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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Medical Facilities Corporation's 2016 Second Quarter Results Conference Call.

Before the call is turned over to management, listeners are cautioned that today's presentation and the responses to questions may contain forward-looking statements within the meaning of the Safe Harbor provisions of Canadian provincial securities law.

Forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

For additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, please consult the MD&A for this quarter, the Risk Factors section of the Annual Information Form, and Medical Facilities' other filings with Canadian securities regulators.

Medical Facilities does not undertake to update any forward-looking statements. Such statements speak only as of the date made.

Listeners are also reminded that today's call is being recorded for the benefit of individual shareholders, the media, and other interested parties who may want to review the call at a later time.

I would now like to turn the meeting over to Mr. Britt Reynolds, President and CEO of Medical Facilities. Please go ahead, Mr. Reynolds.

Britt Reynolds — President and Chief Executive Officer, Medical Facilities Corporation

Thank you, Operator, and good morning, everyone. Joining me today is Michael Salter, our Chief Financial Officer.

Prior to the market opening today, we release our 2016 second quarter financial results. Our news release, financial statements, and MD&A may be accessed through our corporate website at www.medicalfacilitiescorp.ca, and these were also filed on SEDAR today.

For today's call, I'll start by discussing the results of our second quarter, and then Michael will review the more specific financial results. I will provide some outlook comments, and thereafter we will open the call to questions.

The second quarter of 2016 was my first full quarter as President and CEO of Medical Facilities. And during my first 100 days I have visited all of our facilities, met with our leadership, and operational teams. I'm impressed with the highly qualified physicians and staff at each of our facilities and their commitment to caring for our patients, and for the recognized quality care that is provided.

Prior to my arrival, collectively our physician partners and our operators had embarked on a specific initiative focused on improving our operating efficiency. My focus has been on dedicating the global resources, and also in participating and finding the best practices and synergies.

As you are aware, the care delivered at our facilities has been recognized among the top nationally, and we will continue to place that at the forefront. Subsequent to the quarter-end, we entered into a letter of intent to acquire an 83 percent indirect interest in Unity Medical and Surgical Hospital, a physician-owned medical and surgical hospital in Mishawaka, Indiana.

This is a 29-bed Medicare-certified facility with four surgical and two special procedure suites focused on providing orthopedic surgery, as well as ophthalmology, podiatry, and pain management procedures.

We are very pleased to be finalizing this transaction, and we see the tremendous value that Unity Hospital brings by increasing our geographic diversity. Further, this development complements the services offered at our other facilities. Once fully integrated, this acquisition will further increase our benchmarking efforts and improve our operational efficiencies.

Unity has historical performance measures that are consistent with our existing facilities, and has received many awards for service quality. At present we have acquired the underlying hospital real estate in the initial transaction for $27 million.

We are in the final stages of completing the definitive agreement to acquire a majority interest in the hospital operations, which is anticipated to be completed later this month. Under the terms of letter of intent, we will initially purchase an indirect ownership of 62 percent of the hospital, and we'll have the contractual right to increase our ownership over the next three years.

I am excited that we have been able to deliver on this attractive growth opportunity, and I would like to thank the myriad of folks, both within MFC and at Unity, who have worked so hard to bring this about.

Now I would like to turn from our growth agenda to speak to our financial results for the past quarter.

We reported revenue of $76.7 million, which represented a 4.2 percent interest (sic) (increase) from the 73.6 million in the second quarter of last year. This increase was primarily due to increased business or case volume in our facilities, specifically Black Hills and Arkansas Surgical Hospitals and our Surgery Centre in Newport, California.

We also had incremental revenue contribution from Integrated Medical Delivery, our revenue cycle services unit which we acquired in January. With this increased case volume, we experienced an increase in our operating expenses, most notably in areas of salary wages and benefits, drugs, and supplies.

Our G&A expenses increased as expected with all of our acquisition activity.

Operating expenses increased 9.2 percent year over year to 63 million from 57.7 million in Q2 of 2015. As a proportion of revenue, operating expenses were 82.1 percent compared to 78.3 percent in Q2 of 2015.

