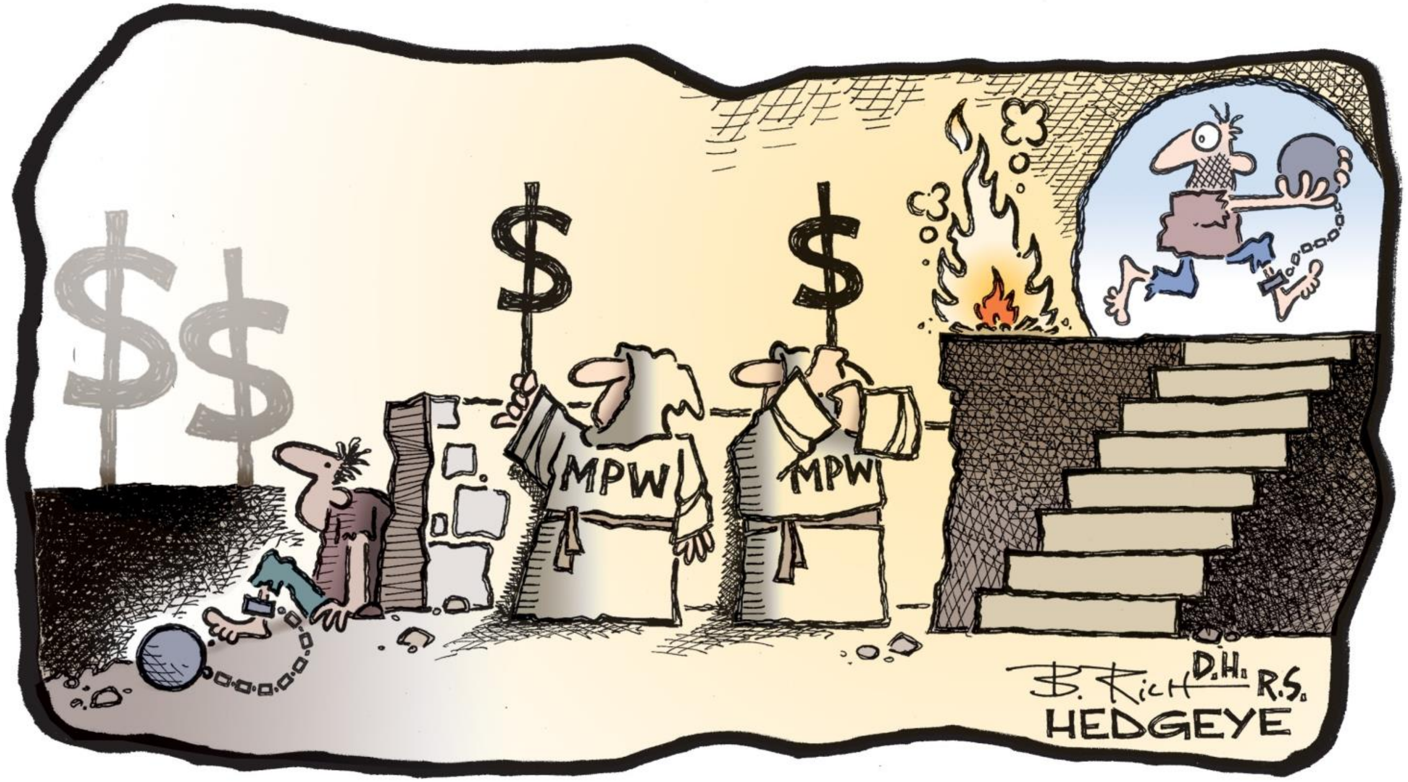
HEDGEYE

Active Short Medical Properties (Dis)Trust

“Do Not Pass Go, Do Not Collect $200 Dollars…”

April 10, 2024



Medical Properties Trust

HEDGEYE REITs

ROB SIMONE, CFA
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Legal

HEDGEYE

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"I was relaxing and watching the evening news at my recently-finished, sprawling retirement home at Beam Acres in Fairhope, Alabama when the announcer said, **'We open tonight's broadcast with a breaking story from Birmingham, Alabama.'"** – **Beam, Aaron. *Healthsouth: The Wagon to Disaster.* Wagon Publishing, 2009, p. 9).**

"It's all a fugayzi, you know what a fugayzi is?... "Fugayzi, fugazi. It's a whazy. It's a woozie. It's fairy dust. It doesn't exist. It's never landed. It is no matter. It's not on the elemental chart. **It's not ****ing real."** – **Mark (Not Kevin) Hanna, (Scorsese, M. 2013. *The Wolf of Wall Street.*)**

"As I mentioned, **we believe strongly that there have been rumors and falsehoods around MPT** and our business in recent months. We appreciate that, like other public companies, MPT is regularly the focus of third-party reports that may express opinions about the company, which may be favorable or not. However, we encourage our investors to recognize that **not all market commentators or reporters are equal or write objectively without agendas.**" – **MPW CEO Ed Aldag - 1Q22 Earnings Call held on 4.28.22.**

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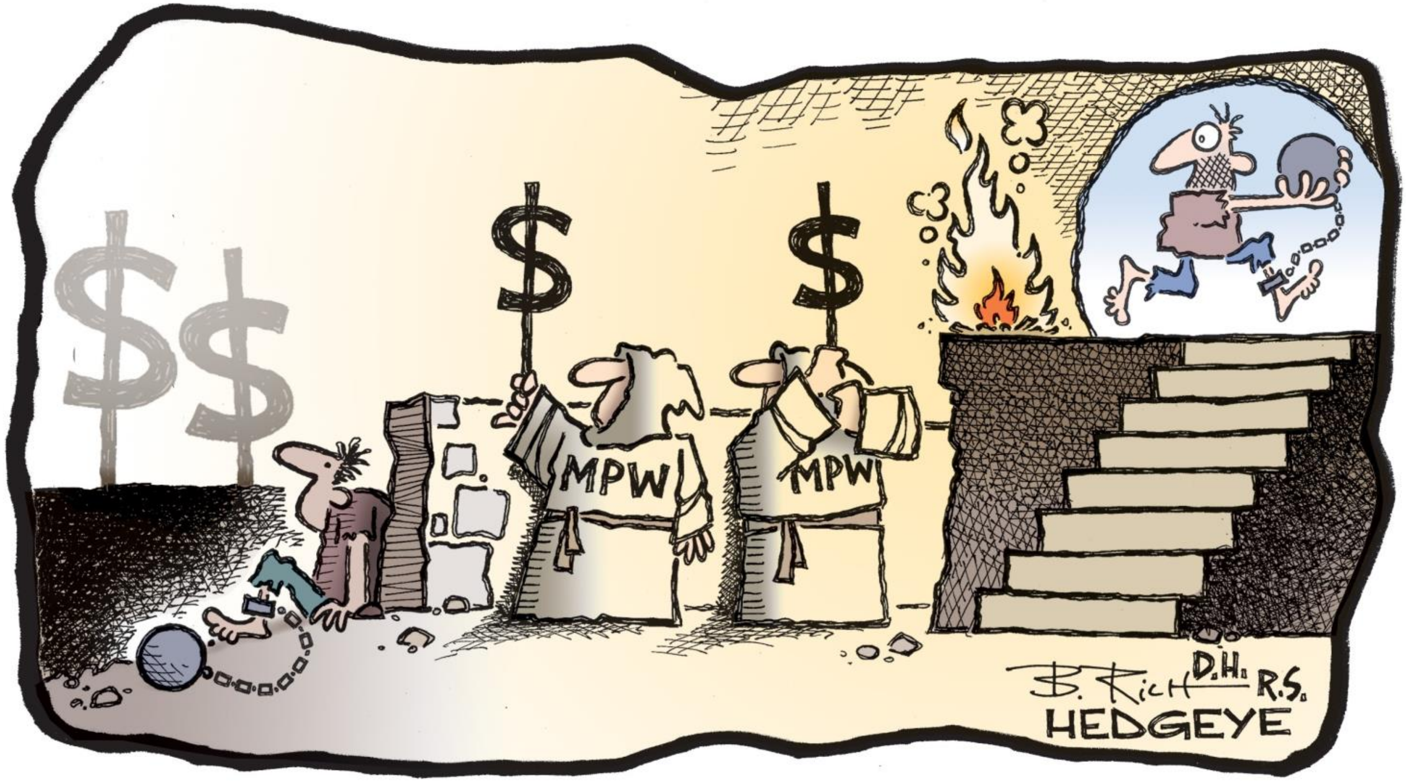
[1] INTRODUCTION



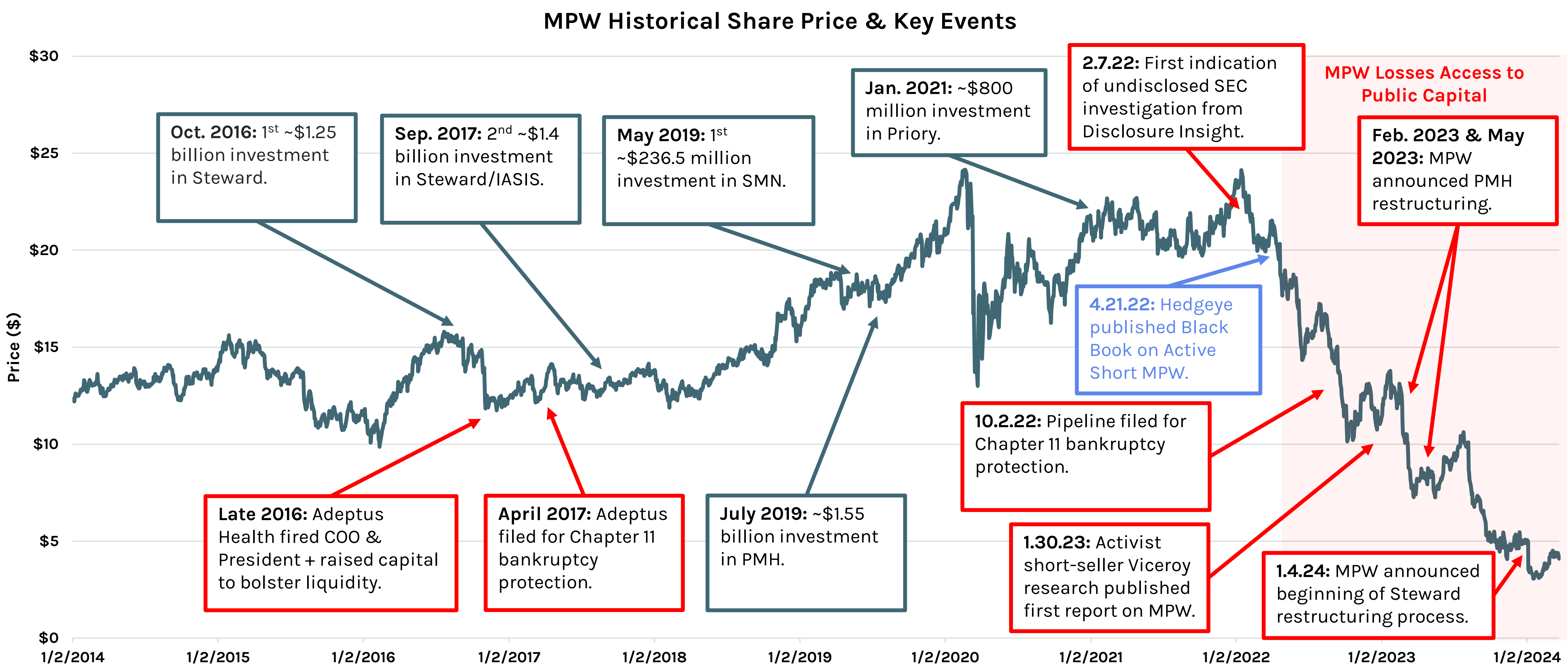
[1] | INTRODUCTION & EXECUTIVE SUMMARY

HEDGEYE

- **MPW is a disaster. We continue to believe that the equity is completely worthless**, it just happens to still have a price.
- There is so much to go through. Likely too much. We attempted here to **assemble enough material to tell the "MPW story**."
- While purporting to be a hospital-focused REIT, our view is that **MPW is NOT merely an investor in real estate**. Instead, it often deliberately structures complex transactions to **effectively or actually capitalize and own entire hospital system "WholeCos."**
- It does so by **(1) first acquiring the real estate via sale-leaseback ("SLB")** from hospital operators, **(2) concurrently taking direct debt/equity stakes in the OpCos,** and then **(3) continuously lending directly to the operators thereafter**.
- We believe that **MPW massively overpaid for its investments.** It did so likely to (1) drive higher executive compensation, (2) show continued reported earnings growth to Wall Street, and (3) at times, dilute down prior large tenant exposures.
- Many of MPW's operator tenants are **financially distressed or insolvent** former PE-owned **"safety net" hospital systems** which cannot afford MPW's rent. These include **Steward Health Care System ("Steward"), Prospect Medical Holdings ("PMH"), Priory Group ("Priory"), Swiss Medical Network ("SMN")** and **Pipeline Health ("Pipeline"),** among *many* others. **The story of MPW can be told through tenant case studies**. The same themes repeat over and over again.
- **Rather than reducing unaffordable rent**, MPW repeatedly **extends working capital support** via loans and other advances to these tenants **using outside capital.** Hedgeye regards these maneuvers as **"circular"** and forms of **deliberate earnings manipulation**, as a significant portion of MPW's reported earnings would likely not exist without MPW's own support.
- The patterns are repeated. We believe that **MPW "runs a playbook"** across tenants.
- As we sit here today (mid-April 2024), **MPW is massively over-leveraged**, management has **lost all credibility**, the company and its tenants are under an **increasing degree of public scrutiny**, the company has **lost essentially all access to reasonably-priced external capital** and there is **significant risk of financial distress**.

