HEDGEYE

Active Short Medical Properties Trust (MPW)

MPW's Equity is Worthless

July 28, 2022

Medical Properties Trust

HEDGEYE REITs

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QUESTIONS FOR MPW ON THE 2Q22 EARNINGS CALL

MPW | SO MANY QUESTIONS...

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These are some of the things we would be asking management, and are more than happy to engage!

- First and foremost, **WHEN WILL MPW BE FILING A 10-K/A, AS THEY ARE OBLIGATED TO DO BOTH BY SEC TOPIC 2, SECTION 2340, AS WELL AS MPW'S OWN PRECEDENT?** And related to that, additional questions we have:
  - **What are Steward's debt and cash balances as of 12.31.21? How much liquid cash does Steward have on the balance sheet today?**
  - **How much recurring EBITDARM - Capex did the system generate at the corporate level in 2021? Who cares about the manipulated property-level metrics that MPW is about to report? Let's be honest, they are meaningless and hold no informational value whatsoever, other than the manipulation itself**
  - Speaking of which, please provide the reconciliations for those coverage metrics. What are the "one-time" add-backs, if any?
  - What are Steward's working capital balances, including the status of the ~$440 million of Medicare Accelerated Payments outstanding as of 12.31.20? On our math there is a "bullet maturity" for the repayment of any remaining outstanding balances in September 2022. The balances should have been "amortized" by withholding 25% of regular-way Medicare fee-for-service payments during the first 11 months beginning April 2021, followed by 50% for the following six months thereafter. Can delay with interest
  - **Steward's credit facility matures on 9.29.22** – what is the status of the refinancing? What is the current balance outstanding? Would MPW fund the facility using its BS?
- Is the $335 million loan to affiliates of Steward to finance Cerberus' exit cash pay or PIK? What services that note?
- **Why did Steward account for the ~$130.5 million gain on the ~$200 million "investment" from the international JV (100% financed by MPW, by the way) as a "capital contribution" to Steward's own equity account?** Why was that not included as part of net income? Unless we are missing something, aren't gains/losses from asset or business sales just non-cash line items on the P&L? **Does MPW both effectively and actually own more than just 9.9% of Steward's equity?**

MPW | SO MANY QUESTIONS… (CONT'D)

HEDGEYE

The list goes on…. and on, and on. We'll stop after this slide

- Speaking of that international JV, which is 51% owned by Steward and appears to be consolidated, **what are the actual results, management fees and cash flows generated by those hospitals?** How does this compare to the ~$15 million of annual debt service to MPW ($200 million loan x 7.5%)? **Aka, is the JV meeting debt service? Is the MPW loan PIK'ing?**
- **Why did MPW fund an additional ~$200 million of capital to Steward Florida, over and above the initial $900 million SLB with Tenet?** This amount equals the $1.1 billion total consideration to Tenet. We thought triple-net REITs were supposed to have minimal / no capex? Did you effectively 100% finance the acquisition to place assets into Steward? **How do you justify that to your shareholders?**
- **Who are the owning members of Steward's "LLC 3?"**
- Now that the "HCA put" is off the table, which management advertised as a superior capital source to issuing equity, what is MPW's next best source of capital?
- **Why did you tell sell-side analysts that EBITDARM coverages reported in the supplemental include the impact of operator capex, when Footnote A in the 1Q22 supplemental clearly indicates otherwise**? Are you moving the goalposts and hoping that no one notices? Which one is it? How does that math work?
- Generally, why did you invite sell-side analysts down to Birmingham for "home turf" meetings during an earnings quiet period? Was anything selectively disclosed? Are there Reg FD issues?
- What is the current condition and corporate coverages at Prospect Medical, which is very likely in worse shape than Steward?
- Does the periodic GAAP straight-line rent earned from Priory include the impact of exercised extension options?

MPW | WE SEE THREE POTENTIAL OUTCOMES, ALL TERRIBLE

HEDGEYE

A Scenario #1: Status quo, business continues operating as-is

- Management continues to "pull rabbits out of the hat," manages to thread one thousand needles
- Business barely compounds, delivers ~6% unlevered yields on invested capital for the foreseeable future
- Given the actual cash economics delivered by the lease streams / loans, MPW's stock price is massively overvalued today

B Scenario #2: Steward is insolvent; rent is cut to "kick the can"

- Highest probability scenario in our view; simple math on Steward: ~$300-400 million of annual EBITDARM, $400mm+ rent + interest burden, ~$200 million in annual operator capex = LOSING MONEY!
- As MPW is "on both sides of the deal," can effect a rent reduction which destroys MPW's equity value (before any additional tenant issues, which are highly likely)

C Scenario #3: Steward ultimately defaults, MPW "takes the keys"

- Longer-term probably the finish line for this story, but the "when" is much harder to handicap
- MPW owns the entire cap stack of Steward, and therefore is the "new equity" in a restructuring – Sell OpCo or RIDEA structure
- MPW has negative equity value, and the company is completely destroyed

[A] STATUS QUO

MPW | [A] TRIPLE NET LEASES ARE EASILY VALUED

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It boils down to very simple math exercises...

- We have **experience underwriting several different triple-net lease deal structures** from our time spent in real estate investment banking and restructuring, including cases where there is limited terminal value and / or no opportunities for adaptive or alternate use (as is the case with hospital real estate – its either a hospital or a future hole in the ground)
- The math is very elementary and straightforward
- Triple-net leases are combinations of **lease rates / yields, annual escalations, lease term & credit (discount rate)**
- MPW's leases + loans observably generate **~6% blended unlevered yields**, are partially CPI-linked, extend over very long terms (20+ years in some cases) and have been **struck with thin- operating margin, capital inefficient, low-credit quality hospital operators**
- We explore **two valuation approaches**:
  - "Justified" entity-level multiples
  - Simple Discounted Cash Flow analysis (DCF)
- This can be thought of "step #1" or the "starting point" in a process that could follow several different paths
- **Conclusion: Even if MPW somehow finds a way to continue on under the status quo, which we consider to be the lowest probability outcome, the stock is dramatically overvalued at current levels. We think MPW is "worth" $6-11/share AT MOST today under this scenario**

MPW | [A] THIS SLIDE IS A MORTAL EMBARRASSMENT

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- The whole point of our exercise was to understand the actual cash yields being generated by MPW's assets so as to value them. They are what they are, the numbers don't lie
- MPW claims 8% initial cash yields, indicative of virtually every lease in MPW's portfolio in one section...
- ... But then on the same slide, admits that older vintage leases were signed at higher initial yields than newer deals executed at lower cap rates
- So which one is it?
- THEN, we would note that the company has NEVER disclosed an acquisition cash cap rate, rather told investors to do the work themselves. See the next slide
- So we did the work ourselves
- Finally, let's talk about that cost of capital...

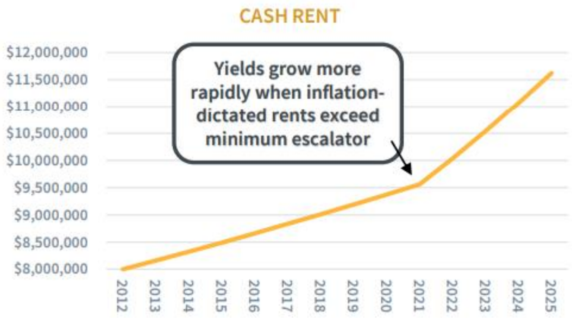
NET LEASE CASH YIELDS SHOULD TREND "UP AND TO THE RIGHT"

THIS IS EXACTLY WHAT MPT'S LEASES OFFER

Generic MPT lease example, assuming:

- $100 million lease base
- 8% initial cash yield beginning in 2012
- 2% minimum escalators through 2021
- 5% CPI-based escalators beginning in 2022

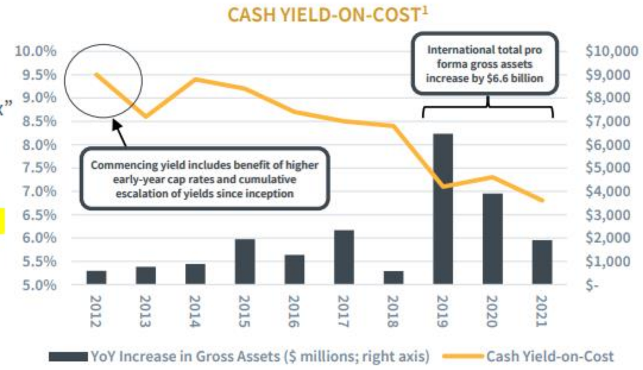
Indicative of virtually every lease in MPT's portfolio, except each lease's commencing and escalating rates are individually negotiated...