This increase was not the result of a lack of focus on expense management; rather, on the decreased operating margin as a result of a higher proportion of the cases in the quarter resulting

from care provided to Medicare and Medicaid patients more so than those funded by private and commercial payors.

Governmental payors increased approximately 16 percent overall from the second quarter of 2015.

While we expect to experience variability in payor mix from time to time, we are monitoring the case flow to continually assess how to deliver our care more efficiently.

For the second quarter, consolidated income from operations was 13.8 million, which represented a 13.9 percent decline from 16 million in the second quarter of 2015. However, on a trailing 12-month basis, our consolidated income from operations is up slightly at 71.1 million compared to the 70.8 million for the 12 months ended June 30, 2015.

I will now ask Michael to provide more detail and insight into our financial performance for the second quarter, and then I will close with our outlook for the remainder of 2016 and beyond. And then I will look forward to your questions.

Michael?

Michael Salter — Chief Financial Officer, Medical Facilities Corporation

Thanks, Britt, and good morning everyone. Before I begin, please note that all of the dollar amounts expressed in today's call are in US dollars, unless otherwise stated.

As Britt mentioned, in Q2 2016 we experienced revenue growth from 73.6 million a year ago to 76.7 million this year. We are pleased with the growth in business overall.

On a consolidated basis, we experienced an increase of 4.7 percent for surgical cases. With movement of some cases to the office or alternative settings, we did experience a decrease on the pain management side, with pain management procedures being down 7.6 percent.

This decrease, however, is embedded in our annual increase just shy of 5 percent.

I will now profile results for each of our centres. Black Hills Surgical Hospital had a very solid 8 percent increase in revenue, driven by an increase in surgical cases. As was reported in our general trends, they also experienced a decline in urgent care and pain management revenue.

Sioux Falls surgical hospital had revenue that was essentially flat year over year. The increase in surgical case volume and growth in ancillary revenue from its MRI and pain clinic was somewhat offset by the disproportionate case volume in the Medicare and government payor category, as previously commented upon.

The previously disclosed expansion program at Sioux Falls is expected to be completed in approximately six months. This will enable us to care for a larger more, complex surgeries going forward.

Turning to Arkansas Surgical Hospital. It experienced strong growth, with revenue increasing by 7.9 percent in the quarter. Here we saw improved case volume, but also improved case mix.

Oklahoma's revenue declined by 2.9 percent in the quarter, as it experienced a higher proportion of Medicare-funded cases and fewer workers' compensation and private payor cases.

Our Surgery Centre in Newport, California had a solid quarter with a 5.1 percent increase in revenue from increased complexity in orthopedic cases. At this location we actually had a better payor mix than we experienced globally.

As we continue to integrate and improve on our IMD operations, we were pleased to see an incremental net revenue contribution of 700,000 from IMD. We are currently exploring ways to grow this business.

During the second quarter we recorded net income of 625,000 compared to 16.4 million for the same quarter last year. That change was primarily due to the noncash charges for exchanges in value of the convertible debentures and the exchangeable interest liability.

The change in recorded value of the debentures is driven by the change in their market price and changes in foreign exchange rate. In Q2 2016, convertible debentures decreased in value by 166,000 compared to a 677,000 decrease in Q2 2015.

The larger noncash impact came from the other derivative instrument; that being the increase in value of the exchangeable interest liability. The exchangeable interest liability is driven by the change in our share price, as well as the foreign currency exchange fluctuations. This liability increased by 15.6 million in the quarter compared to a decline of 4.9 million in Q2 2015.

Turning now to cash available for distribution. It decreased by 16.9 percent for the second quarter of 2016 compared to the same period last year.

This decrease was due to lower cash flows from our respective centres, as we've commented on, and on a common share basis our cash available for distributions was CAD $0.34 per common share compared to $0.386 in Q2 2015. This resulted in a payout ratio for the second quarter of 2016 at 82.8 percent compared to 72.8 percent in Q2 2015.

As of June 30, 2016, we had cash, cash equivalents, and short-term investments of 69.4 million compared to 70.9 million on December 31, 2015.