[1] | HISTORICAL SHARE PRICE & SUBSET OF KEY EVENTS

HEDGEYE



[1] | WHY WE BELIEVE MPW IS FALLING APART

HEDGEYE

We believe that MPW is a REIT manifestation of the "greater fool theory" – it only "works" so long as outsiders are willing to supply cheap *new* capital to support MPW's *existing* non-economic/non-commercial transactions. This broke down over 2022-2024.

Amounts in 000s, Except per Share Data

		Net Proceeds From Debt				
	Issuance of Common Stock (A)	Proceeds from Debt	Repayments of Debt	Net Proceeds from RCF	Net Proceeds (B)	Net Proceeds from External Capital (A + B)
2013	313,331	424,580	(11,249)	(20,000)	393,331	706,662
2014	138,173	425,000	(100,266)	490,625	815,359	953,532
2015	817,389	681,000	(283)	509,415	1,190,132	2,007,521
2016	1,173,651	1,000,000	(575,299)	(810,000)	(385,299)	788,352
2017	547,785	2,355,280	(1,038,221)	550,415	1,867,474	2,415,259
2018	94,239	759,735	-	(811,718)	(51,983)	42,256
2019	2,533,210	3,048,424	-	(65,736)	2,982,688	5,515,898
2020	411,101	2,215,950	(800,000)	162,633	1,578,583	1,989,684
2021	1,051,229	3,407,535	(1,390,994)	559,985	2,576,526	3,627,755
2022	-	128,536	(869,606)	203,576	(537,494)	(537,494)
2023	-	-	(988,162)	567,910	(420,252)	(420,252)
Total	**7,080,108**	**14,446,040**	**(5,774,080)**	**1,337,105**	**10,009,065**	**17,089,173**
2013-2021	**7,080,108**	**14,317,504**	**(3,916,312)**	**565,619**	**10,966,811**	**18,046,919**
2019-2021	**3,995,540**	**8,671,909**	**(2,190,994)**	**656,882**	**7,137,797**	**11,133,337**
2022-2023	**-**	**128,536**	**(1,857,768)**	**771,486**	**(957,746)**	**(957,746)**

Allowed MPW to acquire + lend to tenants.

Things fell apart.

"We're so back!"

"It's never been more over."

"Ponzi schemes require ever-fresh sources of capital, before they ultimately collapse."
– Doomberg, on or about 2.28.24

Note: Doomberg has neither endorsed the contents of this presentation, nor our short recommendation on MPW. We are merely fans of their work and quotes.

[1] | THIS FRAMEWORK REPEATS THROUGHOUT MPW'S HISTORY

HEDGEYE

We see this pattern repeated over time and across multiple tenants. We will use it as a "TOC, within a TOC."

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[1] | THE BUSINESS MODEL IS FUNDAMENTALLY "BROKEN"

HEDGEYE

Long-term triple-net leases are very delicate arrangements. They can work for SH portfolios, for example, with mid-20%+ EBITDAR margins and mid-teens or higher margins after capex. MPW's typical hospital tenant, with MSD EBITDAR margins, has virtually no chance of succeeding.

Brookdale Senior Living (BKD) Reported 2023 Results

	SHOP Portfolio	Leased Portfolio	Combined Portfolio	Corp. / Mgmt. [1]	Total Company
Resident Fee Revenue	1,675,103	1,182,167	2,857,270	-	2,857,270
(+) Management Fees	-	-	-	10,161	10,161
(+) Other Operating Income	7,228	1,845	9,073	-	9,073
Total Revenue	1,682,331	1,184,012	2,866,343	10,161	2,876,504
(-) Facility Operating Expenses	(1,279,382)	(850,418)	(2,129,800)	-	(2,129,800)
EBITDARM	402,949	333,594	736,543	10,161	746,704
EBITDARM Margin %	*24.0%*	*28.2%*	*25.7%*		*26.0%*
(-) Cash G&A Expenses	(88,856)	(62,705)	(151,561)	(11,456)	(163,017)
EBITDAR	314,093	270,889	584,982	(1,295)	583,687
EBITDAR Margin %	*18.7%*	*22.9%*	*20.4%*		*20.3%*
(-) Non-Development Capex	(108,075)	(53,608)	(161,683)	(26,028)	(187,711)
EBITDAR - Capex	206,018	217,281	423,299	(27,323)	395,976
(EBITDAR - Capex) Margin %	*12.2%*	*18.4%*	*14.8%*		*13.8%*
Cash Lease Payments [2][3]	-	250,677	250,677	5,945	256,622
% of Revenues	-	*21.2%*			*8.9%*
Coverage Ratios:					
EBITDAR / Cash Rent		1.08x	2.33x		2.27x
(EBITDAR-Capex) / Cash Rent		0.87x	1.69x		1.54x

Notes:

(1) Capex shown net of ~$24.7 million of insurance proceeds from natural disasters in 2023. Corporate capex included ~$28.8 million of total remediation costs.
(2) Includes financing lease payments.
(3) Majority of BKD's leases are corporate parent-guaranteed MLAs.

Amounts in 000s, Except per Share Data

Steward Reported Corp. Income Statement	Actual 2020	2019	2018	2017
Revenues:				
Patient Service Revenue	4,453,490	4,980,593	4,853,665	3,042,547
Premium Revenue	276,093	1,331,808	1,449,638	465,651
Pandemic Relief Fund Revenue	389,485	-	-	-
Other Revenue	294,836	415,120	322,886	197,443
Total Revenue	5,413,904	6,727,521	6,626,189	3,705,641
Expenses:				
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907	2,744,635	1,780,182
Supplies & Other Expenses	2,657,213	2,695,879	2,628,183	1,561,051
Medical Claims Expense	203,541	1,179,682	1,151,875	363,978
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Transaction Expenses	-	-	-	49,792
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Reorganization Expenses	-	9,497	5,308	8,859
Total Expenses	5,853,065	6,602,208	6,895,375	4,027,238
Operating Income	(439,161)	125,313	(269,186)	(321,597)
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
Income Before Taxes	(453,894)	134,112	(268,783)	(319,374)
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Net Income	(395,670)	82,157	(279,547)	(207,181)
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Rent Expense	385,200	383,800	212,900	106,300
Reported Un-Adjusted EBITDAR	210,186	817,409	344,696	50,302
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
EBITDAR	221,120	421,356	309,088	48,079
EBITDAR / (GAAP Rent + Interest)	0.48x	0.85x	0.81x	0.22x
OCF excl. MAP Payments	15,168	(202,016)	239,654	(22,164)
Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	(274,126)	(358,579)	38,759	(105,567)

Keep in mind that Steward cash rent > GAAP rent due to amortization of gains = worse!

- ➢ For parent-guaranteed MLAs, if the goal is to avoid default → corporate credit is what ultimately matters!
- ➢ This is particularly true if properties are difficult to re-tenant (hospitals), or the landlord invests in the OpCo.
- ➢ Even in BKD's case with its better property-level profitability, there is a need to "lean" on SHOP and corporate credit.

Data Source: https://s26.q4cdn.com/858530099/files/doc_financials/2023/q4/Brookdale-Fourth-Quarter-2023-Supplemental.pdf, Company Reports, Hedgeye Estimates

[1] | SO WHAT DOES MPW DO? THEY EXTEND FUNDS TO SUPPORT THE "OPCO"

HEDGEYE

The incredible statement below shows MPW's priorities: (1) preserving artificially-high values and (2) manufacturing unsustainable earnings. It achieves these by investing directly into the OpCo and making up the shortfalls "below the line," rather than cutting rent.

Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		**$468.8 mm**	**($253.9 mm)**	**$214.9 mm**	

KEY TAKEAWAYS:

- General working capital loans are **relatively small** (~$175 mm) and help **safeguard the value** of MPT's real estate
- Approximately **$4 mm in cash interest income** in the third quarter from $214.9 mm in total loans
- **Cross-defaulted** with Steward master leases (both include parent guaranty), with first liens on assets of hospital operating entities and second liens (after ABL lenders) on receivables
- For facilities with strong local coverage and *temporary* cash flow challenges, working capital support is **preferable to *permanently* destroying value by reducing rent**

[1]Includes Tranche 2 and other loans that have since been fully repaid

MPT | 5

[1] | OTHER HC REITS RESTRUCTURE RENTS, BUT NOT MPW!

HEDGEYE

For example, in 2020 Ventas ("VTR") and Brookdale ("BKD") announced an MLA restructuring, including reduced rents to offer BKD greater financial flexibility. While certainly painful to VTR, this was the "above-board" approach. The press release is [HERE](#).

<u>**Master Lease Restructuring Key Terms**:</u>

- Brookdale receives an expected aggregate rent reduction of approximately $500 million over the remaining and unchanged lease term, ending December 31, 2025.
- Effective July 1, 2020, cash rent decreased to $100 million per year through December 2021:
  - For second half of 2020, results in cash rent reduction of approximately $42 million.
  - For calendar year 2021, results in cash rent reduction of approximately $90 million.
- Beginning January 2022, annual rent increases by 3.0% per annum over the reset rent amount through the December 31, 2025 lease maturity.
- As consideration for the master lease restructuring, Brookdale:
  - Surrendered its existing approximately $47 million security deposit with no future security deposit requirements.
  - Agreed to pay Ventas $115 million in cash in connection with the closing of the transaction.
  - Issued a $45 million unsecured interest-only pre-payable note to Ventas, with an initial interest rate of 9.0% per annum and maturing December 31, 2025.
  - Issued Ventas warrants expiring December 31, 2025 for 16.3 million shares of Brookdale common stock, currently representing approximately 8% of post-exercise, fully diluted shares, at a strike price of $3.00 per share.

[1] | MPW HAS THE WORST EARNINGS QUALITY WE HAVE EVER SEEN FOR A REIT

HEDGEYE

"Ever" is a long time! Hedgeye does not believe that these metrics, and perhaps any of MPW's reported results, can reasonably be relied upon by investors.

Normalized Funds from Operations ("NFFO"):

- **Not representative of "recurring" or "true" economic earnings**. It is essentially a useless metric for this company.
- Includes massive, outsized benefit from straight-line rent and other non-cash revenue.
- Includes frequent one-time gains that are poorly disclosed.
- Includes one-time, non-cash receipts of restructured OpCo equity (such as with "PHPH," as discussed later) that we believe are meant to engineer "beats" or a "squeeze" → **"near-termism."**
- **MPW makes sizeable working capital loans to larger tenants**. How much of MPW's recorded "NFFO" would disappear without this support?

Adjusted Funds from Operations ("AFFO"):

