

MEDICAL FACILITIES CORPORATION

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

1. INTRODUCTION

This distribution reinvestment and unit purchase plan (the “**Plan**”) is being offered to holders (“**Unitholders**”) of IPS units (“**Units**”) of Medical Facilities Corporation (the “**Company**”). The Plan is administered by Computershare Investor Services Inc. (the “**Agent**”), which acts as agent for Unitholders participating in the Plan (the “**Participants**”).

For the purposes of the Plan:

“**Beneficial Unitholder**” means a beneficial owner of Units that are registered in the name of CDS or a broker, investment dealer, financial institution or other nominee;

“**Business Day**” means any day in which the Agent’s offices are generally open for the transaction of commercial business other than a Saturday, Sunday or other day on which banks are required to be closed in Toronto, Ontario or a day on which the Toronto Stock Exchange does not publicly trade;

“**CDS**” means The Canadian Depository for Securities Limited, which acts as nominee for a number of Canadian brokers, investment dealers, financial institutions and other nominees, or its nominee or successor, as applicable;

“**CDS Participant**” means a broker, investment dealer, financial institution or other nominee, in its capacity as a participant in the CDS depository service, who holds Units registered in the name of CDS on behalf of or for the account of eligible Beneficial Unitholders and who are acting on behalf of such Beneficial Unitholders hereunder;

“**Distribution**” means the cash distribution declared payable by the Company for any particular month;

“**Distribution Record Date**” means the last business day of the calendar month for the relevant distribution or such other date as is fixed by the directors of the Company.

(a) **Purpose**

The purpose of the Plan is to enable Participants to invest all distributions on Units in additional units of the Company (“**Plan Units**”). Units will be purchased by the Agent on the open market through the Toronto Stock Exchange for Plan Participants.

(b) **Advantages**

The Plan offers Unitholders a cost-effective means to purchase the Company’s Units through the reinvestment of distributions on a regular basis and in a convenient manner.

Participants in the Plan will dollar cost-average their Unit purchases by reinvesting distributions under the Plan on a regular monthly basis.

2. ADMINISTRATION

(a) **Payment of Distributions and Purchase of Distribution Units**

The Company shall promptly pay to the Agent, on behalf of Participants (including, for greater certainty, CDS), all distributions paid on Participants’ Units. The Agent shall use such funds to purchase Plan Units for Plan Participants on the open market through the Toronto Stock Exchange. Plan Units will be registered in the name of CDS only and credited to CDS’ account. CDS will, in turn, credit CDS’s participants’ accounts.

(b) **Involvement of CDS**

CDS is a “clearing corporation” owned or controlled by CDS Participants. CDS holds securities for CDS Participants and facilitates the clearance and settlement of securities transactions between CDS Participants through electronic book-entries, thereby eliminating the need for physical movement of certificates (the “**Book-Entry Only System**”).

Unitholders that desire to participate in the Plan may do so only through their CDS Participant. Unitholders can exercise the rights of a Participant but only through CDS and their CDS Participants. Currently, the only eligible Participant is CDS.

Plan Units purchased under the Plan for Participants shall be registered in the name of CDS.

In the event that Book-Entry Only System is discontinued, this Plan shall be amended accordingly.

3. PARTICIPATION

(a) Participation in the Plan

Any Unitholder that is a resident of Canada may enroll in the Plan at any time. Unitholders who are resident in the United States or who are United States persons (as defined in Regulation S under the *Securities Act of 1933* (United States)) will not be entitled to participate in the Plan.

Unitholders may participate in the Plan by (i) contacting their CDS Participant, and instructing such person to take all actions necessary to permit the Unitholder to participate in the Plan and (ii) delivering a *Form A – Certificate of Beneficial Ownership* to the Company.

Where a Beneficial Unitholder wishes to participate in the Plan with respect to Units registered through a nominee, the Beneficial Unitholder must advise its nominee of its intention to participate in the Plan. In order for participation to be effective for a given distribution, such advice must be communicated no later than 4:00 p.m. (Toronto time) on the fifth (5th) Business Day immediately preceding the Distribution Record Date (or such other deadline as the Participant's nominee may set from time to time in respect of such distribution). The nominee, in turn, must provide an authorization form to CDS no later than 4:00 p.m. (Toronto time) on the Business Day immediately preceding the Distribution Record Date in question in order for such Distribution to be reinvested under the Plan. CDS will, in turn, be required to provide such notice to the Agent no later than 12:00 p.m. (Toronto time) on the Distribution Record Date.

If an initial authorization form is not received by the Agent from CDS, on or before such deadlines, the Distribution (to which such Distribution Record Date relates) will not be

reinvested under the Plan and a Participant's enrolment in the Plan will only be effective for purposes of subsequent Distributions.