Despite some of these fluctuations discussed, we are confident that resources are in place to execute on our growth initiatives, and we anticipate further positive contributions from our existing operations.

Let me now call on Britt for his closing comments. Britt?

Britt Reynolds

Thanks, Michael. As I stated last quarter, a major focus for me since joining the Company is to build on Medical Facilities' strong foundation of good business models locally and consistent dividend distribution.

I am challenging our teams to find ways to grow both through acquisition and organically. With the recent agreement to acquire Unity Hospital, our first hospital acquisition since 2012, we've taken an important early step in growing our portfolio.

Unity will be an attractive addition. As another physician-owned surgical hospital located in a state that has limited opportunities for entry of new facilities, this gives us great potential to generate long-term value.

There are other attractive acquisition opportunities, and we are committed to explore those, especially those that offer the best fit with our existing portfolio. These opportunities can create alignment between physicians and management, and provide a platform to continue to deliver efficiencies and high-quality care.

We are particularly focused on those opportunities that will be near-term accretive and enhance shareholder value. We are comfortable with our cash and our credit availability to execute on these opportunities.

As I mentioned last quarter, I'm excited to be given the opportunity to lead this organization. I am confident that we are well-positioned to take advantage of these opportunities, as we did with Unity, and to improve our care in our existing operations.

More specifically to our core existing operations, it's important that we remain vigilant in driving down our operating costs. As we return to increasing our operating margins, we will generate additional income for future funding sources. This won't merely happen.

And to achieve this we have initiatives in place to specifically address supply chain costs, to further refine matching our labour costs to volume, and to continue to enhance our revenue collection. These initiatives were the focus of my interactions with our operating teams this past

quarter. And as we continue to work more closely together, I will be able to provide more specifics on the anticipated impact from these.

With that, we would now like to open the line for questions. Operator?

Q&A

Operator

Thank you. At this time, I would like to remind participants that in order to ask a question by phone, you must dial *, 1 on your telephone keypad. I'll pause for a moment now to compile the Q&A roster.

Your first question comes from the line of Matt Bottomley with Canaccord Genuity. Your line is now open.

Matt Bottomley — Canaccord Genuity

Good morning.

Britt Reynolds

Good morning.

Michael Salter

Good morning.

Matt Bottomley

Thanks for taking my call. I'm just on the line here for Neil Maruoka. So first off just congrats on Unity Hospital. I'm just wondering if you can provide a general timing of when you think the close might be and time to integration after that? And then if you're not able to speak on a general maybe purchase multiple as part of the deal, maybe just little more details on how you expect it to contribute into the operations in a general magnitude?

Britt Reynolds

Sure. Thank you, Matt. In terms of timing, while excited to announce this acquisition and to also know where we sit on the diligence process, I want to temper that with reality and not over-promise. We feel really comfortable. Our letter of intent has paralleled the definitive agreement process and all of our due diligence side by side, which is not always the case; often one lead and one follows.

But in this particular circumstance we had the good fortune to be able to parallel those, which is why you would see a fairly quick turn from a letter of intent to definitive agreement and then transition.

Realistically where we sit today with the definitive agreement, the operating agreements, and the discussions with the physicians and operators there, we're feeling very good about an end of the month opportunity to transact and begin the transition.

As you know, the transition will take quite a period of time just in terms of fully interacting, but we've already—as part of our due diligence we started that stage months ago. And so I think the

integration will actually be fairly smooth. And I know the folks there are extremely excited and positive about merging our management leadership with the fine quality that they deliver.

As far as the purchase piece, you're right. I'm never going to sit here and give you a specific multiple, and I think that's just prudent. But suffice to say, our MO on a go-forward basis is it's very unlikely we're going to see extremely low multiples or fire-side sale opportunities. And so we're not talking in that arena. And likewise they're hiring multiples that approximate 10 plus X on the deal.

We're not in either of those circumstances. I would say that we're solidly in a middle of the road sweet spot on this. And that lines up nicely with what we're able to deliver almost out of the gate and instantly on a good integration and a good return.