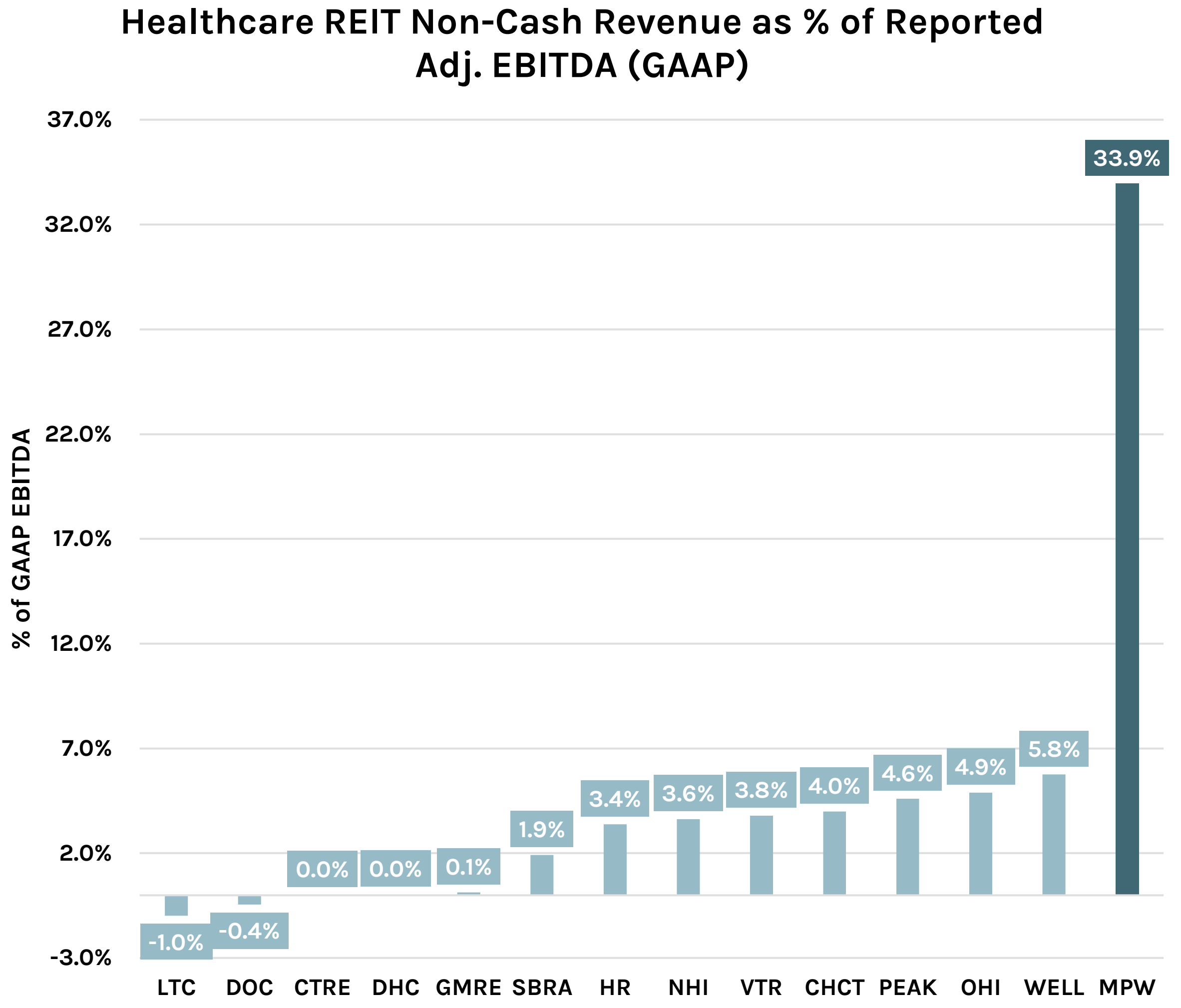
- **The main "scene of the crime,"** in our view. The metric *had* no bearing on "true" underlying cash flow or dividend support. It was removed with 4Q23 results.
- **"Cash cannot be engineered or manipulated."** – **CFO Steve Hamner, 1Q22 Earnings Call held on 4.28.22.**
- Included gains + PHPH equity as with "NFFO" above, and also supported by "circular" working capital loans to tenants.
- **Does not deduct impact of "capex" or other advances to tenants**. MPW is the only triple-net REIT that we know of with any meaningful capex. Hedgeye believes a significant portion of this "capex" is actually working capital support to tenants.
- **Now clear that "AFFO" included MASSIVE non-cash rent + interest amounts over 2022-2023**, and likely earlier.

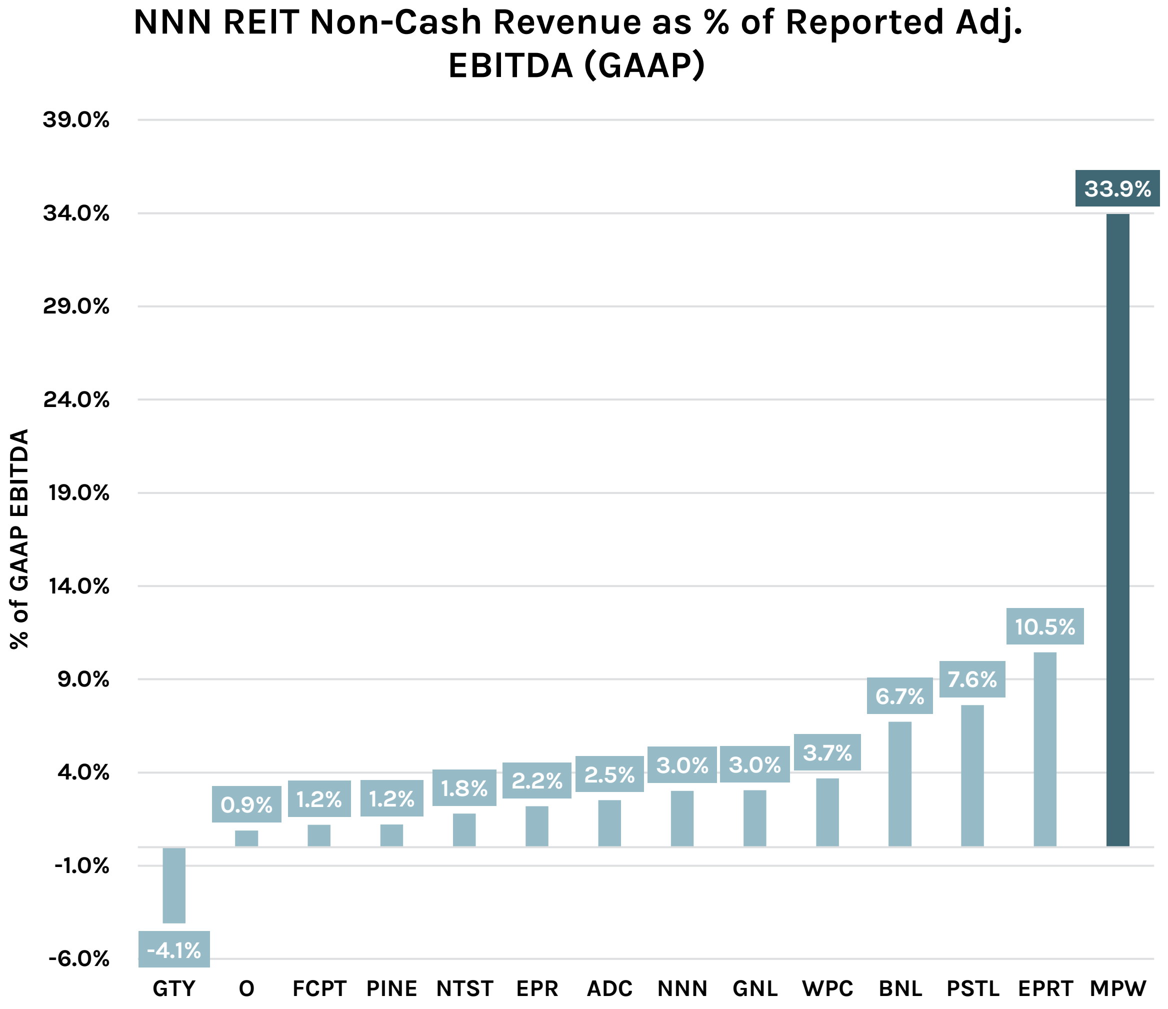
Data Source: Company Reports, Hedgeye

[1] | TOTAL NON-CASH REVENUE REMAINS ORDERS OF MAGNITUDE ABOVE PEERS...

HEDGEYE

MPW's non-cash revenues as a % of reported Adj. EBITDA is orders of magnitude larger than peers = poor earnings quality! We do not think that reported "NFFO" and EBITDA, inclusive of non-cash revenue, can be relied upon.





[1] | ...HAS BEEN INCREASING SECULARLY OVER TIME...

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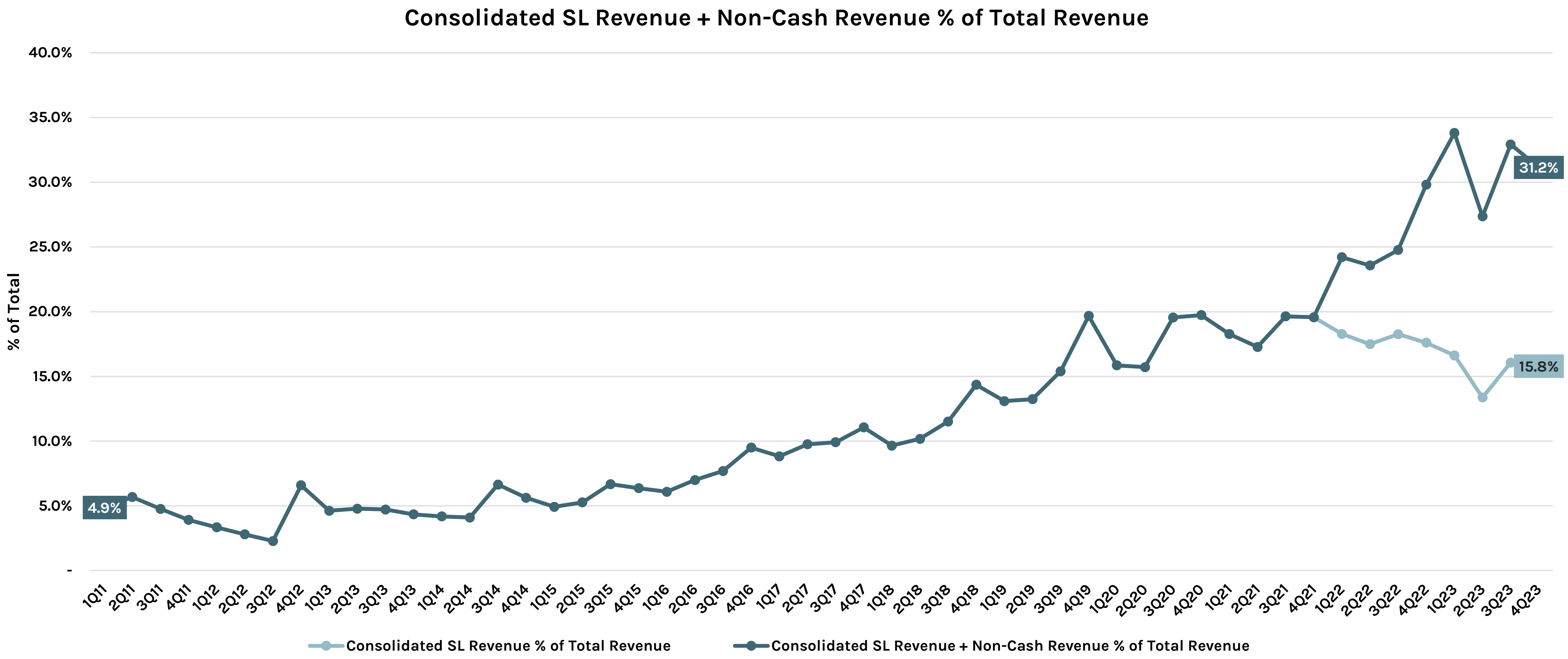


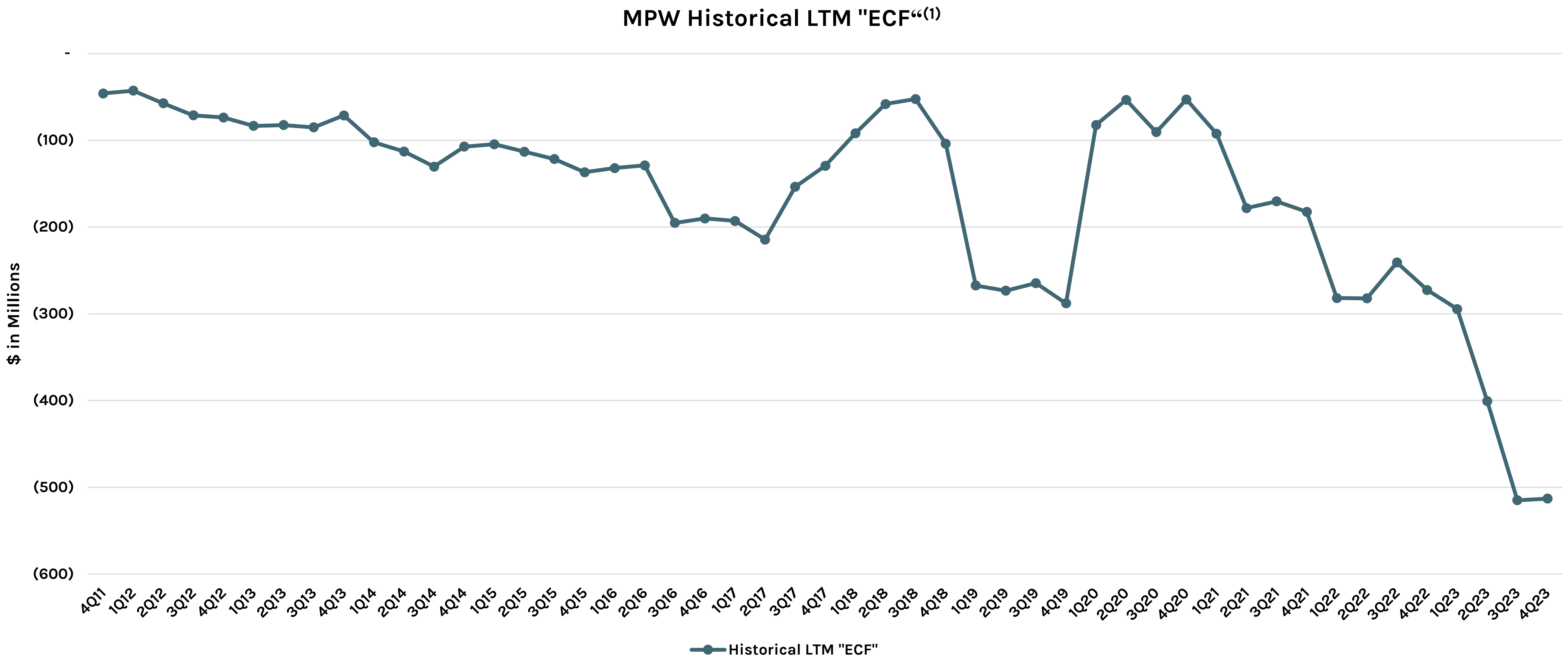
(1) "Non-cash revenue" allocated ratably across 1Q-3Q22 for both 2022 and 2023.