(b) **Purchase Mechanics**

The Plan Units purchased by the Agent on the open market through the Toronto Stock Exchange will be allocated to Participants through CDS.

Plan Units purchased on the Toronto Stock Exchange shall be purchased through a broker-dealer designated by the Agent. The price of the Plan Units shall be the average of the price paid (excluding brokerage commissions, fees and all transaction costs) per Unit (the "**Average Purchase Price**") for all of the Units purchased by the Agent in respect of the Plan on the Toronto Stock Exchange during the four (4) business days following the relevant distribution date preceding the purchase of Plan Units. If sufficient Units are not available for purchase during such period the surplus funds will be distributed to Plan Participants (CDS).

Plan Participants (CDS) will only receive the number of whole Units to which they are entitled and a cash payment equal to any fractional Plan Units to which it would be entitled multiplied by the Average Purchase Price (together with any surplus funds as described in the preceding paragraph).

The accounts of CDS Participants will be credited by CDS with whole Plan Units and cash in accordance with the rules and regulations of CDS. CDS Participants will in turn credit the account of each Beneficial Participant with the Plan Units and cash received by the CDS Participant from CDS in accordance with each CDS Participant's operating policies.

Once a Beneficial Participant has enrolled in the Plan, participation shall continue automatically unless terminated in accordance with the terms of the Plan or unless participation becomes unlawful under the laws governing the Company.

(c) Commencement of Participation for Beneficial Participants

The Agent will invest Beneficial Participants' distributions in Plan Units in accordance with a direction from CDS. The rules and regulations of CDS will govern when CDS Participants must provide notices to CDS with respect to Beneficial Unitholders' participation in the Plan.

(d) No Transfer of Participation Rights

The right to participate in the Plan may not be transferred by a Beneficial Unitholder (separate from a transfer of ownership of Units).

(e) Termination of Participation

Beneficial Unitholders who are non-residents of Canada are not eligible to participate in the Plan. Upon ceasing to be a resident of Canada, Beneficial Unitholders shall forthwith notify their CDS Participants, to in turn notify CDS, who shall terminate participation in the Plan with respect to such non-resident Beneficial Unitholder's Units.

Participation in the Plan:

- (i) may be terminated by a Participant, at any time as provided below through CDS participants;
- (ii) will be terminated by the Company, in respect of a particular Participant where such Participant has failed to comply with the terms of the Plan or, in the reasonable opinion of the Company, abused the Plan to the detriment of the Company or its Unitholders; and

The Company will send at least annually to all Participants a notice of their right to withdraw from the Plan.

A Beneficial Participant wishing to terminate participation in the Plan should notify his or her CDS Participant. A CDS Participant may terminate the participation of a Beneficial Participant in the Plan by giving notice to CDS in accordance with the rules and regulations of CDS. A Beneficial Participant who has terminated participation in the

Plan will be credited with any Plan Units held by his or her CDS Participant in accordance with the operating policies of such CDS Participant.

(f) Amendment, Suspension or Termination of the Plan

The Company reserves the right to amend, suspend or terminate the Plan at any time, subject to the approval of the Toronto Stock Exchange, but such action shall have no retroactive effect that would prejudice the interest of Participants. All Participants will be sent written notice of any such amendment, suspension or termination.

In the event of a suspension of the Plan by the Company, no investment will be made by the Agent on the Distribution Payment Date immediately following the effective date of such suspension. Any distribution made after the effective date of any such suspension will be remitted by the Company to Participants in cash only.

In the event of suspension or termination of the Plan by the Company, the Agent shall credit CDS with the number of whole Plan Units held for Participants by it and the Agent will deliver payment for any fractional Plan Units to Participants in an amount proportionate to the closing price of the Units on the Toronto Stock Exchange on the trading day prior to the effective date of termination.

(g) Rules and Regulations

The Company, in conjunction with the Agent, may from time to time adopt rules and regulations to facilitate the administration of the Plan. The Company also reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.

(h) Rights Offering

In the event the Company makes available to Unitholders rights to subscribe for additional Units or other securities, rights will be issued by the Company to Beneficial Unitholders through CDS participants in respect of the whole Plan Units held for Participants' accounts under the Plan on the record date for such rights issue.

(i) **Unit Splits and Unit Distributions**

If Units of the Company are distributed pursuant to a Unit split or Unit distribution on Units, such Units received by the Agent for CDS in respect of the whole Plan Units held for Beneficial Unitholders' accounts under the Plan will be retained by the Agent and credited proportionately to the accounts of CDS.