...but this is a completely different measure than charting the growth of a net lease REIT's consolidated balance sheet – especially across a period of compressing market cap rates

REASONS FOR DECREASING CONSOLIDATED YIELD-ON-COST:

- Larger leases signed during recent period of extraordinary, but strongly accretive, asset growth (top decile among REITs) dominate portfolio "mix"
- Earlier-year leases signed at higher, since-escalated yields are simply smaller in size than recent deals at lower cap rates
- Analysis in a vacuum is misleading, as it ignores declining cost of capital over same period (constant spreads)
- International transactions and related debt costs are lower than in U.S.
- Entirely unrelated to straight-line rent accounting
  - Historical disclosed straight-line rent write-offs virtually all related to re-tenanting and highly profitable property sales
  - No adjustments for lease amendments



MPT 8

1. GAAP rent billed, divided by average of prior and current year balances of land, buildings and improvements, intangible lease assets, and other

MPW | [A] MAY 2011 SEC COMMENT LETTER

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MPW itself told investors to use the financial statements to observe/calculate unlevered cash yields…

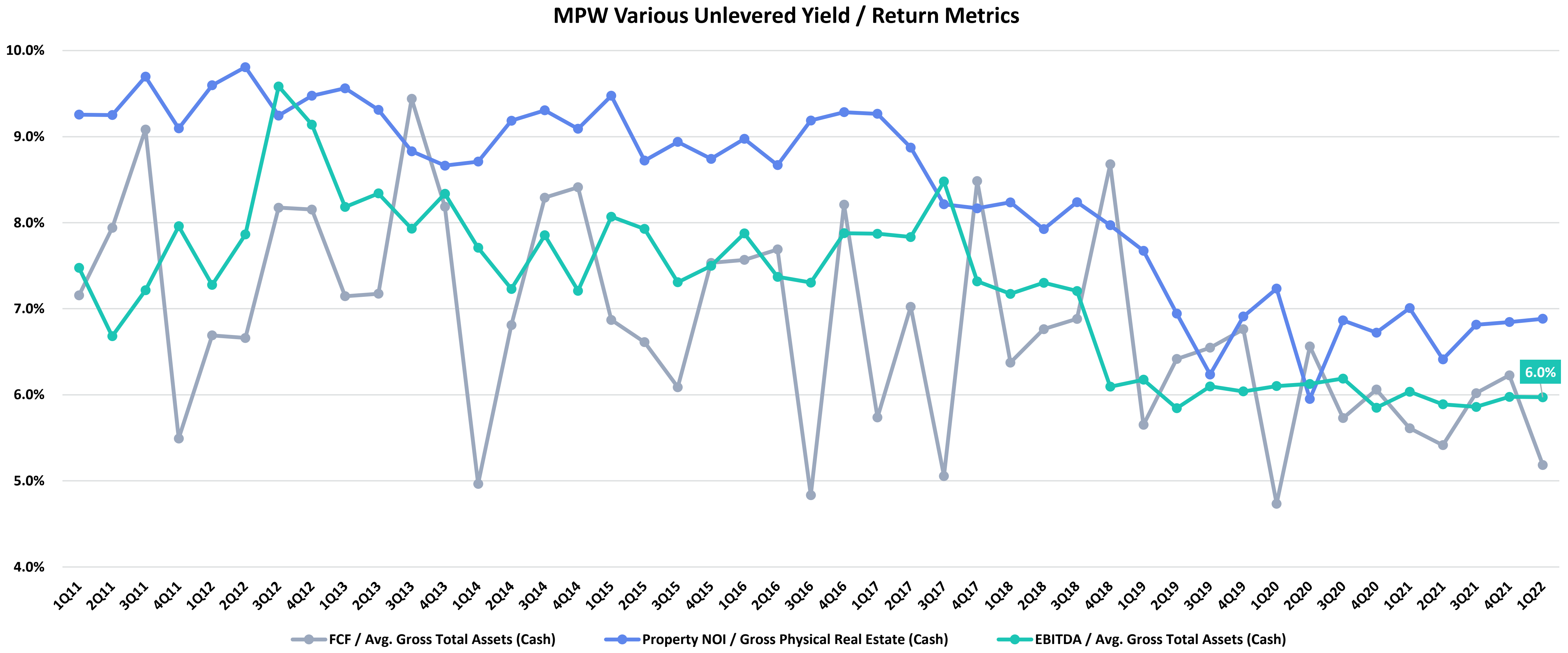
- SEC Request #1: **In future Exchange Act periodic reports please provide the average effective annual rental per square foot or bed, based on your property type, for the current and preceding reporting periods. If you elect to provide only the base rentals per square foot or bed, please quantify and discuss the impact of tenant concessions, abatements, and allowances on the net rents you would be able to collect**.
  - MPW Response: Rent per square foot or per bed is not a relevant measure in our business. In almost all cases, our real estate is 100% leased to single operators on a long-term basis at rental amounts that are not determined based on per unit measures. Instead, the more important criterion for setting rental rates is our total cost and our long-term requirements.

- **SEC Request #2**: **To the extent your aggregate acquisitions for the reporting period are material, please disclose, in future Exchange Act periodic reports, the weighted average capitalization rate for such acquisitions and explain how the rate was calculated**.
  - MPW Response: (1) **We consider such information to be proprietary, the disclosure of which would provide a significant advantage to our competitors** similar to a manufacturer publishing its confidential pricing structure to its competitors. Because a single hospital facility may be of itself a material acquisition, disclosure of a weighted average rate in a period with only one acquisition may result in disclosure of our pricing. (2) **Our peers may not calculate capitalization rates in the same way that we do** and, as a result, comparison of any capitalization rates that we disclose with those of our competitors would not be meaningful to investors. **Readers of our financial statements are also able to calculate our weighted average periodic return on our acquisition costs** by reference to information readily apparent in our GAAP-basis financial statements.

MPW | [A] CASH YIELDS ARE READILY OBSERVABLE

HEDGEYE

MPW itself told investors to observe/calculate unlevered cash yields… and it's a blended ~6% +/-



MPW | [A] TERMS KEEP CASH YIELDS RELATIVELY STABLE

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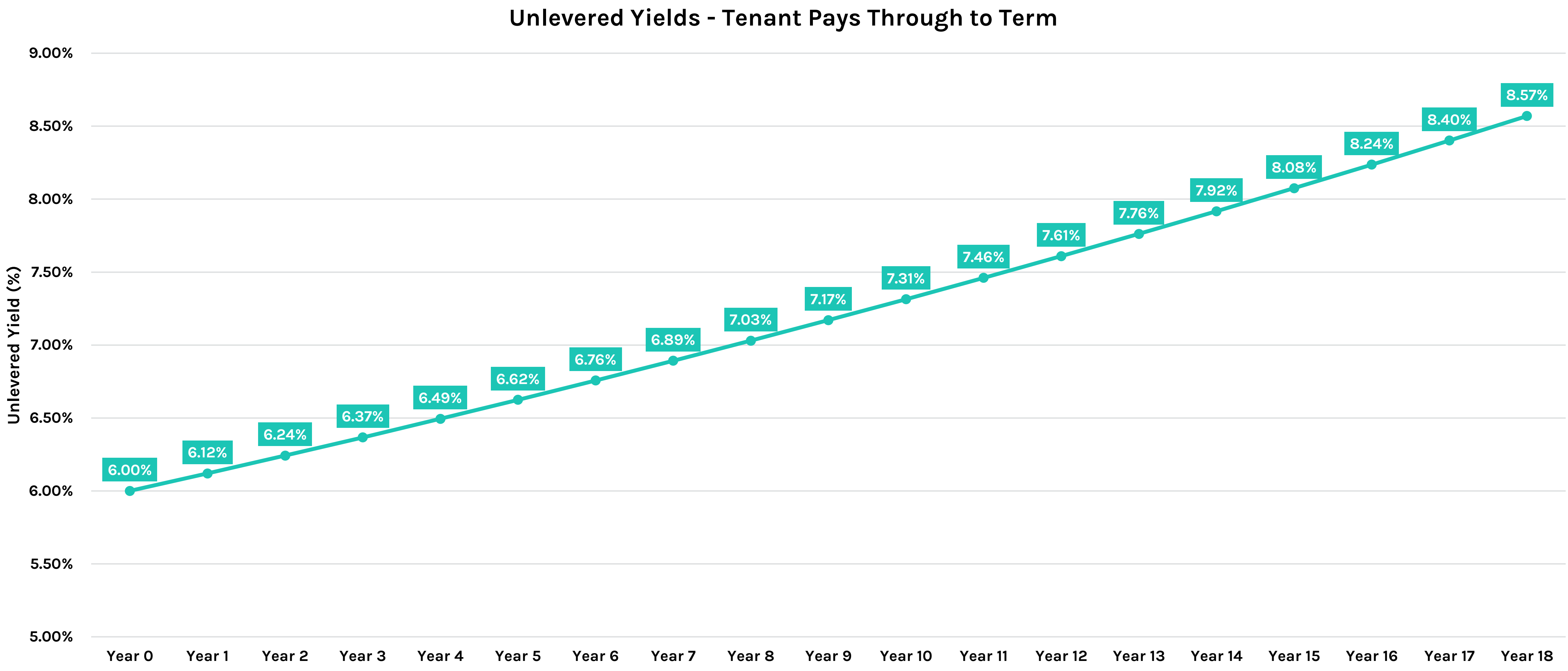
Assuming +2.0% blended annual escalators, cash yields remain in the 6-7% range until beyond Year 8, aka over any reasonable investment horizon