Data Source: Company Reports, Hedgeye Estimates

[1] | … WHILE "ECF" CONTINUES TO COLLAPSE!

HEDGEYE

ECF = OCF – "Capex" – Dividends – Assumed Return on "Capex." We believe this is a more accurate measure of MPW's internal cash generation. Cash flows continue to collapse secularly and have <u>NEVER</u> been positive over the past decade = reliance on outside capital.



(1) Generously assumes ~7% cash-on-cash return on all "capex."

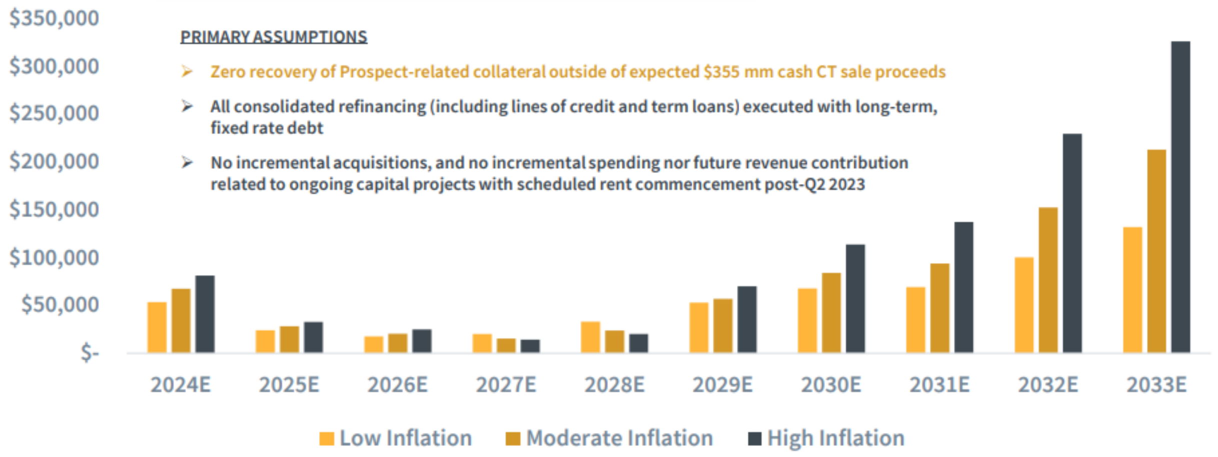
[1] | MEANWHILE, THIS IS WHAT MPW SHOWED INVESTORS IN JUNE 2023

HEDGEYE

Just a bit outside! Are we serious here?

BUSINESS MODEL DESIGNED FOR INFLATION
CPI-BASED ESCALATORS & STAGGERED DEBT MATURITIES

Scenario-Based Exercise: Projected Annual Cash Income in Excess of Interest Expense and Dividends 2024-2033E (thousands)[1, 2, 3, 4]



Scenario	10-Year Cash Rent CAGR	Fixed, Long-Term Refinancing Rate	Cumulative Cash Flow in Excess of Interest and Dividends
1: Low Inflation	2.0%	6.0%	~$570,000
2: Moderate Inflation	3.5%	7.5%	~$755,000
3: High Inflation	5.0%	9.0%	~$1,050,000

[1] Includes MPT proportionate interest in unconsolidated revenue and interest expense; assumes +2% annual increase in interest income to account for escalators on mortgage investments, current quarterly dividend of $0.29 per share, current share count, static cash expense run-rate approximating $160 mm annually to account for cash G&A and normalized income tax expenses

[1] | NEVERMIND THE FAILING TENANTS OR WORTHLESS OPCOS... THE REAL RISK IS A SHORT SQUEEZE!

HEDGEYE

Once again, just demonstrates where MPW's priorities lie and the degree of "short-termism." This also points to the fragility of the management team, and their tendency to fall back on conspiracy theories around collusion.

The market price and trading volume of our common stock may be volatile and may decline regardless of our operating performance, and you may lose all or part of your investment.

As can be seen in 2023 and 2022, the market price of our common stock may be highly volatile and subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. A variety of factors may cause significant price variations, including, we believe, the amount and status of short interest in our securities and any coordinated trading activities or large derivative positions in our common stock. For example, the potential for a short squeeze whereby a number of investors take a short position in a stock and have to buy the borrowed securities to close out the position at a time that other short sellers of the same security also want to close out their positions, may result in volatility in our stock price. If the market price of our common stock declines significantly, you may be unable to sell your shares at or above your purchase price.

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[1] | "WE… WILL TAKE FURTHER STEPS AS WE DEEM APPROPRIATE."

HEDGEYE

MPW filed its 2023 10-K report on 2.29.24 HERE without Exhibit 23.1: Consent of the Auditor. Then the SEC closed a comment period and released THIS letter, also dated 2.29.24. We have never seen either of these before. We believe that they are likely related. **MPW cannot issue public capital.**

	dated as of June 29, 2022, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., the several lenders from time to time party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent
19.1*	Compensation Recovery Policy
19.2*	Insider Trading Policy
21.1*	Subsidiaries of Medical Properties Trust, Inc.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.3*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
31.4*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Medical Properties Trust, Inc.)
32.2**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

February 29, 2024

R. Steven Hamner
Chief Financial Officer
Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242

Re: Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
Form 10-K for the Year Ended December 31, 2021
Form 10-K for the Year Ended December 31, 2022
File No. 001-32559

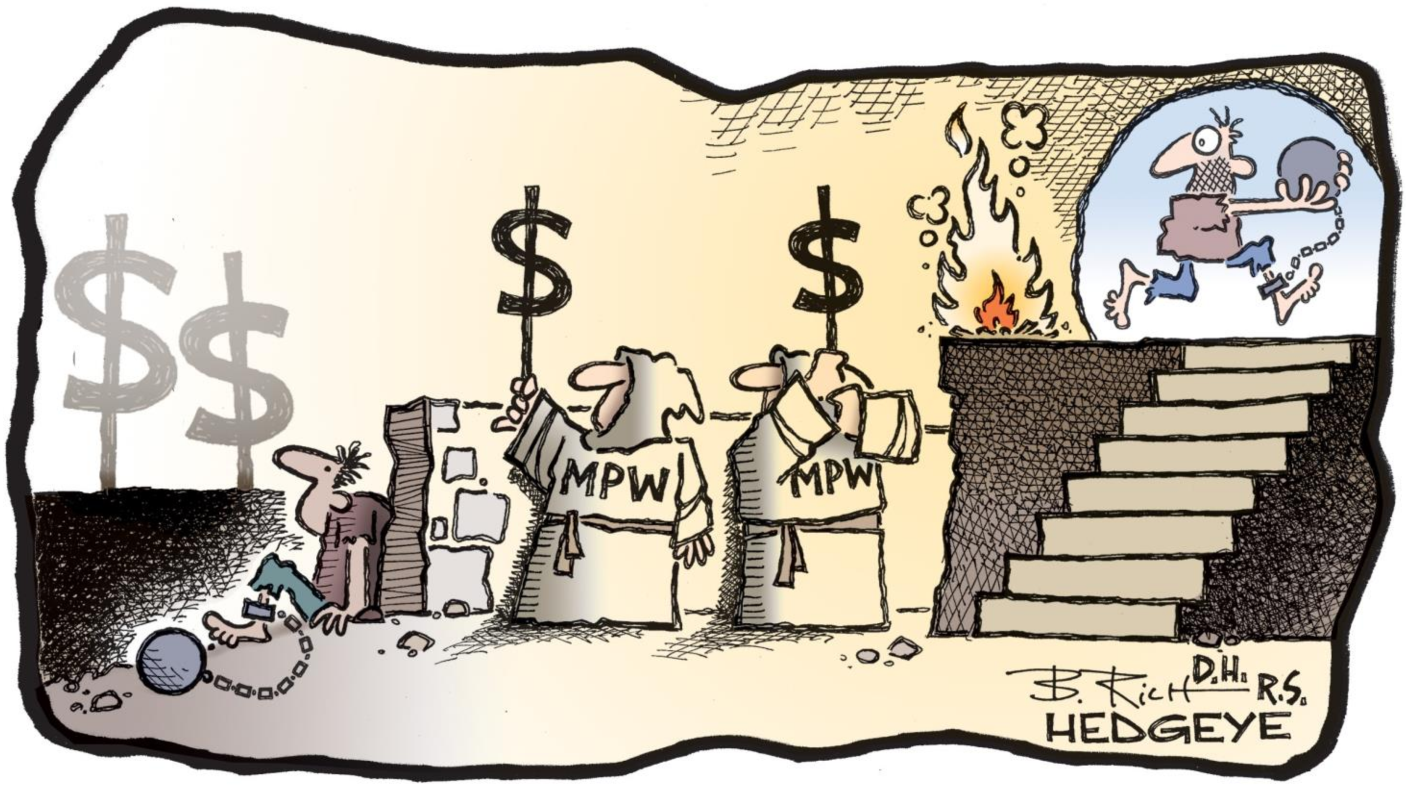
Dear R. Steven Hamner:

We issued a comment on the above captioned filings on January 9, 2024. On January 25, 2024, we issued a follow-up letter informing you that comment remained outstanding and unresolved, and absent a substantive response, we would act consistent with our obligations under the federal securities laws.

As you have not provided a substantive response, we are terminating our review and will take further steps as we deem appropriate. These steps include releasing publicly, through the agency's EDGAR system, all correspondence, including this letter, relating to the review of your filings, consistent with the staff's decision to publicly release comment and response letters relating to disclosure filings it has reviewed.

Data Source: Company Reports, https://www.sec.gov/Archives/edgar/data/1287865/000095017024023248/0000950170-24-023248-index.htm, https://www.sec.gov/Archives/edgar/data/1287865/000000000024002271/filename1.pdf

[2] VALUATION



[A] NET ASSET VALUE (“NAV”) APPROACH

[2][A] | CONSIDERATIONS AROUND MPW'S NET ASSET VALUE ("NAV")

HEDGEYE

- To be clear, **we do not think a NAV can be calculated with any precision for MPW**. We doubt that the company can value its own assets accurately. We are certain that management would not tell the Street what they really think their assets are worth.
- **That does not mean that we should not try**. We attempt such an exercise here by: **(1) estimating "affordable" or "market" rents** that an "arm's length" party would underwrite, as opposed to MPW's in-place rents, and then **(2) applying cap rates to the results.**
- We are **highly-confident of two things**: **(1) MPW very significantly overpaid** (likely so as to max out executive comp and GAAP "NFFO" earnings), and **(2) the assets are worth far less than MPW's debt**.
- MPW **effectively paid real estate cap rates for OpCo cash flows.** Said another way, **MPW capitalized OpCo losses onto its balance sheet** via the receipt of real estate rent.
- **"Adverse Selection Problem:"** Some of the assets undoubtedly are not marketable at all, including most of those leased to Steward. This leads MPW to "sell what they can, when they can," leaving an inferior portfolio and cash flows behind.
- **Reasons the NAV exercise is so difficult**: MPW does not provide cash rent by operator, lack of hospital square footage, lack of accurate OpCo financials and profitability, unreliable coverage metrics, no terminal value for the real estate as a higher-and-better use, lack of transaction comps, no publicly-traded peers, non-transparent reporting overall, opacity on how "capex" is spent and what the returns are, significant portion of rent would likely "go away" without MPW's support, among others.
- We believe that the potentially fatal error here is viewing MPW as an asset-based loan vehicle. **MPW is actually a highly-levered "subprime securitization of hospital OpCo cash flows"** with no terminal "bullet" at maturity. OpCo, and by extension MPW's, cash flows are collapsing.

