INTRO: HEDGEYE'S KEY TAKEAWAYS

HEDGEYE

- We believe several of MPW's recent actions indicate an internal concern/awareness around RCF covenant risks. These include:
  - Gradual reporting changes in the quarterly supplemental,
  - Changing/potentially backdating the initial rate on the 2021 ~$363 million Cerberus change of control loan from "4% cash" to "PIK-like" in 3Q23,
  - The PHP Holdings ("PHPH") valuation process + rush to record the preferred equity stake & convertible note as "earned" and "received" in 2Q23, despite the transaction not being approved by the California DMHC,
  - Company sensitivity to criticism around prices paid for real estate and their carrying values, and
  - A general reticence to impairing clearly non-current and worthless OpCo investments.
- We reviewed the RCF & Term Loan agreement dated 6.29.22 HERE.
- Section 4.22 of the Reps & Warranties could be problematic, given MPW's unique propensity to push up against REIT rules around OpCo stakes and prohibited transactions. We reviewed this in July 2023.
- While there is flexibility under the Total Leverage Ratio covenant, we estimate that MPW cannot withstand more than ~$1.2 billion of total impairments without being at risk of tripping the covenant.
- We believe there is much more risk under the Tangible Net Worth test. Aggregate asset impairments + book losses on sales cannot exceed ~$1.6 billion in the aggregate without tripping this covenant. MPW must now sell assets to survive. We estimate the consolidated real estate assets are worth ~$7 billion less than current carrying values. We believe the ~$2 billion of total OpCo investments are essentially worthless in the aggregate.
- We do not believe MPW can sell the Circle portfolio. CommonSpirit may be the only saleable portfolio of size.

1 REPRESENTATIONS & WARRANTIES

R&W | SECTION 4.22 STATUS OF HOLDINGS

HEDGEYE

We see one item as a potential major consideration and issue for MPW.

Section 4.22 Status of Holdings: **Holdings (i) is a REIT**, (ii) has not revoked its election to be a REIT, **(iii) has not engaged in any "prohibited transactions" as defined in Section 856(b)(6)(iii) of the Code (or any successor provision thereto)**, and (iv) for its current "tax year" (as defined in the Code) is, and for all prior tax years subsequent to its election to be a real estate investment trust has been, entitled to a dividends paid deduction which meets the requirements of Section 857 of the Code. The common stock of Holdings is listed for trading on the New York Stock Exchange.

- We reviewed our views/questions on **MPW's transactions** and **REIT status** in July 2023 HERE.

Events of Default:

If any of the following events shall occur and be continuing:

(b) **any representation or warranty made or deemed made** by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document **shall prove to have been inaccurate (i) in any material respect on or as of the date made or deemed made or (ii) in the case of any representation or warranty qualified by "materiality"**, "Material Adverse Effect" or any similar language, in any respect (after giving effect to such materiality qualifier) on or as of the date made or deemed made;

2 AFFIRMATIVE COVENANTS

AC | SECTION 6.4 MAINTENANCE OF EXISTENCE

HEDGEYE

Section 6.4, Maintenance of Existence; Compliance: (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except (other than with respect to the preservation of the existence of the Loan Parties) (x) to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect or (y) pursuant to any merger, amalgamation, consolidation, liquidation, dissolution or Disposition permitted hereunder; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. **Without limiting the generality of the foregoing, Holdings will do all things necessary to maintain its status as a REIT and will maintain its listing on the New York Stock Exchange**. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by Holdings, the Borrower, its Subsidiaries and their respective directors, officers and employees with Anti-Corruption Laws and applicable Sanctions.

- We reviewed our views/questions on **MPW's transactions** and **REIT status** in July 2023 HERE.

[3] NEGATIVE COVENANTS

NC | TOTAL LEVERAGE RATIO UNDER RCF

HEDGEYE

While there is cushion/flexibility here, risk increases as MPW is forced to sell assets below carrying values on the balance sheet and/or take impairments to OpCo loans and equity stakes. Absolute dollar debt (not relative to EBITDA) must be reduced.