(j) **Unitholder Voting**

Whole Plan Units held for a Participant's account through CDS under the Plan on the record date for a vote of Unitholders will be voted in the same manner as such Beneficial Unitholder's Units are voted.

4. COSTS

(a) **Costs**

All administrative costs of the Plan incurred by the Agent are borne by the Company. Beneficial Participants may incur fees payable to their CDS Participant and are urged to consult their CDS Participant in this regard.

5. RECORDING AND CERTIFICATES

(a) **Reports to Participants**

An account will be maintained by the Agent for CDS in the Plan. Beneficial Participants should consult their CDS Participant with respect to their entitlement to statements containing the information indicated above.

(b) **Certificates for Plan Units**

Certificates for Plan Units will not be issued to Participants. Certificates will only be registered in the name of CDS or its nominee.

Units held by the Agent for a Participant may not be pledged, sold or otherwise disposed of by the Participant while so held.

6. RESPONSIBILITIES OF THE COMPANY AND THE AGENT

The Company and the Agent shall not be liable for any act or any omission to act in connection with the operation of the Plan including, without limitation, any claims for liability:

- (i) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (ii) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants or Unitholders in connection with their participation in the Plan; or
- (iii) relating to the prices at which Units are purchased or sold for the Participant's account and the times such purchases or sales are made;

except to the extent that such liability arises from gross negligence or wilful misconduct on the part of the Agent or the Company, as the case may be.

Participants should recognize that neither the Company nor the Agent can assure a profit or protect them against a loss on the Plan Units purchased or sold under the Plan.

7. INCOME TAX CONSIDERATIONS

Participants are urged to consult their tax advisors as to their particular tax position.

8. NOTICES

All notices required to be given under the Plan shall be mailed to Participants at the address shown on the records of the Plan or at a more recent address as furnished by the Participant.

Notices to the Company shall be sent to:

Medical Facilities Corporation
c/o Goodmans LLP
250 Yonge Street, Suite 2400
Toronto, Ontario
M5B 2M6

Attention: Chief Financial Officer
Telecopier: (480) 603-3472

Notices to the Agent shall be sent to:

Computershare Investor Services Inc.
510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9

Attention: June Glover
Phone: (604) 661 9400
Fax: (604) 661 9549

9. EFFECTIVE DATE

The Plan is effective as at _____, 2007. No Plan Units may be issued prior to the Effective Date.

10. GOVERNING LAW

The Plan shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and Company, the Agent and all Participants agree that they shall attorn to the non-exclusive jurisdiction of the Ontario Superior Court of Justice or any successors thereto with respect to any and all actions brought in relation hereto.

**MEDICAL FACILITIES CORPORATION
DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN AUTHORIZATION
FORM**

**FORM A
CERTIFICATE OF BENEFICIAL OWNERSHIP
(to be delivered to Medical Facilities Corporation)**

The Distribution Reinvestment and Unit Purchase Plan (the “**Plan**”) established by Medical Facilities Corporation (the “**Company**”) gives each unitholder resident in Canada the right to direct the Company to invest all of the unitholder’s distributions paid on Income Participating Units of the Company (“**IPS Units**”) in additional IPS Units of the Company for the benefit of such unitholder. A unitholder wishing to exercise this right to direct the Company to invest such amounts in additional IPS Units of the Company must complete the information set forth below and advise his or her broker, dealer bank or financial institution to enrol the unitholder in the Plan.

The undersigned hereby certifies to the Company and to Computershare Investor Services Inc. (the “**Agent**”), and acknowledges that they are relying upon such certification, that the undersigned is the beneficial owner of _____ *[insert number]* IPS Units of the Company which are held on behalf of the undersigned by the following broker, dealer, bank or financial institution:

Name of broker, dealer, bank or financial
institution
(Please print or type)

Name of representative of broker, dealer,
bank or financial institution
(Please print or type)

DATED this ____ day of _____, 20__

Telephone Number of representative of
broker, dealer, bank or financial institution
(Please print or type)

The undersigned hereby authorizes the above named broker, dealer, bank or financial institution to disclose and to confirm to the Company and the Agent, from time to time on request, the number of IPS Units of the Company acquired by the undersigned pursuant to the Plan. The undersigned acknowledges that by executing this certificate, it is authorizing the above named broker, dealer, bank or financial institution to enroll the undersigned in the Plan, and the undersigned further acknowledges that as the undersigned is a beneficial holder of IPS Units of the Company, distributions made on its IPS Units cannot be reinvested in Plan Units of the Company without the authorization and enrollment in the Plan by above named broker, dealer, bank or financial institution.

DATED this ____ day of _____, 20__

Signature of Beneficial Unitholder

Name of Beneficial Unitholder
(Please print or type)