Data Source: Hedgeye

MPW | [A] A LITTLE "REAL ESTATE & SECURITIES 101"

HEDGEYE

Given the economics, MPW should clearly trade several turns lower on cash EBITDA and at a discount to "book value"

MPW - "Justified" Multiple Calculation

Cost of Capital Calculation:		
Marginal Cost of Debt (A)	**52.8%**	**6.00%**
Current Dividend Yield (B)		6.90%
Current AFFO Payout Ratio (C)		80.6%
Return on Equity (ROE) (D)		9.26%
Sustainable Growth Rate (E) = C + D		1.80%
Marginal Cost of Equity (F) = B + E	**47.2%**	**8.70%**
Blended Cost of Capital (G) = A + F		**7.27%**

"Justified" EBITDA Multiple Calc:	
Marginal ROIC / Unlevered Yield (H)	6.50%
Assumed Perp. Growth Rate (I)	1.50%
Multiple (J) = (1 - (I / H)) / (G - I))	**13.3x**

"Justified" MV/BV Multiple Calc:	
Marginal ROIC / Unlevered Yield (H)	6.50%
Assumed Perp. Growth Rate (I)	1.50%
Multiple (K) = (H - I) / (G - I))	**0.87x**

Sidenote: LifePoint Health's (an MPW tenant) 7-year bonds are currently yielding 10%+. Community Health's (CYH, also an MPW tenant) 7-year bonds are currently yielding 15%+. Just for perspective...

MPW | [A] APPLYING THE CASH EBITDA MULTIPLE

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Total Annual Steward Rent + Int. to MPW	496,639

Amounts in 000s, Except per Share Data

	MPW Today / Revolver Refinance				
	MPW 7/27/2022	+	Assumed Revolver Refi [(1)(2)]	=	Current MPW "Value"
Ann. Cash EBITDA	1,175,372				1,175,372
(x) Assumed EBITDA Multiple.	18.1x				13.3x
Enterprise Value	**21,246,637**				**15,632,448**
Implied "MV/BV"	1.02x				0.75x
(-) Net Debt	(11,245,979)		(322,826)		(11,568,805)
Equity Value	**10,000,658**				**4,063,642**
(/) Total Shares / Units	598,932				598,932
Equity Value / Share	**16.70**				**6.78**
Potential Upside / (Downside)					-59.4%

Notes:

(1) Assumes MPW refinances Steward's o/s credit facility balance using draw from its own revolver.

(2) Projected Steward revolver balance found on slide 24.

- Couple of things happening here
- First, as we have talked about, Steward's credit facility matures near term on 9.29.22 – we assume here that MPW refinances this line using its own balance sheet
- Recall MPW just upsized its own credit facility by ~$500 million
- After applying the warranted multiple to MPW's cash EBITDA and running it through an over-levered capital structure, **we estimate status quo MPW is overvalued by roughly ~60%**
- **Note the discounted multiple to "book value"**

MPW | [A] DISCOUNTED CASH FLOW METHODOLOGY

HEDGEYE

Triple-net leases lend themselves well to DCF analysis – status quo MPW overvalued by about ~30-40% here. Its just math, it doesn't lie

Amounts in 000s, Except per Share Data

MPW - Discounted Cash Flow (DCF) Analysis

		Year 1				Year 2				Year 3				Year 4			
		Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
		Quarter 0	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Quarter 11	Quarter 12	Quarter 13	Quarter 14	Quarter 15
Adj. Cash EBITDA - Properties		289,885	291,324	292,769	294,222	295,683	297,150	298,625	300,107	301,596	303,093	304,597	306,109	307,628	309,155	310,689	312,231
Q/Q Chg. - %			0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Annual Growth	2.00%																
Adj. Cash EBITDA - Loans		33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578	33,578
Q/Q Chg. - %			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General & Administrative		29,620	29,912	30,207	30,504	30,805	31,108	31,415	31,724	32,037	32,353	32,671	32,993	33,318	33,647	33,978	34,313
Q/Q Chg. - %			0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
Annual Growth	4.00%																
Unlevered CFs:																	
Total Cash EBITDA		293,843	294,990	296,141	297,296	298,456	299,620	300,788	301,961	303,137	304,318	305,504	306,694	307,888	309,086	310,289	311,496
PV of Cash EBITDA (Years 5-18)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,100,289
PV of Terminal Value of Hospitals (Year 18) (1)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,251,227
BV of Loans (2)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	291,244
Loan Portion of "Other Investments" (3)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	835,646
Total Unlevered CFs			294,990	296,141	297,296	298,456	299,620	300,788	301,961	303,137	304,318	305,504	306,694	307,888	309,086	310,289	17,789,901
Unlevered Cost of Capital	7.27%																

PV of Unlevered CFs	17,691,213
(-) MPW's Share of Debt	(11,497,745)
(+) Cash & Cash Equivalents	248,846
(+) Restricted Cash	2,920
Equity Value	6,445,234
(/) Shares / Units Outstanding	598,932
Equity Value / Share	10.76
Implied EBITDA Multiple	15.1x
Implied MV/BV Multiple	0.85x
Current Stock Price	16.81
Potential Upside / (Downside)	-36.0%

Notes:

(1) Assumes $300k per licensed bed.

(2) Assumes 100% of BV of mortgage and other loans as of 1Q22.

(3) Assumes 75% of individual "Other Investments" balanced which contain loans.

MPW | [A] TRIPLE NET LEASES ARE EASILY VALUED

HEDGEYE

It boils down to very simple math exercises…

- We have **experience underwriting several different triple-net lease deal structures** from our time spent in real estate investment banking and restructuring, including cases where there is limited terminal value and / or no opportunities for adaptive or alternate use (as is the case with hospital real estate – its either a hospital or a future hole in the ground)
- The math is very elementary and straightforward
- Triple-net leases are combinations of **lease rates / yields, annual escalations, lease term & credit (discount rate)**
- MPW's leases + loans observably generate **~6% blended unlevered yields**, are partially CPI-linked, extend over very long terms (20+ years in some cases) and have been **struck with thin- operating margin, capital inefficient, low-credit quality hospital operators**
- We explore **two valuation approaches**:
  - "Justified" entity-level multiples
  - Simple Discounted Cash Flow analysis (DCF)
- This can be thought of "step #1" or the "starting point" in a process that could follow several different paths
- **Conclusion: Even if MPW somehow finds a way to continue on under the status quo, which we consider to be the lowest probability outcome, the stock is dramatically overvalued at current levels. We think MPW is "worth" $6-11/share AT MOST today under this scenario**