Data Source: Company Reports, Hedgeye Estimates

[2][A] | WE ESTIMATE ~$5.5-6 BILLION OF CONSOLIDATED GROSS REAL ESTATE VALUE

HEDGEYE

- **Conclusions: The equity has no "value," and gross asset value DOES NOT "cover the debt."**
- Significant portion of MPW's gross value tied up in CommonSpirit + Circle portfolios.
- We think MPW could perhaps extract ~$1 billion of gross proceeds from these combined portfolios (~50% LTV).
- Important to recognize MPW's in-place rents are not "market" or "affordable."
- **We ascribe no value to MPW's UJVs + PHPH + Steward OpCo investments.**
- **Steward = "liability" to MPW, not an "asset."**

Amounts in 000s, Except per Share Data

	Consolidated Steward [1] [2]	CommonSpirit [3]	Circle Health [4]	Prospect CA [5]	Prospect CT [6]	Priory [7]	Ernest [8]	LifePoint excl. Springstone [9]	Pipeline Health [10]	Other Cons. Assets [11]	Total MPW
Gross RE Value - Consolidated Assets	352,562	1,000,000	1,062,500	129,891	140,000	387,692	330,000	140,000	-	2,285,207	5,827,852
Hedgeye Est. "Market" Cash Rent/NOI	108,000	88,065	85,000	12,989	-	38,769	33,000	14,000	-	228,521	608,344
Applied Nominal Cash Cap Rate	30.63%	8.81%	8.00%	10.00%	-	10.00%	10.00%	10.00%	-	10.00%	10.44%
Premium/(Discount) to GAV	-85.7%	-16.7%	-46.9%	-74.7%	-69.4%	-73.0%	-45.0%	-74.1%	-100.0%	-57.3%	-60.6%
Est. MPW Gross Investment	2,464,000	1,200,000	2,000,000	513,000	457,000	1,436,490	600,000	540,000	215,000	5,352,642	14,778,132
In-Place Cash Rent	192,000	95,000	116,068	43,297	38,571	80,964	55,000	51,214	18,000	304,694	994,808
Implied In-Place Cash Yield	7.79%	7.92%	5.80%	8.44%	8.44%	5.64%	9.17%	9.48%	8.37%	5.69%	6.73%
Implied In-Place Yield on HE Value	54.46%	9.50%	10.92%	33.33%	27.55%	20.88%	16.67%	36.58%	-	13.33%	17.07%

Notes:
(1) Assumes a 6% EBITDAR margin on estimated ~$4.5 billion of Steward revenue, ~2 years assumed to re-tenant on average and a ~2.5x required EBITDAR coverage ratio.
(2) Applies a 10% cap rate to the resulting "sustainable" or "recurring" cash rent, less deferred capex.
(3) Assumes ~$80 million of landlord capex commitments + CommonSpirit exercises repurchase option in Year 10. Underwritten to a 10% unlevered IRR.
(4) "Market" rent estimated by applying a required 3x EBITDARM coverage, using MPW's reported 4Q23 tenant coverage metrics.
(5) "Market" rent estimated by applying 3x EBITDARM coverage, using MPW's reported metrics.
(6) Based on Prospect CT's financials, we do not believe that any level of rent is affordable. Prospect paid ~$139 million in 2016. Three years later MPW paid ~$457 million. We assume ~$140 million.
(7) The Priory OpCo generates ~$38 million of FCF per year after capex. We assume ~1.3x coverage on that figure as the "market" or "affordable" rent.
(8) Using Ernest's audited 2022 financial statements, we estimate current cash rent to MPW at ~$55.0 million and corporate EBITDAR coverage of ~1.5x. We assumed ~2.5x required coverage and capitalize that figure using a ~10% cap rate.
(9) We believe LifePoint is "Domestic Operator 1" in MPW's disclosures, and is not covering rent at the facility level. Using LifePoint's financials excl. Springstone, we estimate affordable rent at ~$13-15 million and apply a 10% cap rate.
(10) We ascribe no value to Pipeline's real estate. The most recent known EBITDARM was ~$3 million against ~$18 million of rent, and MPW had to grant deferrals plus fund ~1 year of rent as "capex" over and above the initial lease to secure Pipeline's exit from BK.
(11) We haircut the remaining in-place rent for the other consolidated operators by ~25%, and then apply a ~10% cap rate.
(12) We ascribe no value to MPW's UJV interests.
(13) Neither the minority interest transfer, nor the creation of PHPH itself, have been approved by the CA DMHC as of 1.4.24.
(14) Press reports indicate buyers not willing to assume mortgage + pension liability.
(15) Assumes zero recovery on Steward OpCo investments, other than 2L loan fundings in 1Q24.
(16) Adjusted to exclude funding of 2L loans to Steward during 1Q24.

(+) Other Assets:	
MPW Equity in UJVs [12]	-
PHPH Equity / Convertible [13]	-
Prospect PA Mortgage [14]	150,000
Prospect DD TL	75,000
Steward Equity Stake [15]	-
RDLT Loan - Steward [15]	-
Int'l JV Loan - Steward [15]	-
Steward WC Loans [15]	-
Steward 2L TLs - Stewardship [15]	135,000
Priory TL Discounted Payback	115,000
Cash & Cash Equivalents [16]	115,016
Restricted Cash	5,936
Construction in Progress & Other	110,073
Mortgage Loans	159,315
Interest & Rent Receivables	45,059
Other Assets	451,975
Subtotal	1,362,374

(-) Liabilities:	
Consolidated Bank Debt	(3,059,238)
Unsecured Bonds	(7,049,895)
Accounts Payable & Accrued Expenses	(412,178)
Lease Deposits & Other Obligations to Tenants	(156,603)
Subtotal	(10,677,914)

Net Asset Value (NAV)	-
Implied Asset Coverage on Debt	65.5%

[2][A] | THE STEWARD CONSOLIDATED ASSETS ARE BOTH LARGE + DIFFICULT TO VALUE

HEDGEYE

Amounts in 000s, Except per Share Data

Estimated Value of Consolidated Steward Assets	
Est. Annual Revenue	4,500,000
(x) Assumed EBITDAR Margin	6.0%
Est. Ann. EBITDAR	**270,000**
(/) Required EBITDAR Coverage	2.50x
Sustainable Rent	**108,000**
(/) Applied Cap Rate	10.00%
Gross Portfolio Value	**1,080,000**
Assumed Avg. Time to Re-Tenant	2
Assumed Cost of Capital	10.00%
PV of Gross Portfolio Value	**892,562**
(-) Assumed Deferred Capex	(540,000)
Est. Portfolio Value	**352,562**
Est. MPW Gross Investment	2,464,000
Premium/(Discount) to GAV	-85.7%

- **Steward is a disaster**, very large within MPW's portfolio, the rent is not affordable and **value is hard to estimate**.
- We believe the best that we can do, given the uncertainty and number of variables, is an **estimated re-tenanting scenario**.
- We estimate ~$4.5 billion of recurring annual OpCo revenue at these assets, a ~6% recurring EBITDAR margin and ~2.5x required coverage.
- We then apply a 10% cap rate to the resulting rent and assume a ~2 year time to re-tenant, which could be generous.
- We also assume ~2 years of deferred capex at ~6% of revenues.
- **This produces an estimated value of ~$350 million for these assets. This is ~85% below MPW's reported gross investment.**
- We can reasonably say, based on available data, that MPW overpaid significantly for the Steward assets.

[2][A] | WE THINK COMMONSPIRIT IS WORTH ~$1 BILLION

HEDGEYE

- CommonSpirit has an option to repurchase the Utah hospitals at the greater of FMV or MPW's ~$1.2 billion gross investment. This must be underwritten.
- There are also questions regarding:
  - Whether this a triple-net lease?
  - Were there landlord capital funding commitments?
  - Who is the lessee?
  - The existence + "strength" of any parent guarantee?
- A link to CommonSpirit's 2024 municipal bond prospectus can be found HERE.
- We assume:
  - A 10% required unlevered IRR,
  - ~10% landlord opex,
  - ~$80 million of landlord capex funding, and
  - CommonSpirit repurchases the assets in Year 10 at ~$1.2 billion.
- This produces an estimated gross value of ~$1 billion for the portfolio.
- We believe that MPW could attempt to sell a JV interest or subordinate its equity/grant a pref.

Amounts in 000s, Except per Share Data

CommonSpirit Portfolio Underwriting

	Year 0 2024	Year 1 2025	Year 2 2026	Year 3 2027	Year 4 2028	Year 5 2029	Year 6 2030	Year 7 2031	Year 8 2032	Year 9 2033
Cash Rent	95,000	97,850	100,786	103,809	106,923	110,131	113,435	116,838	120,343	123,953
Y/Y Chg. - %		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
(-) Assumed Opex	10.0%	(9,785)	(10,079)	(10,381)	(10,692)	(11,013)	(11,343)	(11,684)	(12,034)	(12,395)
(-) Landlord Capex Funding		(35,000)	(35,000)	(10,000)	-	-	-	-	-	-
Unlevered CF		53,065	55,707	83,428	96,231	99,118	102,091	105,154	108,309	111,558
IRR Calculation:										
Initial Investment	(1,000,000)									
Unlevered CF		53,065	55,707	83,428	96,231	99,118	102,091	105,154	108,309	111,558
Sale Price										1,200,000
Total Cash Flows	(1,000,000)	53,065	55,707	83,428	96,231	99,118	102,091	105,154	108,309	1,311,558
Unlevered IRR	10.04%									

[2][A] | WE THINK PRIORY IS WORTH ~$385-390 MILLION, ROUGHLY ~25% WHAT MPW PAID

HEDGEYE

Amounts in 000s

Hedgeye Underwriting Assumptions	2021A	2022A	2023E
Unlevered FCF (GBP) [1]	38,012	37,661	40,000
(/) Underwritten FCF Coverage [2]			1.30x
Assumed "Market"/Affordable Cash Rent (GBP)			**30,769**
Hedgeye Estimated Current Cash Rent (GBP)			64,257
Estimated Rent Reduction			**-52.1%**
Implied Adj. EBITDAR / Rent Coverage [3]			**3.2x**
Implied (Adj. EBITDAR - Capex) / Rent Coverage [3]			**2.0x**
(/) Applied Cash Cap Rate on Affordable Rent			10.00%
(x) GBP/USD			1.26
Implied Gross RE Value (USD)			**387,692**
Est. MPW Gross Investment (GAV)			1,436,490
Premium/(Discount) to GAV			-73.0%
Implied Cap Rate on MPW In-Place Rent			20.88%

Notes:

(1) Hedgeye assumes "starting" underwritten FCF of ~GBP 40 million.
(2) Hedgeye assumption.
(3) Priory coverage metrics implied by FCF coverage.

- We estimate that Priory's in-place cash rents to MPW are ~1.7x larger than annual FCF available to service it.
- Priory's rents were set to unaffordable levels at the beginning of the transaction, we believe as a result of MPW "targeting proceeds" as opposed to tenant affordability or "true" market value.
- We underwrite "affordable" rent at ~1.3x FCF available to service it, which equates to >3x EBITDAR and ~2x EBITDAR – Capex.
- Hospital operators typically incur capex in the range of ~5-7% of revenues. This should be the tenant's responsibility.
- We apply a ~10% cap rate to our estimate of affordable rent, which results in an estimated ~70-75% discount to MPW's gross investment.

[B] “WHOLECO” APPROACH – STEWARD CONSOLIDATION

[2][B] | THE "WHOLECO" APPROACH

HEDGEYE

- This approach follows the logic that **MPW was, is and will be the ultimate owner of Steward** – i.e. that MPW may be forced to consolidate an insolvent and bankrupt Steward and potentially "de-REIT" as owner of the WholeCo. We first considered this in **our 7.28.22 presentation** HERE.
- As practical matters, **MPW (1) capitalized the Steward WholeCo**, **(2) funded Steward's cash flow shortfalls** post-initial investment and **(3) "owns the system"** via being a direct 9.9% equity owner + owner of non-straight debt + secured by the other equity + largest unsecured creditor + the largest landlord.
- **Approach:** Involves **(1) valuing the non-Steward real estate** as a "PropCo," and then **(2) valuing Steward with a hospital "WholeCo" multiple/set of assumptions**. Essentially this is taking the PropCo-OpCo split and "smashing them back together" again.
- In the process, **Steward's non-discharged liabilities would become MPW's liabilities**.
- **We believe, therefore, that Steward is not an "asset" to MPW, rather it is a "liability."**
- **Key REIT Rules to Consider**: **(1)** A REIT cannot directly own >10% of any one issuer, **(2)** a REIT cannot directly own 10% or more of any one tenant, **(3)** a taxable REIT subsidiary ("TRS") cannot own >35% of either a manager or operator of real estate (from Covington PLR), **(4)** a TRS cannot be an operator or manager of healthcare properties and **(5)** convertibility features disqualify instruments for "straight debt" treatment. → **We believe this indicates MPW would likely need to "de-REIT," absent a "cure," if it ever became the NewCo equity and was forced to consolidate Steward**.