Matt Bottomley

Okay. Thanks for that. I have one more quick question just maybe on operating margins. Just going through quickly the MD&A and some of your comments this morning it looks like some of the pressure might be coming from Sioux Falls and Oklahoma Spine. So I'm just wondering how we can look at that going forward? Is the increased proportion of Medicare cases something that you think might be the new norm? Or is it more transient? And with Oklahoma Spine, I'm just wondering how—you see volumes tracking? And if we're going to expect maybe a slight bump up in margins going forward? Maybe if you can just give some commentary more directionally on that facility as well?

Britt Reynolds

Sure. Let me give you the directional comment, and then I'll turn to Michael for any more specifics, if you would like those. Let's first take Sioux Falls.

There's really not a way I can tell you that I think that this trend is going to absolutely to continue absent any kind of market dynamics that would absolutely lend itself to that. We're not really seeing a market dynamic shift that would put me in a position to say, yes, I think this is the new normal, as you put it.

More specifically, we have opportunities in this marketplace, as we would pursue in every marketplace, where we're attracting new physicians incrementally building upon relationships. These physicians want to practice at high-efficient hospitals; they want to practice in a recognized high-quality facility. And we're making headway on attracting new physicians in the marketplace, and specifically in Sioux Falls.

Often case when you have a new physician or physician group that is new to a facility you're going to see a mix of payor and of case type. And it's simply because they're trying you as opposed to coming over and working rather exclusively with you. That's going to cause a little choppiness in the short term, but as we're optimistic that these relationships are going to be firm and solidified going forward, think you'll see a levelling out of that.

So my thoughts now are that this is a necessary part of the initial expansion of our provider base in that marketplace. And I think you're going to see improvement in that going forward. Particular to Oklahoma, we've had some unique circumstances there, and we've discussed those, I

believe, previously. And they pertain to our service and care for patients in—with specific case type there.

And it's much more specialized than some of our other assets in our portfolio. And I think we're experiencing some very specific payor and reimbursement changes there unique to our other marketplace. And so we're getting some margin pressure there.

I will tell you the operators there are as focused as anybody along, with our physician partners, on developing actionable plans that would be consistent with what I've seen historically to match that.

So, Michael, if there's any particular detail you would want to provide to that, I would welcome that.

Michael Salter

No, Britt. I would just say what we've typically said. I think you've seen it actioned in this quarter, and you also in the first quarter you've seen the shifting that we do get. And again, I come back to the three things—and Britt's alluded to couple of them—being case type mix, the payor mix, and the number of cases.

Obviously, we were tracking pretty well on the number of cases, but you are right in terms of the margins, with the exception of Black Hills, which I think was very encouraging for us that we saw case increases and also a margin increase. Sioux Falls, some very particular issues; again, this

having new surgeons that haven't been at our facility before coming onboard who are trying us out in that experimental period; I think that explains part of what we've seen there.

Again, there's always a concern that some of the things happening in the health insurance side, like the costs of health care, the costs of health insurance, and the trend to companies, either the primary payors for the majority of Americans with private health care in the employed sector, that that could, due to the shifting of cost to the patient, could have some economic impact on the patient's procurement of medical services.

Again, to try and nail that down to a specific trend is really, really difficult, though we're obviously very, very focused on watching it. And that leads to our cost-containment efforts so that we can take those in stride as we move forward.

Britt Reynolds

Matt, what I would tell you and final comment here would be on a global perspective, what I'm encouraged is that we're seeing volume and case growth in the vast majority of our facilities, and in some cases in the mid-single digits to the upper-single digits approximating double.

I'll take case growth and I'll take volume in our facilities every day consistent than with the challenge of how to manage that more efficiently. I'll take that opportunity every day over scrambling to deal with a declining volume scenario in our hospitals that we're not experiencing, and then how do you manage the expenses therewith.

So not a perfect scenario, but one I'll take every day versus the alternative.

Matt Bottomley

Okay. Appreciate all that commentary. Thanks a lot.

Britt Reynolds

Thank you.