[B] STEWARD HEALTH INSOLVENCY / RENT CUT

MPW | [B] STEWARD HEALTH IS VERY LIKELY INSOLVENT

HEDGEYE

We have written about this ad nauseum, but to recap:

- **Steward Health is MPW's largest operator relationship**, comprising nearly ~30% of MPW's annual revenue. It is the most important part of understanding the MPW story, bar none
- In addition to being Steward's landlord, MPW has a **9.9% direct equity stake** and has **made unsecured loans to the company and its management team**. This includes a $335 million loan bearing 4% to Steward's management team / "affiliated entities" in January 2021 to finance a change of control from Cerberus. This loan is secured by a pledge of the members' equity
- **Steward is burning an estimated ~$200-400 million annually today**, has no remaining real estate to sell or finance, has been stretching payables, is being hit with mechanics liens in litigation, and has been scrambling to sell the best OpCo assets left in the structure. Additionally, it has a **near-term revolver maturity on 9.29.22** with an estimated ~$300 million likely drawn down
- In other words, it is **for sure distressed and very likely insolvent**
- We think MPW may be the party to refinance the credit line, which would result in MPW owning 100% of Steward's cap stack. MPW just upsized its existing revolver
- Put simply, Steward's current $400+ million annual rent burden is above-market, uneconomic, and the reason for Steward's financial distress. An additional ~$200 million of annual capex **requires at least ~$600 million of EBITDARM just to break even**
- **Before what is likely to be an inevitable Steward default (more on that later), we believe MPW will likely reduce the rent as an interim step to "kick the can down the road," which will necessitate a dividend cut at MPW and completely eviscerate MPW's equity value**

MPW | [B] GIVE US THE 2021 AUDITED FINANCIALS!

HEDGEYE

SEC, are you watching the Steward / HCA deal? MPW is openly mocking investors at this point! This is arguably the single most important piece of data investors need to analyze MPW right now

TOTAL PRO FORMA GROSS ASSETS AND ADJUSTED REVENUE BY OPERATOR

(June 30, 2021)

($ amounts in thousands)

	Pro Forma		
Operators	**Properties**	**Total Gross Assets (A)**	**Percentage of Total Gross Assets**
Steward Health Care	41		
Massachusetts market		$ 1,472,044	6.6%
Utah market		1,264,280	5.7%
Florida market		1,123,154	5.0%
Texas/Arkansas/Louisiana market		1,051,245	4.7%
Arizona market		332,083	1.5%
Ohio/Pennsylvania market		137,784	0.6%
Circle Health	36	2,532,581	11.4%
Prospect Medical Holdings	14	1,615,047	7.2%
Priory Group	35	1,294,150	5.8%
Swiss Medical Network	17	1,279,322	5.8%
46 operators	303	9,197,262	41.2%
Other	-	1,009,212	4.5%
Total	**446**	**$ 22,308,164**	**100.0%**

TOTAL PRO FORMA GROSS ASSETS AND ADJUSTED REVENUE BY OPERATOR

(December 31, 2021)

($ amounts in thousands)

	Pro Forma		
Operators	**Properties**	**Total Gross Assets (A)**	**Percentage of Total Gross Assets**
Steward Health Care	34		
Florida market		$ 1,334,834	6.0%
Massachusetts market		1,177,914	5.3%
Texas/Arkansas/Louisiana market		1,129,624	5.1%
Arizona market		338,612	1.5%
Ohio/Pennsylvania market		141,506	0.6%
Utah market		-	-
Circle Health		2,481,001	11.1%
Prospect Medical Holdings		1,631,691	7.3%
Swiss Medical Network	17	1,300,431	5.8%
HCA Healthcare	9	1,240,546	5.6%
48 operators	328	10,632,605	47.6%
Other	-	920,573	4.1%
Total	**438**	**$ 22,329,337**	**100.0%**

Shifted ~$1.2bn in assets from Steward to HCA, ~6-9 months before the deal was approved or closed! Egregious!

MPW | [B] IMPACT OF THIS AGGRESSIVE ACCOUNTING

HEDGEYE

By pro forma'ing a deal that would never close, MPW showed Steward leased assets representing <20% of total gross assets as of 12.31.21, when in fact they were >20% the entire time! The FTC sued to block the deal and it was recently scuttled

Steward Health Pro Forma % of MPW's Gross Assets								
	Actual		MPW Pro Forma		Hedgeye Adjustments		Hedgeye Pro Forma	
	12/31/2020		12/31/2021		(+)	(-)	12/31/2021	
	$	%	$	%			$	%
Steward Health:								
Florida	215,105	1.1%	1,334,834	6.0%			1,334,834	6.0%
Utah	1,260,147	6.2%	-	-	1,231,702		1,231,702	5.5%
Massachusetts	1,500,915	7.3%	1,177,914	5.3%			1,177,914	5.3%
Texas / Arkansas / Louisiana	1,045,982	5.1%	1,129,624	5.1%			1,129,624	5.1%
Arizona	332,239	1.6%	338,612	1.5%			338,612	1.5%
Ohio / Pennsylvania	151,785	0.7%	141,506	0.6%			141,506	0.6%
Circle	2,520,019	12.3%	2,481,001	11.1%			2,481,001	11.1%
Prospect	1,597,950	7.8%	1,631,691	7.3%			1,631,691	7.3%
Swiss Medical Network	1,177,520	5.8%	1,300,431	5.8%			1,300,431	5.8%
HCA	8,844	0.0%	1,240,546	5.6%		(1,231,702)	8,844	0.0%
Other Operators	9,826,336	48.1%	10,632,605	47.6%			10,632,605	47.6%
Other Assets	792,739	3.9%	920,573	4.1%			920,573	4.1%
Total Gross Assets	**20,429,581**	**100.0%**	**22,329,337**	**100.0%**			**22,329,337**	**100.0%**
Steward - Total Gross Assets	**4,506,173**	**22.1%**	**4,122,490**	**18.5%**			**5,354,192**	**24.0%**
(-) Steward Management Loan [1]			(363,236)				(363,236)	
(-) MPW 9.9% Equity Interest [1]			(139,000)				(139,000)	
Steward - Leased Gross Assets			**3,620,254**	**16.2%**			**4,851,956**	**21.7%**

<-- Above 20% for 2021. So file the financials!

Notes:

(1) Uses book values disclosed with 1Q22 earnings.

MPW | [B] SEC TOPIC 2, SECTION 2340

HEDGEYE

MPW is violating both the SEC's own non-negotiable rule for triple-net landlord disclosure, but also its own precedent set in 2018 and 2020. From our note on 7.18.22:

- **Today, July 18, 2022**: We looked up SEC Topic 2, Section 2340: Properties Subject to Triple Net Lease, It follows:
  - A triple net lease typically requires the lessee to pay costs normally associated with ownership of the property such as property taxes, insurance, utilities and maintenance costs. Based on these attributes, the **leasing arrangement is similar to a financing arrangement for the lessee**. When a registrant has triple net leased one or more real estate properties to a single lessee/tenant (including in the capacity as co-lessee or guarantor), and **such properties represent a "significant" portion of the registrant's assets**, an **investor may need to consider the lessee's financial statements** or other financial information in order to evaluate the risk to the registrant from this asset concentration. **An asset concentration is generally considered "significant" if it exceeds 20% of the registrant's assets as of its most recent balance sheet.**

Figure 1: MPW Response to SEC in November 2018

3. **Please tell us your expectations for filing financial statements of Steward with your Form 10-K for the year ended December 31, 2018 in order to achieve a presentation that will be adequate for investors regarding the financial condition of your company. Please address your expected total concentration with Steward from all of your arrangements (i.e., master lease, loan, and equity investment) on a combined basis in your response and specifically tell us how you considered the guarantees and cross collateralization and default provisions addressed in response to comment 1 above in your analysis.**

We currently expect our concentration of properties leased to Steward to exceed 20% of our total assets as of December 31, 2018. When considering all of the Company's arrangements (i.e., leases, loans, and equity investment) with Steward, as of December 31, 2018, we expect our concentration to range between 35% and 40% of our total assets. With our concentration of leases with Steward projected to be greater than 20% of our total assets at December 31, 2018, we expect to file the financial statements of Steward either together with our Form 10-K for the year ended December 31, 2018, or by Form 10-K/A based on the due dates for financial statements of a significant equity method investee under Regulation S-X Rule 3-09 (per the guidance set forth in Section 2340 of the Staff's Financial Reporting Manual).