[2][B] | STEWARD IS NOT AN "ASSET," IT'S A "LIABILITY"

HEDGEYE

Amounts in 000s, Except per Share Data

	CommonSpirit	Circle Health	Prospect CA	Prospect CT	Priory	Ernest	LifePoint excl. Springstone	Pipeline Health	Other Consolidated Assets	+	NewCo Steward OpCo (1)(2)(3)	=	Pro Forma Combined
Affordable Rent/"NewCo" EBITDAR	88,065	85,000	12,989	-	38,769	33,000	14,000	-	500,344		270,000		1,042,167
(x) (/) Multiple/Cap Rate	8.81%	8.00%	10.00%	-	10.00%	10.00%	10.00%	-	21.89%		6.0x		6.8x
Gross Asset Value	1,000,000	1,062,500	129,891	140,000	387,692	330,000	140,000	-	2,285,207		1,620,000		7,095,290

Implied Value of Steward	
NewCo Steward Gross Value	1,620,000
(-) 3rd-Party 1L Claim on Stewardship	(37,500)
(-) Est. Steward Deferred Capex	(540,000)
(-) Est. Steward A/P & Other Liabilities	(1,250,000)
NewCo Steward Net Equity	**(207,500)**

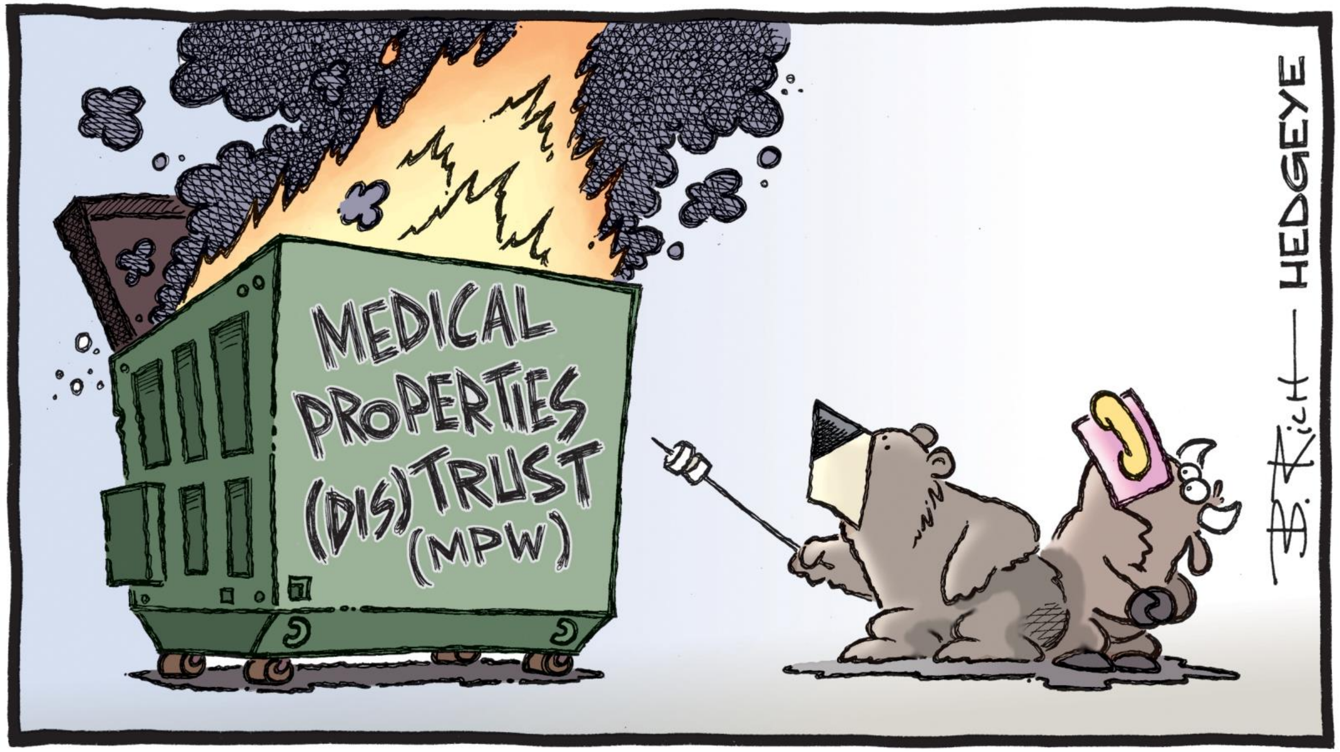
(+) Other Assets:	
Prospect PA Mortgage (4)	150,000
Prospect DD TL	75,000
Priory TL Discounted Payback	115,000
Cash & Cash Equivalents	250,016
Restricted Cash	5,936
Construction in Progress & Other	110,073
Mortgage Loans	159,315
Interest & Rent Receivables	45,059
Other Assets	451,975
Subtotal	**1,362,374**
(-) Liabilities:	
Consolidated Bank Debt	(3,059,238)
Unsecured Bonds	(7,049,895)
Accounts Payable & Accrued Expenses	(412,178)
Lease Deposits & Other Obligations to Tenants	(156,603)
3rd-Party 1L Claim on Stewardship (3)(5)	(37,500)
Est. Steward Deferred Capex (6)	(540,000)
Est. Steward A/P & Other Liabilities (7)	(1,250,000)
Subtotal	**(12,505,414)**
Equity Value	-
Implied MPW Deficit	(4,047,750)
Implied Asset Coverage on Debt	60.0%

Notes:

(1) Assumes a 6% EBITDAR margin on estimated ~$4.5 billion of Steward revenues.
(2) Public hospital WholeCo companies trade at roughly ~8x forward EBITDA.
(3) Assumes Stewardship still contained within Steward, ABL FILO/LILO loans repaid via Steward's A/R balances, and that ~$37.5 million 1L bridge loan secured by Stewardship still outstanding. Assumes all MPW 2Ls converted to NewCo equity. Assumes lease obligations cancelled.
(4) Press reports indicate buyers not willing to assume mortgage + pension liability.
(5) We believe that Brigade funded the 1st tranche of its bridge loan in early-March. It is unclear if they funded second portion.
(6) Steward hospitals clearly have significant deferred capex obligations. We estimate ~2 years of capex at ~6% of revenues.
(7) We believe that Steward's A/P balance + potential unfavorable vendor judgments are in the ~$1-1.5 billion range. This excludes any future legal liabilities or unfavorable regulatory outcomes.
(7) Similar to NAV, ascribes no value to MPW's UJVs or stake in PHPH.

- Under this scenario we assume that Steward is restructured with MPW as the NewCo equity and all prior OpCo investments cancelled.
- ABL assumed to be retired by Steward's existing A/R.
- We capitalize Steward at ~6x EBITDA, unburdened by the cancelled MPW rent.
- We assume ~2 years of deferred capex + ~$1-1.5 billion of Steward A/P.
- Known ~$37.5 million third-party claim on Stewardship remains outstanding.
- We believe that Steward is a "liability" to MPW. We believe that we are being generous.

[3] HEDGEYE'S LIQUIDITY FORECASTS



[3] | LIQUIDITY REMAINS DANGEROUSLY TIGHT

HEDGEYE

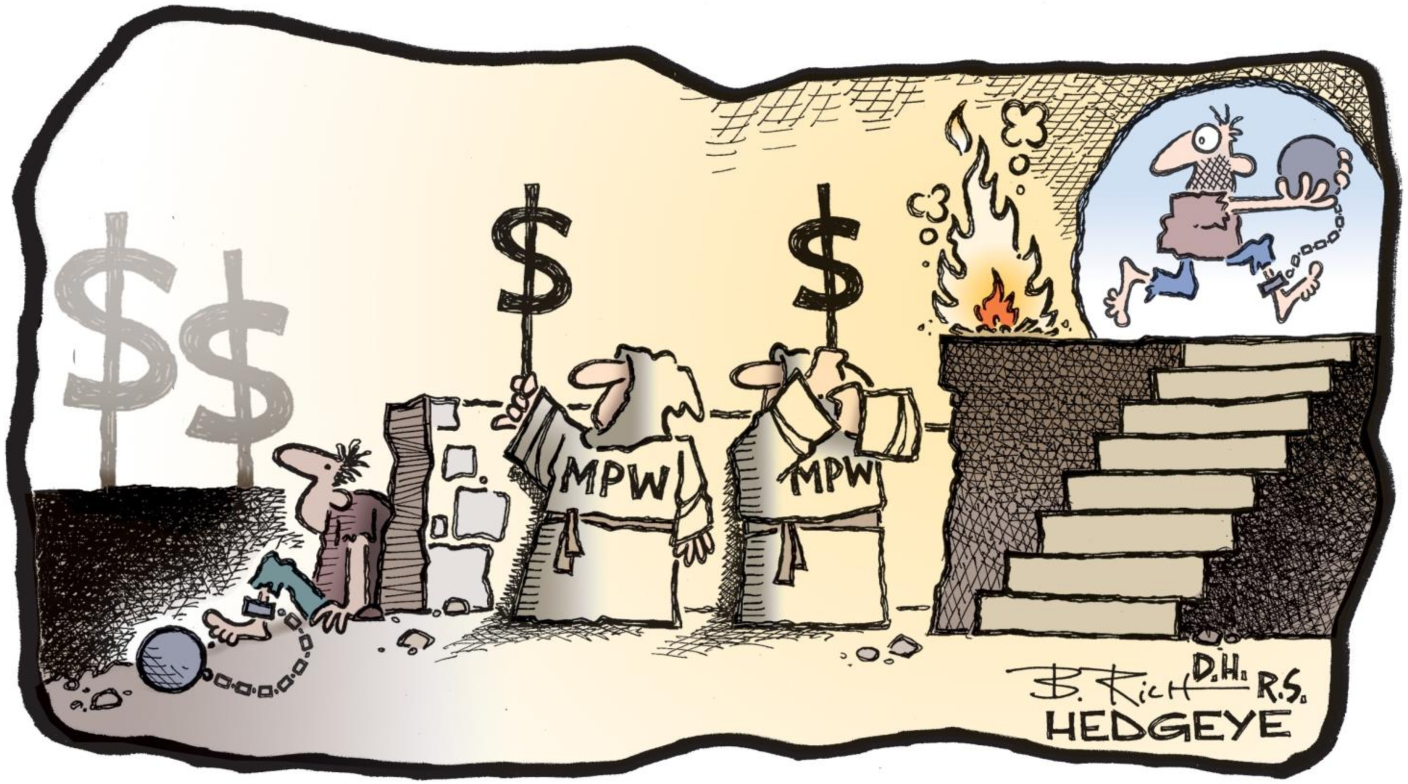
We have given MPW credit for ~$1.5 billion of achieved transaction proceeds through YE24. MPW has closed ~$115 million of this amount. We believe we are being generous. Despite this, we have MPW running out of available liquidity by 1Q25.

Key Assumptions:

- Prospect CT/Yale closing in 3Q24 for ~$140 million cash proceeds (+) – timing and proceeds very uncertain.
- ~$500 million secured financing in 2Q24 (+) – timing and proceeds very uncertain.
- CommonSpirit sale closing in 3Q24 for ~$500 million (+) – we question whether MPW can sell 100% of this portfolio.
- ~$250 million Prime sale closing in mid-2Q24 (+).
- ~$115 million Priory/MEDIAN TL sale in 1Q24 (+).
- ~$135 million "bridge" loan funding to Steward in 1Q24 (-).
- Excludes any Steward DIP participation.
- Does not contemplate any sale of PHPH, given the uncertainty.
- ~$55 million per quarter in "capex" & other operator funding (-).
- Maximum dividend cut (+).
- No additional tenant issues (Priory? SMN/Infracore? Pipeline?) (+).

Amounts in 000s, Except per Share Data	FY 2021A	FY 2022A	FY 2023A	1Q24E	2Q24E	3Q24E	4Q24E	FY 2024E	1Q25E	2Q25E	3Q25E	4Q25E	FY 2025E
Consolidated Statements of Cash Flows													
Net Cash from Operating Activities	811,656	739,010	505,786	88,246	77,318	71,365	68,541	305,470	62,458	56,723	56,299	57,542	233,022
Investing Activities:													
Capital Additions / Operator Funding - "Capex"				(55,000)	(55,000)	(55,000)	(55,000)	(220,000)	(40,000)	(40,000)	(40,000)	(40,000)	(160,000)
Priory TL Sale Proceeds				115,000	-	-	-	115,000	-	-	-	-	-
Prime Sale Proceeds				-	250,000	-	-	250,000	-	-	-	-	-
Prospect CT Proceeds - Assumed 2Q24				-	-	140,000	-	140,000	-	-	-	-	-
Prospect PA Mortgage Proceeds				-	-	-	-	-	-	-	-	-	-
CommonSpirit Transaction Proceeds				-	-	500,000	-	500,000	-	-	-	-	-
Steward ABL / Other Loan Funding				**(135,000)**	**-**	**-**	**-**	**(135,000)**	**-**	**-**	**-**	**-**	**-**
Prospect Loan Funding				-	-	-	-	-	-	-	-	-	-
Development Funding				(14,811)	(6,669)	(26,672)	(6,669)	(54,820)	(6,669)	-	-	-	(6,669)
Net Cash from Investing Activities	(3,858,413)	396,056	517,558	(89,811)	188,331	558,328	(61,669)	595,180	(46,669)	(40,000)	(40,000)	(40,000)	(166,669)
Cash Flow Available for Financing	(3,046,757)	1,135,066	1,023,344	(1,564)	265,649	629,693	6,872	900,650	15,790	16,723	16,299	17,542	66,353
Financing Activities:													
2024 AUD Term Loan				**-**	**(320,164)**	**-**	**-**	**(320,164)**	**-**	**-**	**-**	**-**	**-**
2.55% GBP Notes Due 2023				-	-	-	-	-	-	-	-	-	-
2024 GBP Term Loan				**-**	**-**	**-**	**(133,484)**	**(133,484)**	**-**	**-**	**-**	**-**	**-**
2025 GBP Term Loan				**-**	**-**	**-**	**-**	**-**	**(891,170)**	**-**	**-**	**-**	**(891,170)**
3.325% Notes Due 2025				**-**	**-**	**-**	**-**	**-**	**(551,950)**	**-**	**-**	**-**	**(551,950)**
Assumed Secured Financing				-	500,000	-	-	500,000	-	-	-	-	-
Net (Paydown) / Borrowing Under Revolver				85,461	(439,495)	(623,670)	132,668	(845,036)	1,433,420	(10,600)	(10,141)	(11,350)	1,401,329
Dividends Paid				(89,849)	(5,990)	(6,023)	(6,056)	(107,918)	(6,090)	(6,123)	(6,157)	(6,191)	(24,562)
Other				-	-	-	-	-	-	-	-	-	-
Net Cash from Financing Activities	2,947,608	(1,342,523)	(1,020,327)	(4,388)	(265,649)	(629,693)	(6,872)	(906,602)	(15,790)	(16,723)	(16,299)	(17,542)	(66,353)
Effect of Exchange Rate Changes	4,662	(12,887)	11,397	-	-	-	-	-	-	-	-	-	-
Net Change in Cash & Restricted Cash	(94,487)	(220,344)	14,414	(5,952)	-	-	(0)	(5,952)	(0)	0	-	-	-
Beginning Balance	556,369	461,882	241,538	255,952	250,000	250,000	250,000	255,952	250,000	250,000	250,000	250,000	250,000
Cash & Restricted Cash - Ending	461,882	241,538	255,952	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Check	-	-	-	-	(0)	-	-	0	-	-	-	-	-
Credit Facility Revolver (Cash Sweep)													
Beginning Balance	165,407	730,000	929,584	1,514,420	1,599,881	1,160,386	536,715	1,514,420	669,384	2,102,804	2,092,204	2,082,063	669,384
Net Change (From CF Statement)	564,593	199,584	584,836	85,461	(439,495)	(623,670)	132,668	(845,036)	1,433,420	(10,600)	(10,141)	(11,350)	1,401,329
Ending Balance	730,000	929,584	1,514,420	1,599,881	1,160,386	536,715	669,384	669,384	2,102,804	2,092,204	2,082,063	2,070,713	2,070,713
Check	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liqiduity: Cash + RCF Availability			541,532	450,119	889,614	1,513,285	1,380,616	1,380,616	(52,804)	(42,204)	(32,063)	(20,713)	(20,713)