Operator

Your next question comes from the line of Joel Hurren with RBC Capital Markets. Your line is now open.

Joel Hurren — RBC Capital Markets

Good morning. Thanks for taking the question. This is going to follow up a little bit on Matt's question. So I know we've chatted previously and you've kind of outlined how you want to increase flexibility of the payor trends. And I'm wondering if you can comment on how you plan to stay in the margins? Obviously you just discussed that in a little bit of detail, but specifically as it relates to your different line items on the expense lines what do you plan to do to mitigate the margin pressure going forward?

Britt Reynolds

Yes. Well, I think you almost—Joel, thank you for the question—but you almost have to take one step back in terms of what's generating the revenue and what's generating the business. And then that will decide several different ways I might answer your question, and I won't try to answer every one of them, but I'll give you a global perspective.

The first opportunity, interestingly enough, to address your margin pressure and cost initiatives is on what kind of business is coming through the door. And we have ample opportunity in each of our markets to diversify the services that we're providing. Every facility is in the process of exploring, expanding, and working with new physician groups and different provider types in order to enhance volume at the facility.

Depending upon what kind of cases are done gives us the opportunities we've already alluded, so bringing in a particular specialty or enhancing and adding to an existing specialty that has a naturally higher-revenue and lower-cost equation would be one way you fix the margins without doing anything for costs whatsoever.

And quite candidly, not to be disingenuine, but that should be where we're focused and we are. Secondly, if we're recruiting more business and physicians and services to our facilities, that would naturally have a bit more of either the payor mix dynamic towards the governmental payors and/or the case type being a little bit less on the revenue generation side.

We have specific initiatives that were well in place before I got here and that I'm continuing to learn, understand, and add a bit of my own perspective to. And very specifically those are in our supply management initiatives. A lot of our facilities are heavy in the orthopedics arena, as you now, and our implants and device costs there are a major driver.

We have robust participation by our physicians led by our physicians on how we continually reduce the opportunity to have too many suppliers for that supply particularly. On our labour cost, it's just managing in real-time.

And then lastly back to the revenue begets better margin, we really are just in the beginning stages of fully appreciating of IMD might be able to provide for us. And the more we can collect on the business, as we have, gives us a greater opportunity.

So I will always attack margins from both sides, always realizing the quickest way to impact it is from the expense side.

Joel Hurren

Perfect. Thanks very much for the detail. I appreciate it, Britt.

Britt Reynolds

Yes.

Operator

Again, if you would like to ask a question, simply dial *, 1 on your telephone keypad.

Your next question comes from the line of Russell Stanley with Mackie Research Capital. Your line is now open.

Russell Stanley — Mackie Research Capital

Good morning, and thank you for taking my call.

Britt Reynolds

Thank you.

Russell Stanley

You talked a little earlier about acquisition multiples. I'm just wondering, is the field becoming any more competitive? And how are valuation demands evolving there?

Britt Reynolds

The environment especially that I am accustomed to over the last many years to me actually appears relatively stable as opposed to more demanding. I think you see fluctuations in multiples not as a case of general industry trend, Russell, but more as a specific and unique dynamic in each circumstance.

And so there are situations that were more on a higher multiple by the virtue of the fact of how many services are provided, what types of services are already provided, and what's the potential to reach out and attract more physicians to a potential new addition to our portfolio. And so that obviously has embedded in that an ability and a comfortable level of higher on a multiple if we needed to.

Conversely, there's a circumstance where we could go in and make some more heavy operating changes in initiatives, and in those cases you would tend to see a lesser multiple. As I alluded in my previous remarks and a bit of my earlier response to a question, I think for the most part we're going to be really comfortable in that middle of the road we see good opportunity for growth. We won't feel compelled in any way to pay at the top-end or overpay. And I think what we

can begin to build upon in terms of the way of benchmarking and networking with our other facilities will be attractive to potential sellers.

At the end of the day economics matter, and folks are interested in getting the best value for their assets. But I've experienced not oftentimes is the highest payer and bidder the one that wins the deal. It's the one that offers the greatest approach and value.