Source: sec.gov

Very truly yours,

MEDICAL PROPERTIES TRUST, INC.

MPT OPERATING PARTNERSHIP, L.P.
by Medical Properties Trust, Inc., the sole member of its general partner

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief Financial Officer

MPW | [B] FORCED TO MAKE OUR OWN ASSUMPTIONS

HEDGEYE

In the absence of MPW's required disclosure of Steward's 2021 financials, we are forced to make our own assumptions. One cannot analyze MPW without doing so, its too important. We think we are being generous. See CYH's 2Q22 results...

Amounts in 000s, Except per Share Data

PF "Recurring" EBITDARM Calculation:		
2020A Revenue		5,413,904
(+) Patient Service Revenue		527,103
(+) Incr. Premium Revenue		1,055,715
(+) Other Revenue		120,284
(-) Pandemic Relief Fund Revenue		(389,485)
Adj. Total Revenue (1)		**6,727,521**
Total Opex (excl. Rent)	**CAGR**	5,192,784
(+) Assumed Labor Cost Increase	15.0%	936,324
(+) Supplies & Other Increase	7.0%	329,215
Adj. Total Opex (excl. Rent)		**6,458,322**
"Same Store" EBITDARM		**269,199**
(+) Tenet Miami Annual Contribution (2)		100,000
Pro Forma "Recurring" Annual EBITDARM		**369,199**

Notes:
(1) Assumes a return to pre-COVID 2019 revenue levels for "same store."
(2) Tenet disclosed the 5 Florida hospitals generated ~$100mm of annual EBITDA.

Amounts in 000s, Except per Share Data

Steward-Tenet Acquisition		$	%
Sources of Funds:			
"Steward Equity"	**Cap Rate**	200,000	18.2%
MPW SLB Financing (1)	6.00%	900,000	81.8%
Total Sources		**1,100,000**	**100.0%**
Tenent-Cited Annual EBITDARM		**100,000**	
Assumed Cash Cap Rate		6.00%	
Annual Cash Rent Expense		(54,000)	
Annual EBITDA to Steward		**46,000**	
Property-Level EBITDARM Coverage		1.85x	

Notes:
(1) Illustrative but consistent with the cash economics of MPW's long-term leases.

MPW | [B] SPEAKING OF THE TENET FLORIDA DEAL...

HEDGEYE

2Q21 Steward Florida gross assets +$900 million vs. 1Q21 to account for Tenet acquisition

TOTAL PRO FORMA GROSS ASSETS AND ADJUSTED REVENUE BY OPERATOR

(June 30, 2021)

($ amounts in thousands)

	Pro Forma		
Operators	Properties	Total Gross Assets [A]	Percentage of Total Gross Assets
Steward Health Care	41		
Massachusetts market		$ 1,472,044	6.6%
Utah market		1,264,280	5.7%
Florida market		1,123,154	5.0%
Texas/Arkansas/Louisiana market		1,051,245	4.7%
Arizona market		332,083	1.5%
Ohio/Pennsylvania market		137,784	0.6%
Circle Health	36	2,532,581	11.4%
Prospect Medical Holdings	14	1,615,047	7.2%
Priory Group	35	1,294,150	5.8%
Swiss Medical Network	17	1,279,322	5.8%
46 operators	303	9,197,262	41.2%
Other	-	1,009,212	4.5%
Total	446	$ 22,308,164	100.0%

1Q22 Steward Florida gross assets up +$200 million vs. 2Q21 = <u>~$1.1 billion total investment</u>

TOTAL PRO FORMA GROSS ASSETS AND ADJUSTED REVENUE BY OPERATOR

(March 31, 2022)

($ amounts in thousands)

	Pro Forma		
Operators	Properties	Total Gross Assets [A]	Percentage of Total Gross Assets
Steward Health Care	34		
Florida market		$ 1,337,192	6.0%
Massachusetts market		1,173,852	5.3%
Texas/Arkansas/Louisiana ma		983,344	4.4%
Arizona market		338,873	1.5%
Ohio/Pennsylvania market		141,615	0.7%
Utah market		-	-
Circle Health	36	2,408,716	10.8%
Prospect Medical Holdings	14	1,639,588	7.4%
Swiss Medical Network	17	1,299,524	5.8%
HCA Healthcare	9	1,240,264	5.6%
48 operators	330	10,643,938	47.9%
Other	-	1,028,068	4.6%
Total	440	$ 22,234,974	100.0%

Triple-net REITs should have no capex! Tenants / operators are responsible for capital. Egregious!

MPW | [B] KEY POINTS BEFORE PROJECTIONS

HEDGEYE

All the key ingredients as we see them

- We relied heavily on Steward's audited 2020 financial statements, which is the most recent data we have – provides information on lease obligations, capex burdens (3-4% of revenue), capital structure, interest rates and debt maturities
- We know **Steward's credit facility matures on 9.29.22**
- We know the underlying economics of the **Steward / Tenent Florida deal** +/-, which is the main "non-same store" piece of the puzzle that changed during 2021. **They generate ~$100 million of incremental annual EBITDARM for Steward. 2021 should reflect just one quarter as the deal closed in August**
- We **assume Steward's revenue returns to pre-COVID 2019** levels – probably generous given what we are seeing from other hospital systems and CMS data
- We **assume labor costs are up +15% compounded** since 2020, and **assume supplies and other non-rent expenses are up +7% compounded** since 2020
- We can therefore **make Steward corporate EBITDARM and cash flow projections through 6.30.22**, pending the release of Steward's actual 2021 financial statements
- = **Roughly $300 - $400 million of run-rate "recurring" annual EBITDARM**. So, **by default, less than the $400+ million annual rent burden**, saying nothing of required operator capex. **Steward is not covering its obligations, period stop**
- **We used $369 million of EBITDARM in our analysis, as shown on slide 21**

MPW | [B] PUTTING IT ALL TOGETHER ON STEWARD

HEDGEYE

Amounts in 000s, Except per Share Data

	2020A	Estimated "Same Store"	+	Tenet FL Portfolio	=	PF 2021E	-->	1H22 PF 2Q22E
Hedgeye Adj. EBITDARM [1]	**203,035**	**269,199**		**25,000**		294,199		184,599
(-) Cash Rent - Lease Obligations [2]		(448,914)		(13,500)		(462,414)		(240,456)
(-) Cash Rent - Financing Leases [2]						(15,439)		(7,864)
(-) Interest Expense - Revolver						(7,025)		(3,857)
(-) Operator Capex [3]						(162,417)		(100,913)
(-) Acquisition of Tenet Florida Portfolio [4]				(200,000)		(200,000)		-
(+) Addt'l MPW Investment in Florida Portfolio [5]				211,680		211,680		60,000
(+) CareMax Transaction Cash Proceeds [6]						-		100,000
(+ / -) Required Revolver Draws [7]						34,837		8,490
Net Change in Cash						**(306,580)**		-
Projected Cash Balance:								
Beginning	229,123					406,580		100,000
(+) Net Change in Cash	177,457					(306,580)		-
Ending Cash Balance	**406,580**					**100,000**		**100,000**
Projected Leverage:								
MPW Loan to Steward HoldCo "LLC 3" - Secured by Equity of "LLC 3"	335,000					335,000		335,000
Revolving Credit Facility, due 9.29.22	279,500					314,337		322,826
Other Long-Term Debt (Promissory Note to MPW)	44,000					44,000		44,000
Capital Lease Obligation	52,819					52,819		52,819
PV of Operating Lease Obligations	3,603,368					3,603,368		3,603,368
Adj. Total Debt	**4,314,687**					**4,349,523**		**4,358,013**
(-) Ending Cash Balance	(406,580)					(100,000)		(100,000)
Adj. Net Debt	**3,908,107**					**4,249,523**		**4,258,013**
Leverage & Coverage:								
Adj. Net Debt / EBITDARM						**14.4x**		**11.5x**
EBITDARM / (Rent + Int.)						**0.61x**		**0.73x**
(EBITDARM - Capex) / (Rent + Int.)						**0.27x**		**0.33x**
Revolver Rollforward:								
Interest Rate	2.4375%					2.4375%		2.4375%
Beginning Balance	629,500					279,500		314,337
(+) Net (Borrowing) / Repayment	(350,000)					34,837		8,490
Ending Balance	**279,500**					**314,337**		**322,826**
Interest Expense	15,700					7,025		3,857

Notes:
(1) See slide 21 for assumptions; reflects one quarter of contribution in 2021 from 5 Tenet Florida hospitals.
(2) From footnotes of audited 2020 Steward financial statements.
(3) Assumes 3% of Steward's revenues.
(4) See slide 21 for assumptions.
(5) See slide 22 for assumptions - MPW financed 100% of the $1.1 billion transaction.
(6) Transaction includes $25 million cash consideration + 100% financing of ~$72 million in receivables. Not expect to close until 3Q/4Q22.
(7) Assumed to maintain minimum ~$100 million cash balance for working capital.