[4] MPW'S REPORTED LEVERAGE IS MASSIVELY UNDERSTATED



[4] | REPORTED LEVERAGE BEARS NO SEMBLANCE TO REALITY

HEDGEYE

We estimate MPW's "true" cash-based leverage is roughly ~12-13x following Steward's blowup. ~7x is preposterous for this company, it makes no sense whatsoever.

DEBT BY LOCAL CURRENCY

	Senior Unsecured Notes	Term Loans/Revolver	Total Debt	% of Total
United States	$ 4,100,000	$ 970,000	$ 5,070,000	50.1%
United Kingdom	1,845,995	1,434,592	3,280,587	32.5%
Australia	-	320,164	320,164	3.2%
Europe	1,103,900	334,482	1,438,382	14.2%
Totals	$ 7,049,895	$ 3,059,238	$ 10,109,133	100.0%

DEBT METRICS

	For the Three Months Ended December 31, 2023
Adjusted Net Debt to Annualized EBITDAre Ratios:	
Adjusted Net Debt	$ 9,234,044
Adjusted Annualized EBITDAre	1,339,160
Adjusted Net Debt to Adjusted Annualized EBITDAre Ratio	6.9x
Adjusted Net Debt	$ 9,234,044
Transaction Adjusted Annualized EBITDAre	1,337,260
Adjusted Net Debt to Transaction Adjusted Annualized EBITDAre Ratio[A]	6.9x
Leverage Ratio:	
Unsecured Debt	$ 9,975,649
Secured Debt	133,484
Total Debt	$ 10,109,133
Total Gross Assets[B]	19,712,815
Financial Leverage	51.3%
Interest Coverage Ratios:	
Interest Expense	$ 102,338
Capitalized Interest	5,250
Debt Costs Amortization	(3,797)
Total Interest	$ 103,791
Adjusted EBITDAre	$ 334,790
Adjusted Interest Coverage Ratio	3.2x

(A) Adjusting for billed rent, straight-line rent and interest income reserves related to Steward and the International Joint Venture, Adjusted Net Debt to Transaction Adjusted Annualized EBITDAre Ratio would be 8.7x.

(B) Total Gross Assets equals total assets plus accumulated depreciation and amortization.

See appendix for reconciliation of Non-GAAP financial measures.

ADJUSTED NET DEBT/ANNUALIZED EBITDA*re*

(Unaudited)

(Amounts in thousands)

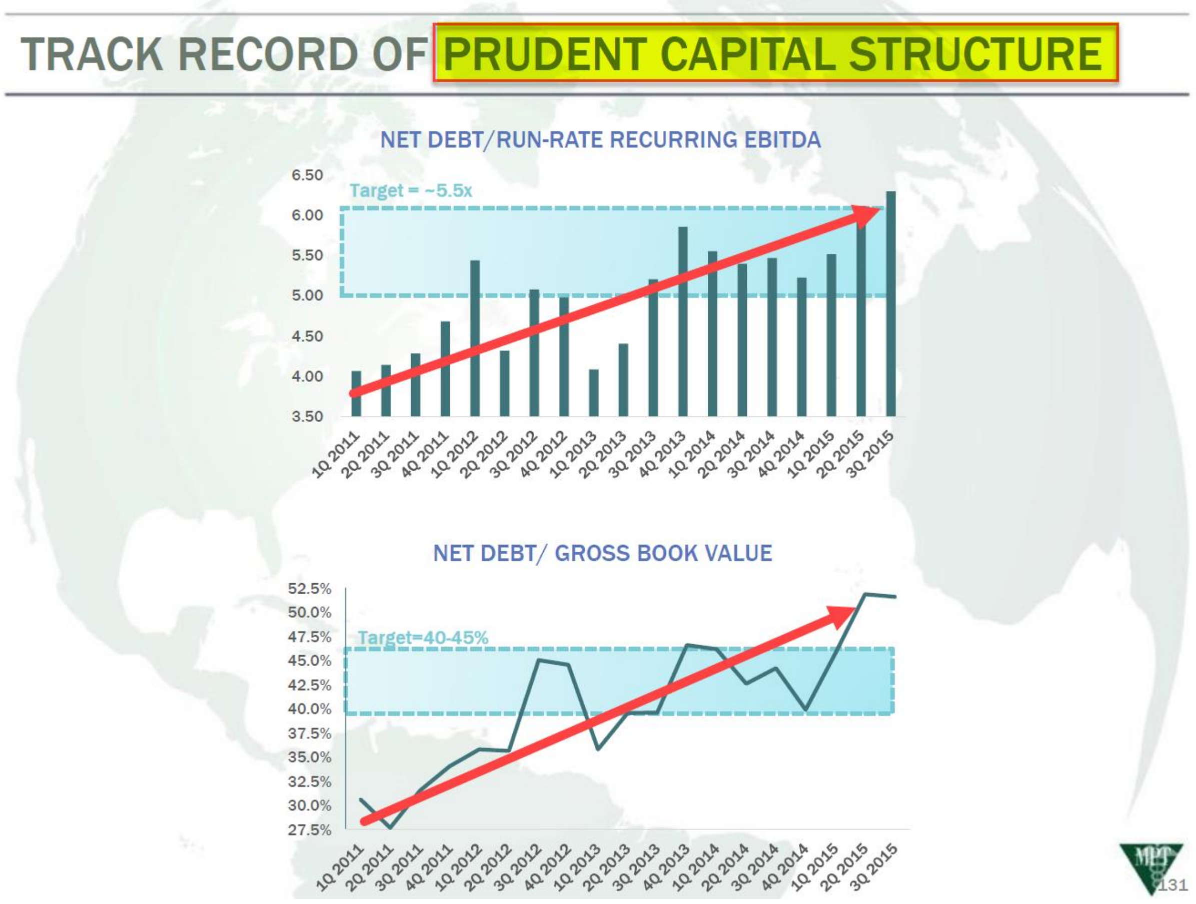
	For the Three Months Ended December 31, 2023	Annualized
ADJUSTED EBITDA*re* RECONCILIATION		
Net loss	$ (663,584)	
Add back:		
Interest	102,338	
Income tax	3,982	
Depreciation and amortization	79,927	
Loss on sale of real estate	2,024	
Real estate impairment charges	112,112	
Adjustment to reflect MPT's share of unlevered EBITDA*re* from unconsolidated real estate joint ventures[A]	12,553	
4Q 2023 EBITDA*re*	$ (350,648)	
Share-based compensation	3,531	
Write-off of unbilled rent and other	499,335	
Other impairment charges	171,507	
Litigation and other	2,899	
Debt refinancing and unutilized financing benefit	(239)	
Non-cash fair value adjustments	8,405	
4Q 2023 Adjusted EBITDA*re*	$ 334,790	$ 1,339,160
Adjustments for mid-quarter investment activity[B]	(475)	
4Q 2023 Transaction Adjusted EBITDA*re*	$ 334,315	$ 1,337,260
ADJUSTED NET DEBT RECONCILIATION		
Total debt at December 31, 2023	$ 10,064,236	
Less: Cash at December 31, 2023	(250,016)	
Less: Cash funded for building improvements in progress and construction in progress at December 31, 2023[C]	(580,176)	
Adjusted Net Debt	$ 9,234,044	

- 4Q23 Adj. EBITDAre includes all recorded, but then written off (in the same quarter), Steward GAAP rent.
- Receives benefit of massive consolidated and unconsolidated straight-line rent.
- Also receives benefit of newly-disclosed "non-cash rent and interest revenue," which was accrued but not received.

[4] | MPW HAS BEEN PULLING THIS NONSENSE FOR YEARS

HEDGEYE

Not only are the metrics understated and generally misleading, but were (1) already increased secularly and (2) above the target ranges in 2015.



[4] | CASH-BASED LEVERAGE MORE APPROPRIATE

HEDGEYE

Amounts in Millions, Except per Share Data

4Q23 Cash EBITDA Calculation	GAAP	Cash	Excl. Steward Cash
Rent Billed:			
Stabilized/Accrual Portfolio	183	183	183
Steward	48	48	-
Prospect & Other Cash Basis	1	1	1
Total	**232**	**232**	**184**
SL Rent:			
Stabilized/Accrual Portfolio	44	-	-
Steward	13	-	-
Prospect & Other Cash Basis	-	-	-
Total	**57**	**-**	**-**
Financing Lease Income:			
Stabilized/Accrual Portfolio	10	10	10
Steward	-	-	-
Prospect & Other Cash Basis	10	10	10
Total	**20**	**20**	**20**
Interest & Other Income:			
Stabilized/Accrual Portfolio	15	15	15
Steward	8	8	-
Prospect & Other Cash Basis	5	5	5
Total	**28**	**28**	**20**
Total Reported Revenue	**337**	**280**	**224**
Property-Related Expenses	(3)	(3)	(3)
Net Operating Income (NOI)	**334**	**277**	**221**
G&A	(30)	(30)	(30)
Share-Based Compensation	4	4	4
Consolidated EBITDA	**307**	**250**	**194**
Ann. Cons. EBITDA	**1,228**	**1,000**	**776**

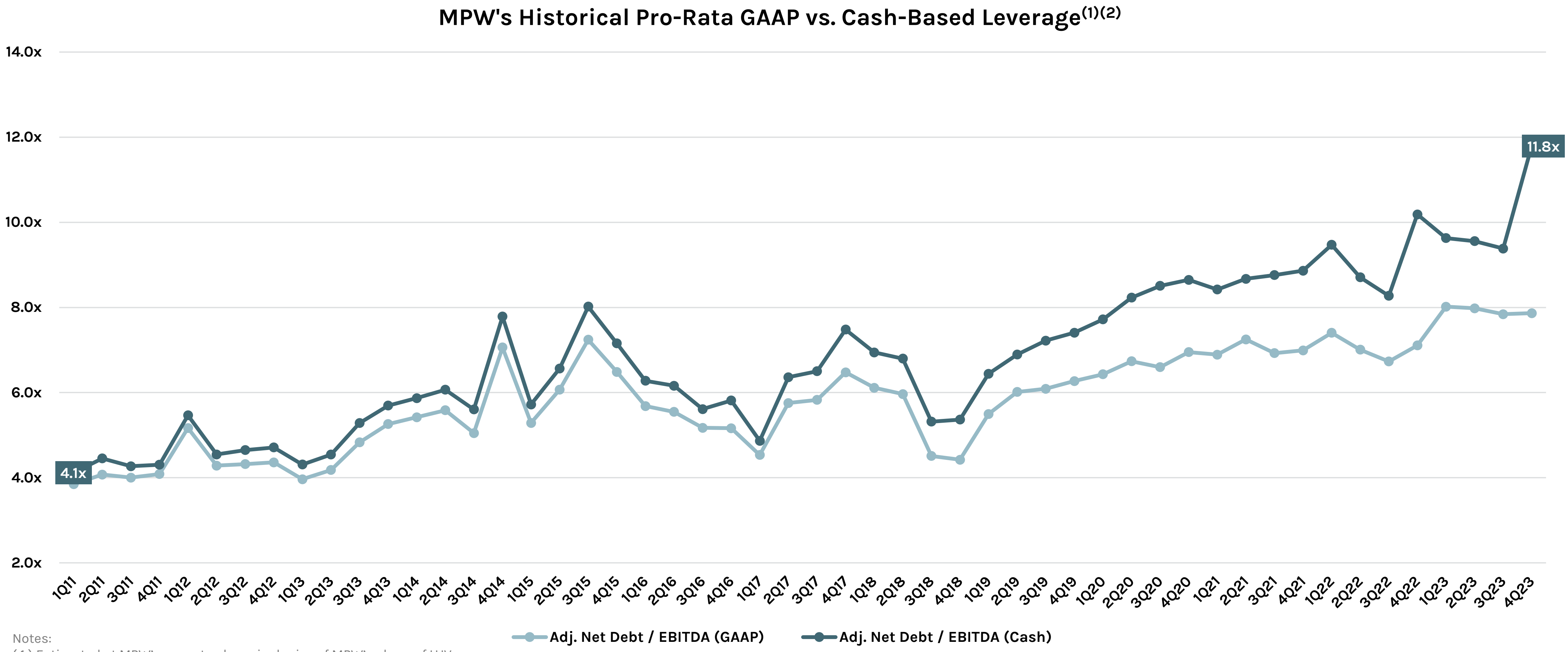
Leverage & Coverage excl. Steward	$	%	Gross Cash Leverage (x)
Consolidated Debt:			
RCF	1,514	15.0%	2.0x
Secured TLs	133	1.3%	2.1x
Unsecured TLs	1,411	14.0%	3.9x
Unsecured Bonds	7,050	69.7%	13.0x
Total Debt	**10,109**	**100.0%**	**13.0x**
Cash & Cash Equivalents	(250)		
Restricted Cash	(6)		
Net Debt	**9,853**		
Total Debt / Ann. Cash EBITDA	**13.0x**		
Net Debt / Ann. Cash EBITDA	**12.7x**		
4Q23 Ann. Cash Interest	415		
4Q23 Ann. Capex	305		
EBITDA / Cash Interest	**1.87x**		
EBITDA / (Cash Interest + Capex)	**1.08x**		