So I think there's always competition. Clearly, we want to be ahead of that in terms of sourcing opportunities, but when we're in the midst of it we'll be disciplined about whether we pay appropriately for the asset, allow ourselves to move up a bit if we see the rationale, and if we don't we'll have the discipline to walk away.

Russell Stanley

Great. Thank you for that. And just as a follow-up on that topic, once you've reached a definitive agreement for Unity, how much integration effort will be required? And I guess, specifically, does that put you on the sidelines from an acquisition perspective for some time? Or can you continue to look at other opportunities?

Britt Reynolds

Sure. So two-part question; be relatively succinct in the first one. Our MO going forward will be to concurrently in any acquisition we're evaluating from letter of intent to definitive agreement to integration. During our due diligence processes we're always going to employ the beginnings of integration simultaneously from what we would do, identify the opportunities, and begin discussing

those because we think that creates great transparency with our new partners, and it also gives our team time to prepare and actually—we can't affect change, as you well know, before we actually own something, but we can begin to get very prepared for that.

There's no difference in what I just described to you and what we've been able to do at Unity, so I think that puts us in a great out of the gate position with them specifically. So I think the transition period there is going to be relatively short. And quite candidly, our new partners there are asking for some operational management, both discipline and new opportunities. And so I see us as being a great fit for that. That's going to shorten that transition windup.

Flipping to your second part of your equation, fairly early out of the gate we've been able to deliver on an acquisition proposition—or presumably deliver, but have all the optimism. And the direct answer is no. We have sufficient available funds. We have a very nice arrangement, and have had for years, in terms of our accessibility to revolver and additional funding. There's some other sources in front of us should we choose to take advantage of that additionally, as well as just other modes other than cash to pursue acquisitions. And we'll always keep those on the table as options.

And I believe we're in a position to act on acquisitions for the balance of this year if they—I go back to my previous comments—are they accretive? Do they complement our services? Are we able and confident that we can add meaningful impact to the operations afterwards? And are we buying in a spot that's in a moderate zone as opposed to some kind of premium, which I wouldn't want to do out of the gate; I'd want to have more available dry powder.

Russell Stanley

Great. That's very helpful colour. Just one final question, and I'll get back into queue. The press release it mentions a number of initiatives you've undertaken, and you talked about supply chain management. And I just wanted to ask about revenue collection and what you might be doing differently there? And how much of an improvement you think that might drive?

Britt Reynolds

Yeah. One very succinct comment, and then I'll turn it to Michael. As I mentioned earlier, we're in the early stages of maturing our processes with IMD. And we see opportunity in the short term in terms of the book of businesses that we generate and our ability to collect there from a partnership, as well as potentially in the future, some alternative sources of revenue.

I think that's our opportunity and our engine. It's organized, it's has plenty of folks in place, and it has procedures there. And I think as I'm queuing up priorities and building my team, that's one that I'm pleased to have in place already.

So, Michael, would you add any other colour?

Michael Salter

The only other thing I'd add to that, Russell, is a comment I made earlier about changes in the economics surrounding health insurance and provision of health care and the shift that you are seeing. And with advent of high deductible plans they're becoming very prominent in the private sector that's typically covered by big employers.

Of course, one of the challenges that comes forward, and we have certainly identified it and as Britt has said see some opportunities to really focus on it, is you really now have to be very careful with all providers because with that larger share obviously bad debts with respect to the insurance payments is not an issue, given that insurance is a very regulated industry.

But once you've got to start getting money from the patient that does become much more important. And I think that's clearly one that we are focused on and looking at the systems that are now coming into prominence to manage that up front prior to rather than collecting after the individual has received the services. So that's an issue to really watch in the industry.

And I'd just, Russell, just go back to one thing where you were asking about our chest of powder, I guess, for future expansions. I would just note that our lines of credit are at CAD $100 million, so around 80—cash balances in the 50, 60 range. We have access, easy access to 150-odd million, and the purchase price on Unity, including the real estate on an unlevered basis, is 54 million, so barely a third of what we have in the chest.

Russell Stanley

Excellent. That's great. Thank you for the colour.