Total Leverage Ratio (Total Indebtedness/Total Asset Value) – Shall not be permitted to exceed 60%.

- **Total Asset Value** = Undepreciated cost of wholly-owned operating properties + MPW's pro rata share of undepreciated cost of joint venture operating properties + unrestricted cash >$10 million + book value of performing notes receivable + book value of equity or debt investments in unconsolidated OpCo subsidiaries + book value of CIP not to exceed greater of $200 million or 7% of Total Asset Value.
- **Total Indebtedness** = Consolidated debt + MPW's pro rata share of debt of non-wholly owned subsidiaries.
- **We estimate the ratio at just under ~57% as of 3Q23**. We further estimate that **MPW cannot withstand >$1.2 billion of asset impairments without tripping the covenant**.
- Performing notes receivable are those that are no more than 60 days past due or otherwise in default after giving effect to cure periods. MPW recently changed/backdated the initial interest rate on the ~$363 million Cerberus change of control loan to "PIK-like" as of 3Q23, from "4% cash" previously. Why else do this? It makes the loan more equity-like.
- Performing notes receivable may not exceed 10% of Total Asset Value.
- Book value of equity and debt investments in OpCo subsidiaries may not exceed 30% of Total Asset Value.
- The ratio may temporarily flex up to no more than 65% upon any acquisition, but must be brought in compliance with the 60% test by the end of the fourth fiscal quarter from the time of such acquisition.
- **Secured Leverage Ratio,** or Secured Indebtedness less unrestricted cash >$10 million divided by Total Asset Value, **not permitted to exceed 40%**. Currently stands at 0%.

NC | TOTAL LEVERAGE RATIO UNDER RCF (CONT'D)

HEDGEYE

Amounts in 000s, Except per Share Data

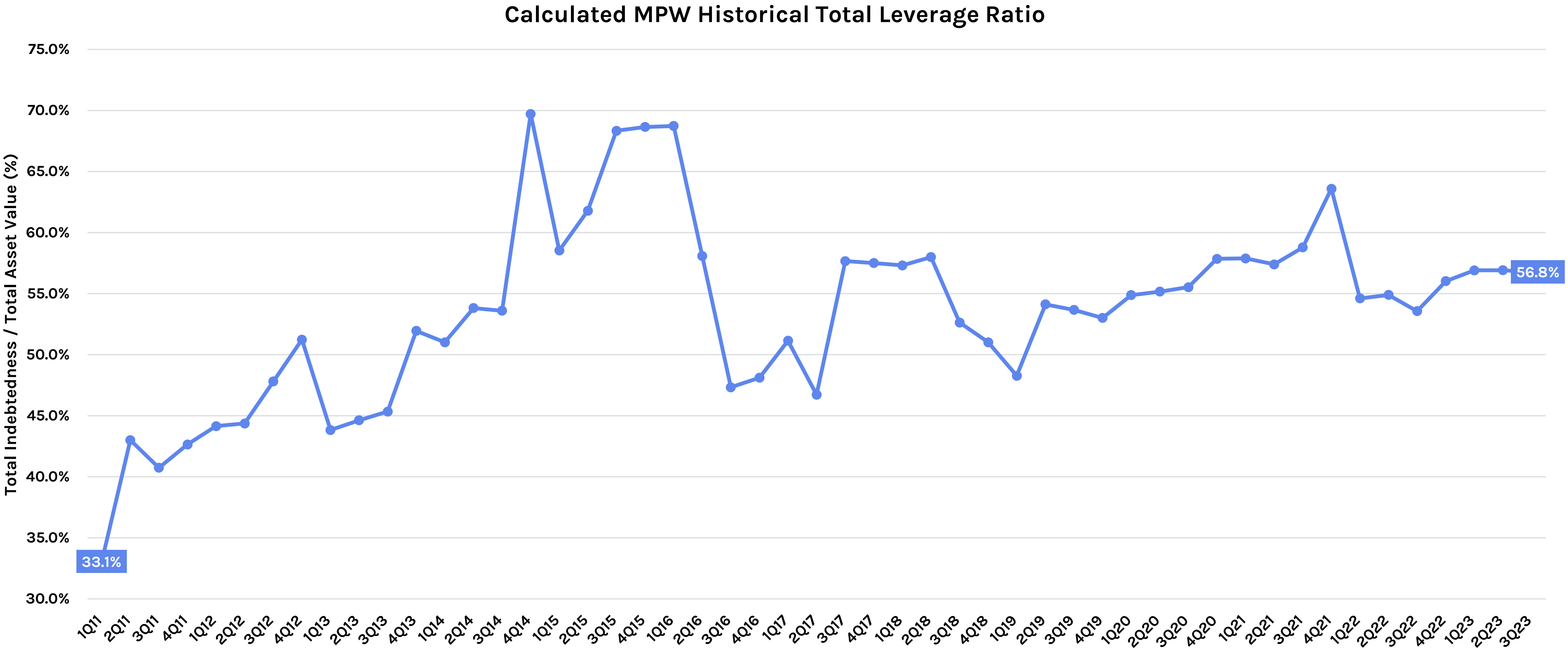
Total Leverage Ratio & Max Allowable Impairment		
	3Q23	4Q23E
Total Leverage Calculation:		
Undepreciated Cost of Wholly-Owned Properties	14,383,759	14,170,497
(+) Pro Rata Share of Undepreciated Cost of UJVs	3,056,597	3,087,163
(+) Unrestricted Cash >$10 Million	340,058	244,172
(+) Mortgage Loans	302,476	302,476
(+) Other Loans	263,471	363,471
(+) Investments in Unconsolidated Operating Entities	1,843,847	1,843,847
(+) Equity Investments	-	-
(+) CIP	182,158	182,158
Total Assets	**20,372,366**	**20,193,784**
Consolidated Debt	10,204,130	10,007,447
(+) Pro Rate Share of UJV Debt	1,363,162	1,363,162
Total Indebtedness	**11,567,292**	**11,370,609**
Calculated Ratio	**56.8%**	**56.3%**
Covenant Limit		60.0%
Maximum Allowable Impairment		1,242,770