Our Conclusions:

- **There is a 0% chance, +/- 0%, that Steward is covering its rent + interest using EBITDARM both before and after capex**
- **Steward has continued to burn cash post-2020, likely funded by revolver draws**
- **No responsible third-party credit officer would underwrite a new credit facility on anything close to the current terms (cash burn + no real estate left)**
- **The equity markets are effectively closed to MPW – get your "VIG!"**
- **We think it is highly likely MPW refinances the credit line itself = RED FLAG, the game is up**

MPW | [B] MPW OVERSTATED CORPORATE COVERAGE

HEDGEYE

- Corporate coverage is what matters
- In June 2021 MPW reported 2.4x corporate coverage for Steward, but this included COVID relief revenue while adding back "one-time" COVID and other expenses = **double counting!**
- Taking a more <u>honest</u> approach, we estimate Steward generated ~$200 million of EBITDARM in 2020 and generated ~0.5x coverage.
- Importantly, this is BEFORE operator capex, which has been running in the ~$200 million range or 3-4% of revenues which is standard for the industry

Amounts in 000s, Except per Share Data

Steward Reported Corp. Income Statement	Actual 2020	Actual 2019
Revenues:		
Patient Service Revenue	4,453,490	4,980,593
Premium Revenue	276,093	1,331,808
Pandemic Relief Fund Revenue	389,485	-
Other Revenue	294,836	415,120
Total Revenue	**5,413,904**	**6,727,521**
Expenses:		
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907
Supplies & Other Expenses	2,657,213	2,695,879
Medical Claims Expense	203,541	1,179,682
Depreciation & Amortization	206,290	186,879
Interest	72,590	112,618
Gain on Sale of Assets & Business	(3,799)	(387,254)
Reorganization Expenses	-	9,497
Total Expenses	**5,853,065**	**6,602,208**
Operating Income	**(439,161)**	**125,313**
Other Non-Operating Income	14,733	(8,799)
Income Before Taxes	**(453,894)**	**134,112**
Income Tax Provision	(58,224)	51,955
Net Income	**(395,670)**	**82,157**
Noncontrolling Interest	(11,923)	336
Net Income Attributable to Steward	**(407,593)**	**82,493**
Income Tax Provision	(58,224)	51,955
Other Non-Operating Income	14,733	(8,799)
Gain on Sale of Assets & Business	(3,799)	(387,254)
Depreciation & Amortization	206,290	186,879
Interest	72,590	112,618
Operating Leases	385,200	383,800
Reported EBITDARM	**209,197**	**421,692**

Reported EBITDARM Coverage	Actual 2020
Reported EBITDARM	209,197
Staffing Optimization	63,700
Electronic Health Record Conversion Impact	92,100
Integration / Rationalization Cost	78,700
COVID-19 Inflationary & Response Costs	199,800
Other Non-Recurring	79,500
Reported Adj. EBITDARM	**722,997**
Reported MPW Rent / Interest	**300,100**
Reported Coverage	**2.41x**

Hedgeye EBITDARM Coverage	Adjusted 2020
Reported EBITDARM	209,197
Pandemic Relief Fund Revenue	(389,485)
COVID-19 Inflationary & Response Costs	199,800
Electronic Health Record Conversion Impact	92,100
Other Non-Recurring	79,500
Noncontrolling Interest	11,923
Hedgeye Adj. EBITDARM	**203,035**
Total Rent / Interest	**457,790**
Reported MPW Rent / Interest	**300,100**
Hedgeye Coverage - Total	**0.44x**
Hedgeye Coverage - MPW Reported	**0.68x**

MPW | [B] MPW PLAYS GAMES WITH REPORTED COVERAGES

HEDGEYE

Rather than take an honest approach, in our view MPW relies on strawmen and outright misrepresentation

EBITDARM RENT COVERAGE: OPERATORS WITH PROPERTY-LEVEL REPORTING

Tenant	Investment (in thousands)	Primary Property Type	TTM EBITDARM Rent Coverage(A)	Investment as a Percentage of Total Gross Assets
Steward Health Care	$ 4,270,864	General Acute	2.8x	19.2%
MEDIAN	$ 1,132,887	IRF	1.9x	5.1%
Prime Healthcare	$ 1,006,772	General Acute	5.2x	4.5%
Priory Group	$ 939,387	Behavioral Health	1.8x	4.2%
Springstone	$ 803,843	Behavioral Health	1.5x	3.6%
LifePoint Health	$ 658,084	General Acute	2.7x	3.0%
Prospect Medical Holdings(C)	$ 592,572	General Acute	1.9x	2.7%
Ernest Health	$ 520,044	IRF/LTACH	2.9x	2.3%
ScionHealth	$ 454,743	General Acute/LTACH	2.1x	2.0%
Vibra Healthcare	$ 272,846	IRF/LTACH	2.5x	1.2%
Aspris Children's Services	$ 264,318	Behavioral Health	2.1x	1.2%
Pipeline Health System	$ 218,324	General Acute	2.6x	1.0%
Surgery Partners	$ 196,050	General Acute	6.9x	0.9%
HM Hospitales	$ 171,982	General Acute	3.3x	0.8%
Other Reporting Tenants	$ 724,256	Various	3.3x	3.3%
Total	**$ 12,226,972**		**3.0x**	**55.0%**

Tenant	Investment (in thousands)	Primary Property Type	TTM EBITDARM Rent Coverage(A)	Investment as a Percentage of Total Gross Assets
International Operator 1	$ 2,403,905	General Acute	2.4x	10.8%
International Operator 2	$ 986,926	General Acute	2.0x	4.4%
Total	**$ 3,390,831**		**2.3x**	**15.2%**

Above data represents 88% of MPT Total Real Estate Investment

Notes: All data presented is on a trailing twelve month basis. For properties acquired in the preceding twelve months, data is for the period between MPT acquisition and 12/31/2021.

(A) EBITDARM is earnings before interest, taxes, depreciation, amortization, rent and management fees. EBITDARM does not reflect historical cash expenditures or future cash requirements for facility capital expenditures or contractual commitments. In addition, EBITDARM does not represent property net income or cash flows from operations and should not be considered an alternative to those indicators. EBITDARM figures utilized in calculating coverages presented are based on financial information provided by MPT's tenants. MPT has not independently verified this information [but has no reason to believe this information is inaccurate in any material respect]. TTM Coverages calculated based on actual, unadjusted EBITDARM results as presented in tenant financial reporting and cash rent paid to MPT, except as noted below.

- Total CARES Act Grants received by tenants during the period between March 2020 and June 2021 have been spread evenly by quarter from Q2 2020 through Q2 2021. Any additional grants received after June 2021 are included in the quarter that they were recorded by the tenant.

- Prospect EBITDARM adjusted to exclude out-of-period California Provider Fee income in March 2020 and spread evenly to the period from July 2019 to March 2020.

- Steward EBITDARM adjusted for one-time out-of-period legal settlement in July 2020.

- LifePoint EBITDARM adjusted for one-time out-of-period legal settlement in June 2020.