Britt Reynolds

You're welcome.

Operator

Your next question comes from the line of Doug Loe with Echelon Wealth Partners. Your line is now open.

Douglas Loe — Echelon Wealth Partners

Yeah. Thanks very much, and good morning, gentlemen. Thanks for all the commentary to this point.

Britt Reynolds

Good morning.

Douglas Loe

Britt, early in your commentary about the Unity transaction you mentioned geographic diversity as being one of the core virtues of that transaction. And just wondering if you might be able to flesh out a little what you mean about that beyond the obvious? It seemed to me that clustering your centres might be a more prudent strategy if you wanted to streamline costs and get some pressure from suppliers and so forth as a way to improve margins on the cost side. I assume that geographic distribution is a euphemism for diversifying your payor sources and reimbursement, but don't want to presume to answer to my own question by saying that out loud. So just wonder if you could just maybe flesh out what the core virtues of diversifying the geographic—or the characterization of the portfolio might actually be and what other stage you might be looking at as a growth engine for the firm? And I'll leave it there. Thanks.

Britt Reynolds

Sure, sure. Good morning, Doug, and you're very astute in answering my questions as well too, so I thank you that we're thinking alike on that, but I'll for the liberty of everyone give you my thoughts on that. Yes. I think it's a balance at all times to look at the opportunities; for the lack of a better term, doubling down within an existing market and adding to that in order to effect all of those things that you have already alluded from payor relationships to the ability to create some more synergies among staff and process and protocol and augmenting complementary services, and that is an excellent approach, and one thing I would tell you merits consideration.

And one that I would tell you that we have virtually opportunity in every one of our markets to do that, and are in varying stages of assessing if that makes sense, and so conceptually it makes sense. Operationally how we make that happen we need to make sure that it makes sense and look at that.

So to that point, you wouldn't necessarily run away from what you have. We're running to it.

To the alternative, you're exactly right by geographically—and I'm using geographic as the proxy here—but by geographically diversifying what I'm specifically talking about is mitigating our risk on any one particular state's payor program or on any one particular dynamic in a either sub-geography or a state geography. And as you well know, with the adoption of the ACA and the exchanges in marketplaces and the expansion of Medicaid in certain states, it makes it more attractive in certain areas, makes it more challenging in certain areas, and the beauty of MFC is as we begin on

our growth initiatives we are not having to retrofit ourselves to places that have challenges in those particular areas along the ACA lines.

And so as we go eyes wide open into new opportunities we're going to be prudent to look at those that have the better of payor mix dynamics; the better—the areas that have had funding expanded in the way of Medicaid or in the way of exchanges. And as in any case, we don't want to be so heavily concentrated in one particular state that a regulatory PIN swipe on a given day could materially impact where we are. So it's a risk spread play here.

And it doesn't mean we're running away; in fact, I want to reemphasize we're running to in our existing markets. But as we look to new opportunities we're going to be looking at those that can give us a little bit more stable diversification from a risk standpoint. And this met that entirely. And then on top of it, as I alluded earlier, Doug, just the dynamics inside the working market once you got through that threshold are tremendous.

Douglas Loe

Yeah. That's great colour. Thanks, Britt.

Britt Reynolds

Thank you, Doug.

Operator

And there are no further questions at this time. I would now like to turn the call back over to Britt Reynolds.

Britt Reynolds

Yes. And, everyone, we appreciate being with you on this second quarter call, my second opportunity to be in front of you and the first full opportunity to give you some more specific colour on our initiatives and on our actions, and to be able to interact with many of you that have questions today. And many of you that I have interacted with on our interactions along the way over the last several months in our meetings and opportunities to get introduced not only to MFC, but the environment as a whole. And I'm very appreciative for that.

I'd like to thank each and every one on the call today for participating. I would especially like to thank you for your continued interest in MFC. This is an exciting time for us, and I look forward to not only meeting you further down the road, but also on reporting some concrete progress next quarter, and on demonstrating our ability to deliver on our initiatives.

So with that, I thank you for your participation.

Operator

This concludes today's conference call. You may now disconnect.

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