies of the Offer to Purchase and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Depositary. Shareholders may also contact their investment dealer, stock broker, commercial bank, trust company or other nominee for assistance concerning the Offer.