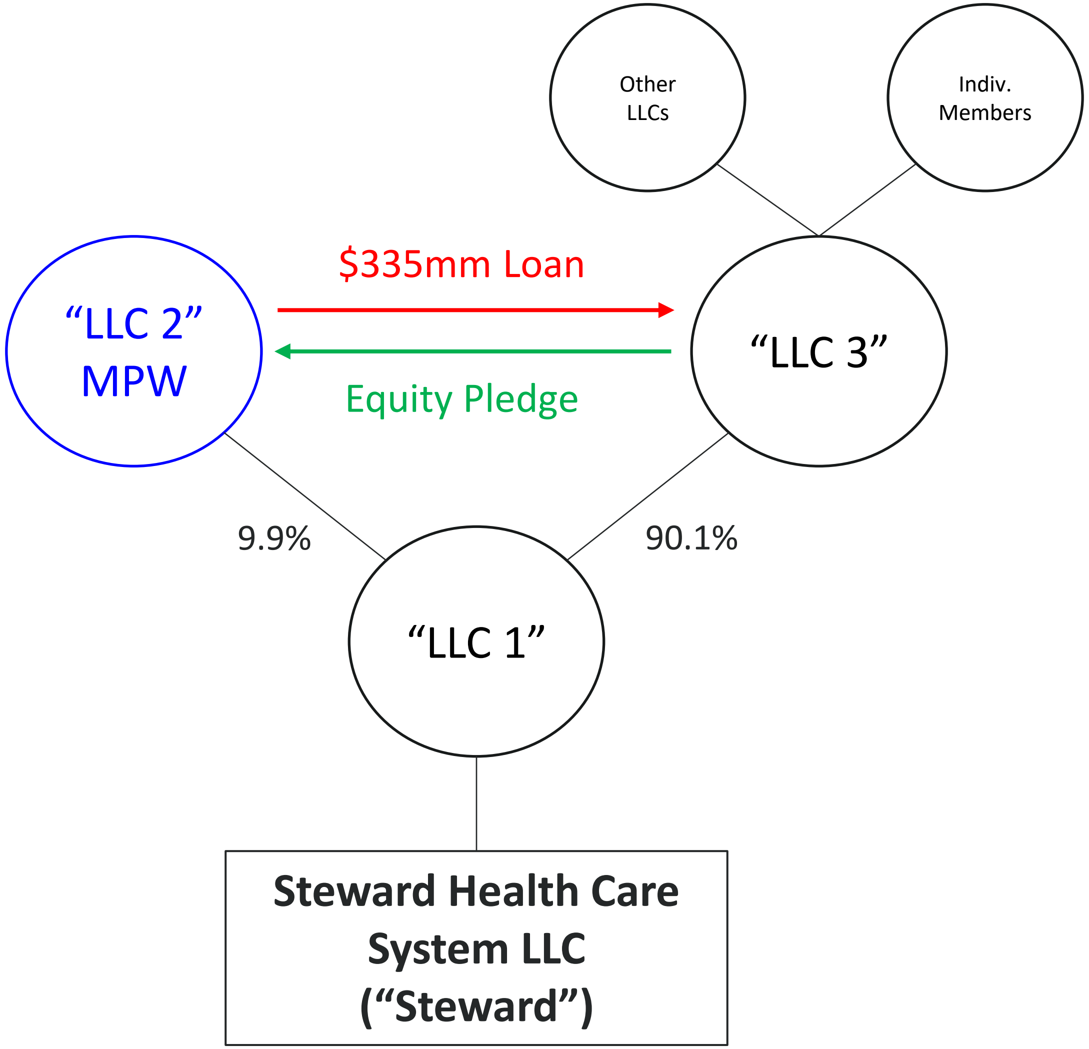
(B) Total Master Lease, Cross Defaulted and/or with Parent Guaranty coverage includes Prospect's Pennsylvania and Connecticut facilities which are classified by Prospect as held for sale as part of publicly announced agreements executed by Prospect to sell assets.

(C) Prospect coverage excludes Pennsylvania and Connecticut facilities classified by Prospect as held for sale as part of publicly announced agreements executed by Prospect to sell the assets.

MPW | [B] STEWARD'S OWNERSHIP STRUCTURE

HEDGEYE

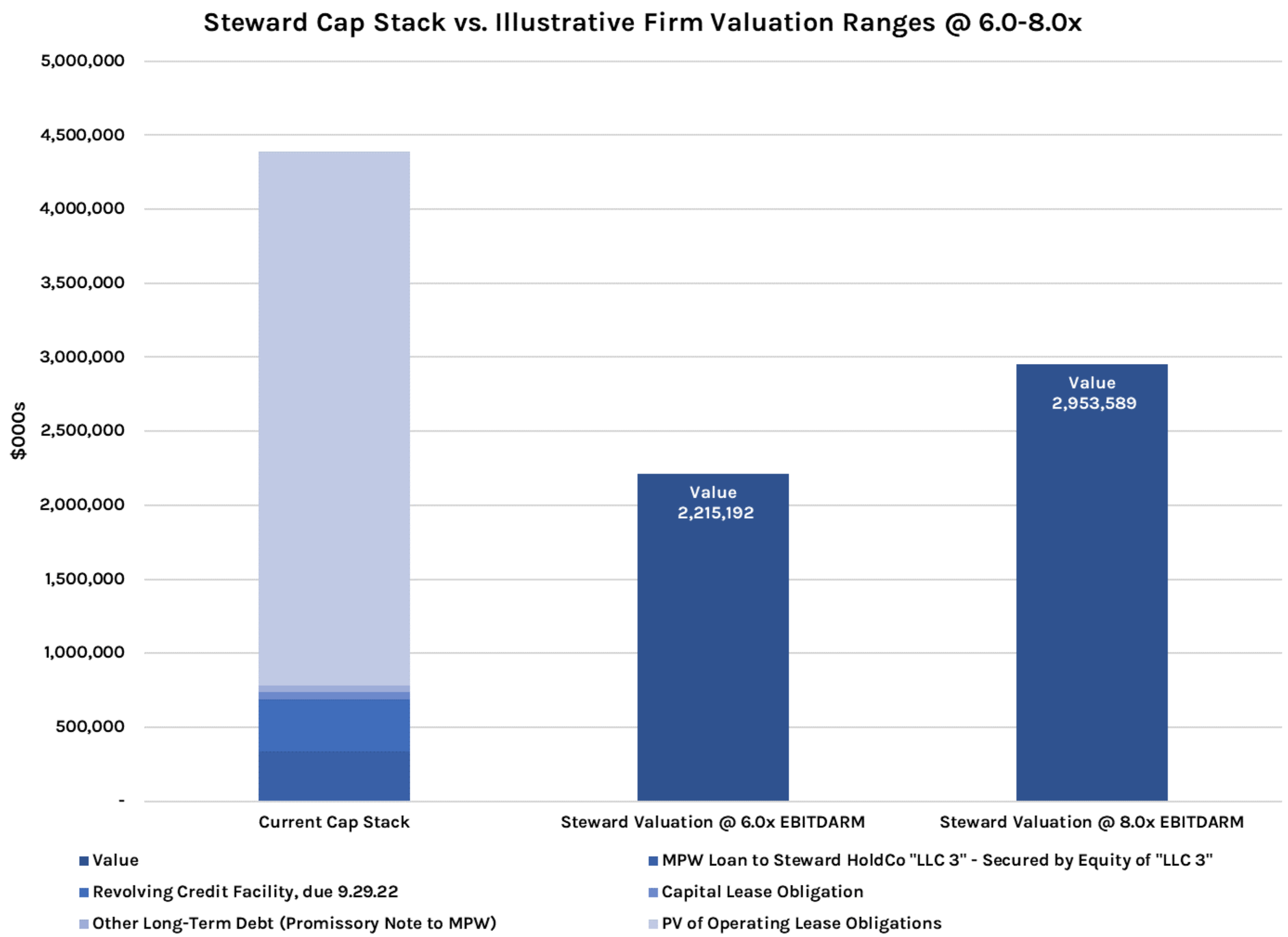
We include the $335 million loan to finance Cerberus' exit as part of Steward's debt stack, as it is secured by a pledge of the equity in "LLC 3"



MPW | [B] THE STEWARD / MPW LEASE IS THE "FULCRUM"

HEDGEYE

Simultaneously makes the current situation untenable, while also providing MPW an opportunity to "kick the can down the road"



	$	Leverage x EBITDARM
Est. Current Steward Capital Structure:		
MPW Loan to Steward HoldCo "LLC 3" - Secured by Equity of "LLC 3"	335,000	0.9x
Revolving Credit Facility, due 9.29.22	322,826	1.8x
Other Long-Term Debt (Promissory Note to MPW)	44,000	1.9x
Capital Lease Obligation	52,819	2.0x
PV of Operating Lease Obligations	3,603,368	11.8x
Total Debt + Operating Leases	**4,358,013**	**11.8x**
Est. Cash & Cash Equivalents	(100,000)	
Net Debt + Operating Leases	**4,258,013**	**11.5x**