- Herein we estimate the Total Leverage Ratio calculation under the language found in the RCF agreement.
- We calculated ~56.8% as of 3Q23, and estimate ~56.3% for 4Q23E after (1) the final Healthscope closing in October, (2) the repayment of the GBP notes in December, (3) the ~$90 million dividend payment and (4) assumed loans/advances to operators.
- **We estimate that MPW can withstand no more than ~$1.2 billion of asset impairments/write-downs without tripping the covenant test.**
- Again, we believe that a majority of the ~$2.0 billion of OpCo loan/equity investments are essentially worthless.
- Asset sales at a loss vs. book need to be weighed against cash proceeds and debt paydowns.
- Re-tenanting hospitals matters, such as HERE.

NC | TOTAL LEVERAGE HAS INCREASED SECULARLY

HEDGEYE

Similar to other measures of MPW's leverage, the Total Leverage Ratio as defined in the RCF agreement has trended "up and to the right" for more than a decade.



NC | CONSOLIDATED TANGIBLE NET WORTH UNDER RCF

HEDGEYE

Consolidated Tangible Net Worth = consolidated shareholder's equity (as reported on the consolidated balance sheet in accordance with GAAP) minus intangible assets under GAAP (other than FAS-141 intangibles) – **shall not be less than the sum of (i) $6,685,089,750 plus (ii) 75% of net cash proceeds from the issuance of equity on or after 3.31.22.**