MPW | [B] "ON BOTH SIDES," MPW CAN CUT THE RENT

HEDGEYE

- As landlord, 9.9% direct equity owner, and largest unsecured lender to a distressed / insolvent entity → **MPW effectively IS Steward, and Steward IS MPW**
- On both sides of the deal, **MPW has the option to postpone a default by voluntarily reducing Steward's uneconomic rent burden**
- The game theory implies this is a logical intermediate step before full-on default, and we believe this will / needs to happen
- **We assume a 1.5x target coverage ratio**. It should be closer to ~2.0x, but we fully expect MPW to balance "kicking the can" versus limiting the rent reduction flowing through MPW
- **This implies a ~$250 million rent reduction**, or roughly half the revenue currently collected by MPW from Steward
- **This eviscerates MPW's equity value (next slide)**

Amounts in 000s, Except per Share Data

[redacted]

PF "Recurring" EBITDARM Calculation:		
2020A Revenue		5,413,904
(+) Patient Service Revenue		527,103
(+) Incr. Premium Revenue		1,055,715
(+) Other Revenue		120,284
(-) Pandemic Relief Fund Revenue		(389,485)
Adj. Total Revenue (1)		**6,727,521**
Total Opex (excl. Rent)	**CAGR**	5,192,784
(+) Assumed Labor Cost Increase	15.0%	936,324
(+) Supplies & Other Increase	7.0%	329,215
Adj. Total Opex (excl. Rent)		**6,458,322**
"Same Store" EBITDARM		**269,199**
(+) Tenet Miami Annual Contribution (2)		100,000
Pro Forma "Recurring" Annual EBITDARM		**369,199**
PF Rent + Interest:		
PF EBITDARM		**369,199**
(/) Target Coverage Ratio (3)		1.50x
PF Rent + Interest		**246,132**
Pro Forma EBITDA: Post-Restructuring:		
PF EBITDARM		**369,199**
(-) Assumed Management Fee (4)	3.0%	(201,826)
PF EBITDAR		**167,373**

Notes:
(1) Assumes a return to pre-COVID 2019 revenue levels for "same store."
(2) Tenet disclosed the 5 Florida hospitals generated ~$100mm of annual EBITDA.
(3) Assumes 1.5x target corporate EBITDARM coverage.
(4) Assumes management fee of 3.0% paid to third-party manager.

MPW | [B] WHAT HAPPENS TO MPW'S EQUITY?

HEDGEYE

Total Annual Steward Rent + Int. to MPW	496,639

Amounts in 000s, Except per Share Data

	MPW Today / Revolver Refinance							Step 1: Steward Rent Cut	
	MPW 7/27/2022	+	Assumed Revolver Refi (1)(2)	=	Current MPW "Value"	+	Assumed Rent Reduction (2)		Pro Forma MPW "PropCo"
Ann. Cash EBITDA	1,175,372				1,175,372		(250,507)		924,865
(x) Assumed EBITDA Multiple.	18.1x				13.3x				13.3x
Enterprise Value	**21,246,637**				**15,632,448**				**12,300,710**
Implied "MV/BV"	1.02x				0.75x				0.59x
(-) Net Debt	(11,245,979)		(322,826)		(11,568,805)				(11,568,805)
Equity Value	**10,000,658**				**4,063,642**				**731,905**
(/) Total Shares / Units	598,932				598,932				598,932
Equity Value / Share	**16.70**				**6.78**				**1.22**
Potential Upside / (Downside)					-59.4%				-92.7%

Notes:

(1) Assumes MPW refinances Steward's o/s credit facility balance using draw from its own revolver.

(2) Projected Steward revolver balance found on slide 24.

- **If you agree that (1) Steward is not covering its rent + interest with cash flow, (2) Steward is insolvent today, (3) MPW will lever up further to refinance Steward's revolver maturing 9.29.22, (4) MPW is Steward's entire cap stack, (5) the best option is to cut Steward's rent, and (6) MPW should trade at a discount to "book" = MPW'S EQUITY IS EFFECTIVELY WORTHLESS**
- **OOF! (we had to)**

MPW | [B] MPW'S DIVIDEND IS AT RISK

HEDGEYE

Amounts in 000s, Except per Share Data

Potential Impact on MPW's Dividend	
Current Reported Payout Metrics:	
Reported AFFO / Share - 1Q22	0.37
Annualized AFFO	1.46
Annualized Dividend / Share	1.16
Reported AFFO Payout %	**79.4%**
Implied Coverage	1.26x
Current Dividend Yield	6.90%
Potential Dividend Reduction Math:	
Reported Annualized AFFO - 1Q22	875,460
(-) Potential Rent Reduction	(250,507)
Pro Forma Annualized AFFO	**624,953**
(-) Shares Outstanding	598,932
Pro Forma Annualized AFFO / Share	**1.04**
Implied AFFO Reduction	-28.6%
(x) Target Payout Ratio	75.0%
Pro Forma Dividend / Share	**0.78**
Implied Coverage	1.33x
Implied Dividend Reduction	**-32.5%**
Implied Dividend Yield	**4.66%**

- If the situation evolves the way we think it will, MPW will not be covering its dividend with available cash flow, necessitating a dividend cut
- Assuming the Steward rent cut scenario we presented above, we estimate this would translate into an approximate ~30% reduction in AFFO / share
- Assuming a targeted ~75% payout ratio against AFFO, this would translate into a 30-35% dividend cut
- The yield implied by the stock current stock price would move from just under ~7% to ~4.7%, versus an average of ~4.5% on a market cap-weighted basis for Healthcare REITs
- I.e., we believe the market is already beginning to discount a dividend cut
- We fully expect the multiple to compress / cap rate to expand in addition to the reduction in cash flow

[C] STEWARD DEFAULT

MPW | [C] BUT IT GETS WORSE! POTENTIALLY...

HEDGEYE

Total Annual Steward Rent + Int. to MPW	496,639

Amounts in 000s, Except per Share Data

	MPW Today / Revolver Refinance					Step 1: Steward Rent Cut			Step 2: Steward Default / Consolidation				
	MPW 7/27/2022	+	Assumed Revolver Refi [1][2]	=	Current MPW "Value"	+	Assumed Rent Reduction [2]	Pro Forma MPW "PropCo"	-	Cancel Remaining Rent + Int. [3]	+	Pro Forma Steward "OpCo" [4][5]	=	Pro Forma MPW Combined
Ann. Cash EBITDA	1,175,372				1,175,372		(250,507)	924,865		(246,132)		167,373		846,106
(x) Assumed EBITDA Multiple.	18.1x				13.3x			13.3x				7.0x		12.1x
Enterprise Value	**21,246,637**				**15,632,448**			**12,300,710**				**1,171,611**		**10,198,760**
Implied "MV/BV"	1.02x				0.75x			0.59x						
(-) Net Debt	(11,245,979)		(322,826)		(11,568,805)			(11,568,805)		59,054		-		(11,509,751)
Equity Value	**10,000,658**				**4,063,642**			**731,905**				**1,171,611**		**(1,310,991)**
(/) Total Shares / Units	598,932				598,932			598,932						598,932
Equity Value / Share	**16.70**				**6.78**			**1.22**						**(2.19)**
Potential Upside / (Downside)					-59.4%			-92.7%						

Notes:

(1) Assumes MPW refinances Steward's o/s credit facility balance using draw from its own revolver.
(2) Projected Steward revolver balance found on slide 24.
(3) Assumes remaining rent obligations discharged & MPW becomes new Steward equity; eliminates prior MPW share of UJV debt.
(4) Assumes Stewart owned under RIDEA structure, pays 3.0% of revenues to third-party manager.
(5) Assumes restructured Steward valued at 7.0x recurring EBITDA.

- Should Steward eventually default and there is no third-party buyer of the OpCo, MPW could be forced to "take the keys" and consolidate Steward
- MPW would have to own Steward under a RIDEA structure and hire a third party manager to run the OpCo in order to maintain REIT status
- Much harder to handicap and a longer-term story, but the math dictates MPW would have negative equity value
- SELL / SHORT THE STOCK

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