- **We believe this is the more restrictive/dangerous of these two negative covenants**.
- We calculate Consolidated Tangible Net Worth at $8,284,530,000 as of 3Q23 and based on MPW's most recent reported balance sheet. This leaves a **~$1.6 billion cushion** for compliance.
- The Utah assets leased to CommonSpirit are likely not problematic. They are carried on MPW's balance sheet at ~$791.5 million as of 3Q23 after MPW took the 2Q23 impairment of lease intangibles. If we are correct in our ~$1-1.2 billion value assumption, a sale would generate an estimated ~$250-300 million pre-tax gain. This would grow the net worth cushion.
- **We believe the Circle portfolio,** which is the other large pool of assets often cited as a potential sale candidate, **is much more problematic vis-à-vis this covenant**. The assets are carried at ~$2.0 billion on MPW's balance sheet. We believe they are worth ~$1-1.1 billion, which under a sale would generate a ~$1.0 billion hit to MPW's tangible net worth. **This would wipe out most of MPW's cushion under the test**. We believe a secured financing of Circle is more likely.
- **MPW is carrying ~$2.0 billion of OpCo debt/equity investments on its balance sheet**. This amount is slightly larger than the current cushion under the test. **Hedgeye believes most of these investments are effectively worthless**. These include (1) ~$684.4 million of preferred equity and a convertible loan in PHP, which may not have been earned and may have little or no residual value, (2) the above ~$363 million Cerberus/Steward buyout loan, (3) ~$126 million of equity in Steward, (4) a ~$230 million loan to the "Int'l JV" formed with Steward, and (5) at least ~$215 million of working capital loans to Steward among others.
- Significant aggregate net losses from asset sales + impairments/write-downs + write-offs of lease intangibles could very quickly subsume MPW's cushion.
- Retained earnings growth will slow going forward as MPW sells assets and/or utilizes secured financing = less GAAP net income.
- The cash dividend should be reduced immediately to the minimum allowable level = more retained earnings to offset the above.

NC | CONSOLIDATED TANGIBLE NET WORTH UNDER RCF (CONT'D)

HEDGEYE

We ran a scenario for the sale of CommonSpirit and Circle using our estimated values. **MPW would have <$1 billion of equity cushion to absorb any future hits to equity.** We believe any sale of Circle would materially impact the Tangible Net Worth covenant, further limiting MPW's options.

CommonSpirit Portfolio

		$	%
Sources of Funds:			
Illustrative Gross Sale Proceeds - Common Spirit		1,070,000	100.0%
Total		**1,070,000**	**100.0%**
Uses of Funds:		$	%
Debt Repayment		1,059,300	99.0%
To Cash		-	-
Est. Taxes		-	-
Est. Transaction Costs	1.00%	10,700	1.0%
Total		**1,070,000**	**100.0%**

Circle Portfolio

		$	%
Sources of Funds:			
Illustrative Gross Sale Proceeds - Circle		1,100,000	100.0%
Total		**1,100,000**	**100.0%**
Uses of Funds:		$	%
Debt Repayment		1,089,000	99.0%
To Cash		-	-
Est. Taxes		-	-
Est. Transaction Costs	1.00%	11,000	1.0%
Total		**1,100,000**	**100.0%**

"Total Leverage" & "Consolidated Adj. Net Worth" Covenants

				CommonSpirit Sale		Pro Forma	Circle Sale		Pro Forma
		3Q23	4Q23E	(+)	(-)	4Q23E	(+)	(-)	4Q23E
Total Leverage Calculation:									
Undepreciated Cost of Wholly-Owned Properties		14,383,759	14,170,497		(791,480)	13,379,017		(2,043,689)	11,335,328
(+) Pro Rata Share of Undepreciated Cost of UJVs		3,056,597	3,087,163			3,087,163			3,087,163
(+) Unrestricted Cash >$10 Million		340,058	244,172	1,070,000	(1,070,000)	244,172	1,100,000	(1,100,000)	244,172
(+) Mortgage Loans		302,476	302,476			302,476			302,476
(+) Other Loans		263,471	363,471			363,471			363,471
(+) Investments in Unconsolidated Operating Entities		1,843,847	1,843,847			1,843,847			1,843,847
(+) Equity Investments		-	-			-			-
(+) CIP		182,158	182,158			182,158			182,158
Total Assets		**20,372,366**	**20,193,784**			**19,402,304**			**17,358,615**
Consolidated Debt		10,204,130	10,007,447		(1,059,300)	8,948,147		(1,089,000)	7,859,147
(+) Pro Rate Share of UJV Debt		1,363,162	1,363,162			1,363,162			1,363,162
Total Indebtedness		**11,567,292**	**11,370,609**			**10,311,309**			**9,222,309**
Calculated Ratio		**56.8%**	**56.3%**			**53.1%**			**53.1%**
PASS / FAIL?	60.0%	**PASS**	**PASS**			**PASS**			**PASS**
Cons. Adj. Net Worth Calculation:									
Total MPW Equity		8,284,530	8,346,193		278,520	8,624,713		(943,689)	7,681,024
(-) Intangible Assets Under GAAP		-	-			-			-
Net Worth		**8,284,530**	**8,346,193**			**8,624,713**			**7,681,024**
Base Net Worth		6,695,090	6,695,090			6,695,090			6,695,090
(+) Equity Issuance Adjustment	75.0% -	-	-			-			-
Minimum Net Worth		**6,695,090**	**6,695,090**			**6,695,090**			**6,695,090**
Covenant Cushion		**1,589,440**	**1,651,104**			**1,929,624**			**985,935**
PASS / FAIL?		**PASS**	**PASS**			**PASS**			**PASS**

NC | WHAT ARE THE IMPLICATIONS?

HEDGEYE

- **MPW cannot/should not sell the Circle portfolio, which would negatively impact the Tangible Net Worth covenant =** far lower available cash proceeds today vs. the ~$2 billion carried on the balance sheet.
- We think securing Circle would provide near-term relief, but would be a long-term disaster. It would be much more difficult to sell in the future to retire unsecured debt, due to added complexity, ability to assume debt, lower net cash flow, etc.
- **Limitations on MPW's ability to monetize assets to repay significant debt in 1Q25 and beyond**. Again, we estimate the value of the consolidated assets at ~$7.1 billion versus ~$13 billion of book value carried on the balance sheet and ~$10 billion of pro forma consolidated debt. How can MPW sell these assets without triggering a default?
- **Material risk from exposure to ~$2.5 billion of consolidated real estate leased to Steward**. Steward was late on September and October rent, we believe is not currently paying, and has paid just ~20% of contractual rent on a net basis for all of 2023. **We believe these assets are worth much less than ~$1.0 billion**, to the extent there is any value at all. Any significant impairment would seriously impact both the Consolidated Net Worth and Total Leverage covenants.
- **Material risk from Steward OpCo investments**, over and above the current issues with the real estate. We believe the Steward OpCo is worthless as currently structured.
- **Additional risk from PHPH**. There are questions as to whether the nearly ~$700 million of carried investments were "earned" by MPW, as the California DMHC still has not approved the minority interest transfer. Even if earned and received, we believe the value of the PHPH enterprise is only marginally above the debt. See HERE. It is possible there is no residual value to MPW at all.

Data Source: Company Reports, Hedgeye Estimates

[4] EVENTS OF DEFAULT

EOD | KEY EVENTS OF DEFAULT & ANY CURE PERIODS

HEDGEYE

- **Obviously, non-payment of RCF obligations:** "(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five (5) days after any such interest or other amount becomes due in accordance with the terms hereof;"
- **Reps & Warranties:** "**(b) any representation or warranty made or deemed made** by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document **shall prove to have been inaccurate (i) in any material respect on or as of the date made or deemed made** or (ii) in the case of any representation or warranty qualified by "materiality", "Material Adverse Effect" or any similar language, in any respect (after giving effect to such materiality qualifier) on or as of the date made or deemed made;"
- **Other Agreements: (d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document** (other than as provided in paragraphs (a) through (c) of this Section), **and such default shall continue unremedied for a period of thirty (30) days after notice to the Borrower from the Administrative Agent or the Required Lenders**; provided that if such default is capable of being cured but cannot be cured within such thirty (30) day period and **so long as the Borrower shall have commenced to cure such default within such thirty (30) day period and shall be diligently pursuing such cure, the Borrower shall have an additional thirty (30) day period to cure such default;**"
- **Other Debt:** (e) any Group Member (other than an Immaterial Subsidiary) **shall (i) default in making any payment of any principal of any Indebtedness** (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or **(ii) default in making any payment of any interest on any such Indebtedness** beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; **or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness**…"