- MPW's GAAP-based leverage is completely detached from reality and massively understated, as it receives the benefit of MPW's outsized non-cash revenue.
- Non-cash revenue cannot be used to service debt or pay dividends.
- We estimate that **MPW's consolidated net leverage is closer to ~12-13x cash EBITDA**, to the extent ANY of MPW's numbers can be trusted.
- This is roughly ~5-6x turns higher than what MPW reports publicly to investors, analysts and the credit ratings agencies.
- Moreover, **we believe that MPW's stated ~3.2x interest coverage ratio is also massively overstated**.
- We estimate the metric is sub-2x when calculated on a cash basis.
- We are calculating consolidated metrics only here, excluding UJVs.

[4] | MPW'S LEVERAGE HAS INCREASED SECULARLY OVER DECADE

HEDGEYE

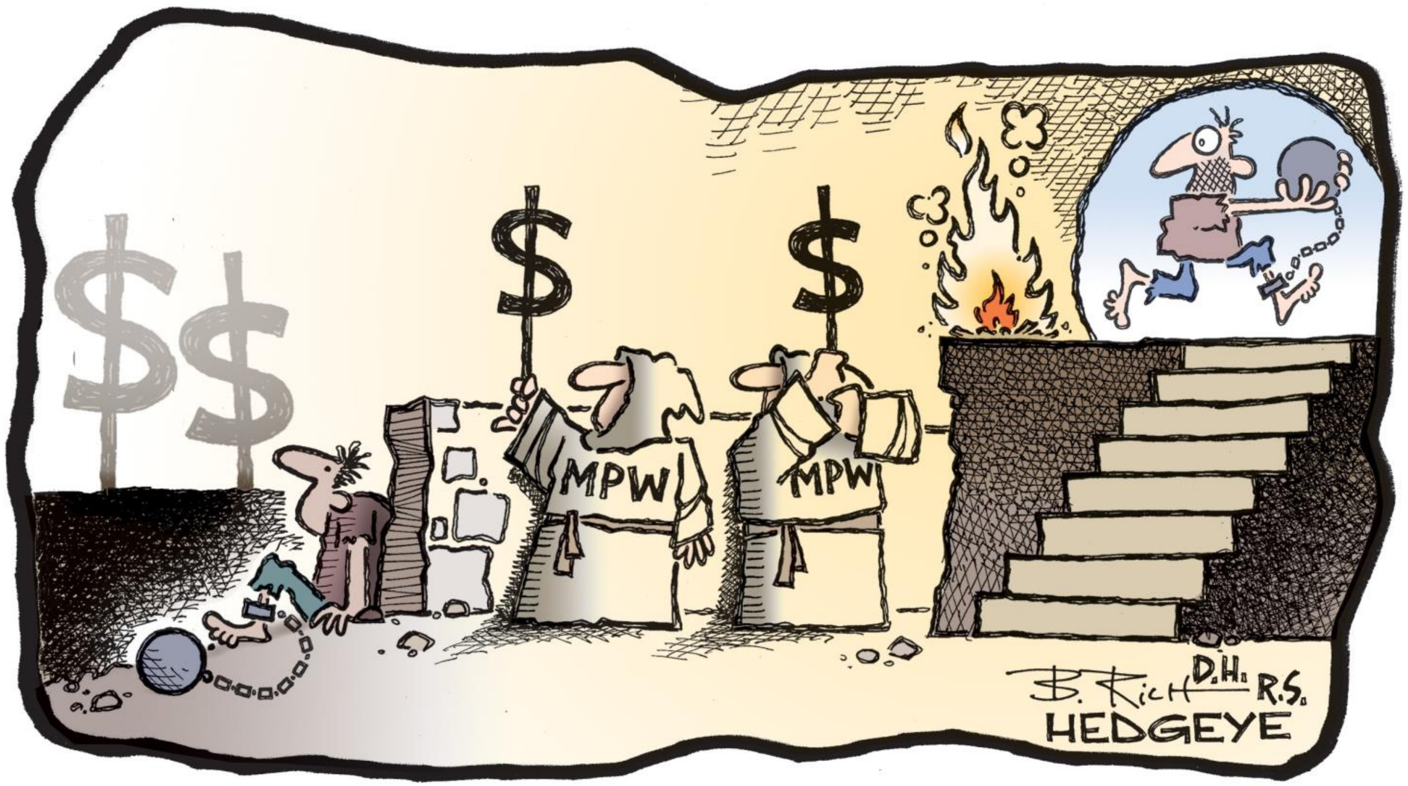
We believe this is the result of MPW continuously funding cash flow shortfalls at tenants, in excess of the rent received back from those tenants. The arrangement **depends on continuous access to outside capital**. The model does not work.



Notes:
(1) Estimated at MPW's pro rata share, inclusive of MPW's share of UJVs.
(2) 4Q22 and 4Q23 skewed by new disclosure of "non-cash rent and interest revenue."

HEDGEYE

[5] OVERVIEW OF MPW'S RCF COVENANTS



[5] | SECTION 4.22 STATUS OF HOLDINGS

HEDGEYE

We see one item as a potential major consideration and potential 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;

[5] | 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.

[5] | SECTION 7.1(a) TOTAL LEVERAGE RATIO ("TLR")

HEDGEYE

Amounts in 000s, Except per Share Data

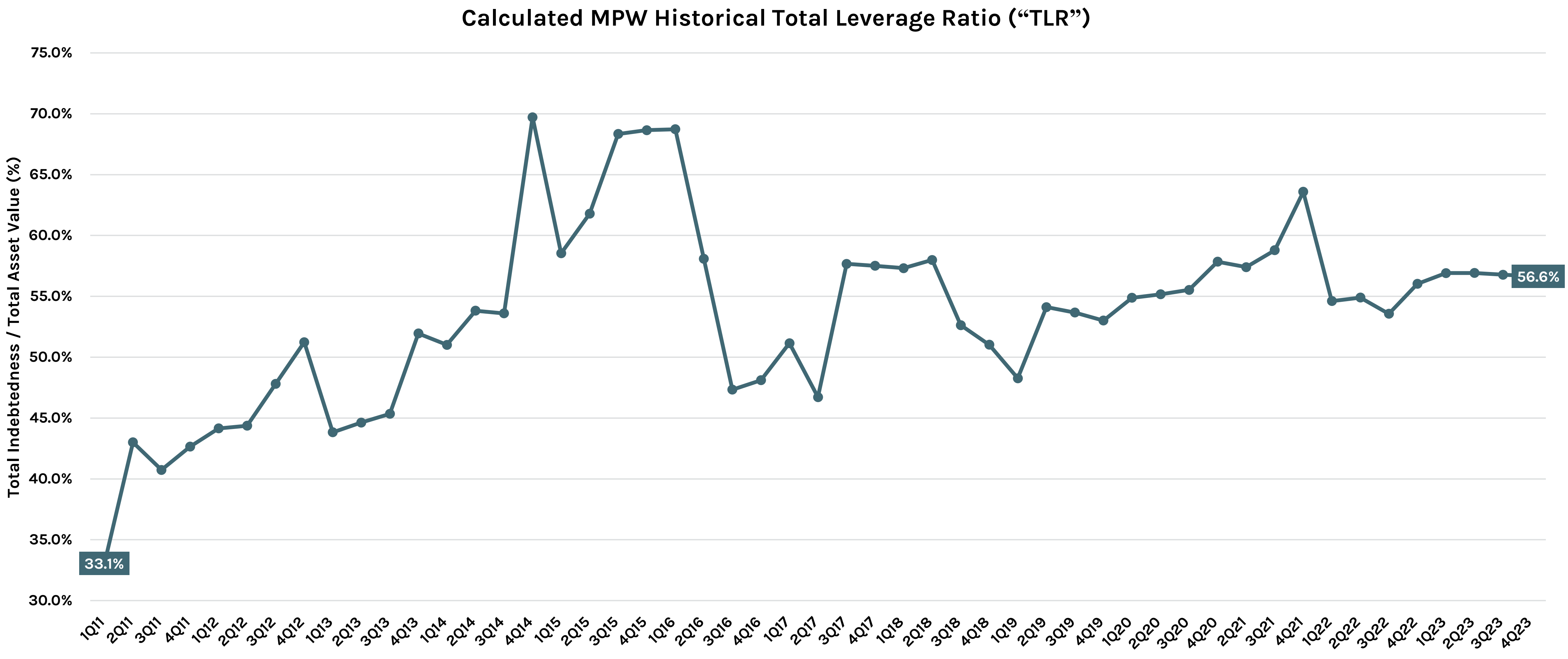
Total Leverage Ratio & Max Allowable Impairment	3Q23	4Q23
Total Leverage Calculation:		
Undepreciated Cost of Wholly-Owned Properties	14,383,759	14,358,744
(+) Pro Rata Share of Undepreciated Cost of UJVs	3,056,597	3,230,920
(+) Unrestricted Cash >$10 Million	340,058	250,016
(+) Mortgage Loans	302,476	309,315
(+) Other Loans	263,471	292,615
(+) Investments in Unconsolidated Operating Entities	1,843,847	1,778,640
(+) Equity Investments	-	-
(+) CIP	182,158	110,073
Total Assets	**20,372,366**	**20,330,323**
Consolidated Debt	10,204,130	10,109,133
(+) Pro Rate Share of UJV Debt	1,363,162	1,406,499
Total Indebtedness	**11,567,292**	**11,515,632**
Calculated Ratio	**56.8%**	**56.6%**
Covenant Limit		60.0%
Maximum Allowable Impairment		1,137,603

- **Maintenance covenant.**
- **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 4Q23**. We further estimate that MPW **cannot withstand >$1.1 billion of asset impairments without tripping the covenant**.

[5] | SECTION 7.1(a) TOTAL LEVERAGE RATIO (“TLR”) (CONT’D)

HEDGEYE

Similar to other measures of MPW’s leverage, the TLR as defined in the RCF agreement has trended up secularly for more than a decade.



[5] | SECTION 7.1(e) CONSOLIDATED TANGIBLE NET WORTH (“TNW”)

HEDGEYE

Amounts in 000s, Except per Share Data

Consolidated Adj. Tangible Net Worth Covenant			3Q23	4Q23
Consolidated Shareholders' Equity			8,285,417	7,633,865
(-) Straight-Line Rent Receivables (1)			-	-
(-) Other Non-SFAS 141 Intangibles			-	-
			-	-
Consolidated Tangible Net Worth			**8,285,417**	**7,633,865**
Base Net Worth			6,685,090	6,685,090
(-) Equity Issuance Adjustment	75.0%	-	-	-
Minimum Net Worth			**6,685,090**	**6,685,090**
Covenant Equity Cushion			**1,600,327**	**948,775**
PASS / FAIL?			**PASS**	**PASS**

Notes:
(1) Remains unclear if SL Rent receivables qualify as intangible assets under the test.

Select OpCo & Other Investments	3Q23	4Q23
Steward Health:		
Direct Equity Investment	125,862	35,696
Int'l JV Loan	230,153	225,960
Cerberus / RDLT Loan	362,589	361,591
Est. Working Capital Loans	214,900	211,000
BV of MAM JV Equity	431,224	394,052
Subtotal	**1,364,728**	**1,228,299**
Prospect Medical:		
Prospect PA Mortgage	150,000	150,000
Delayed Draw TL	45,000	75,000
PHPH Equity/Convert	684,418	699,535
Subtotal	**879,418**	**924,535**
Total Carrying Value	**2,244,146**	**2,152,834**

How can MPW absorb these potential losses, absent a covenant waiver?

We believe that just these OpCo investments could reasonably be considered worthless or near-worthless.

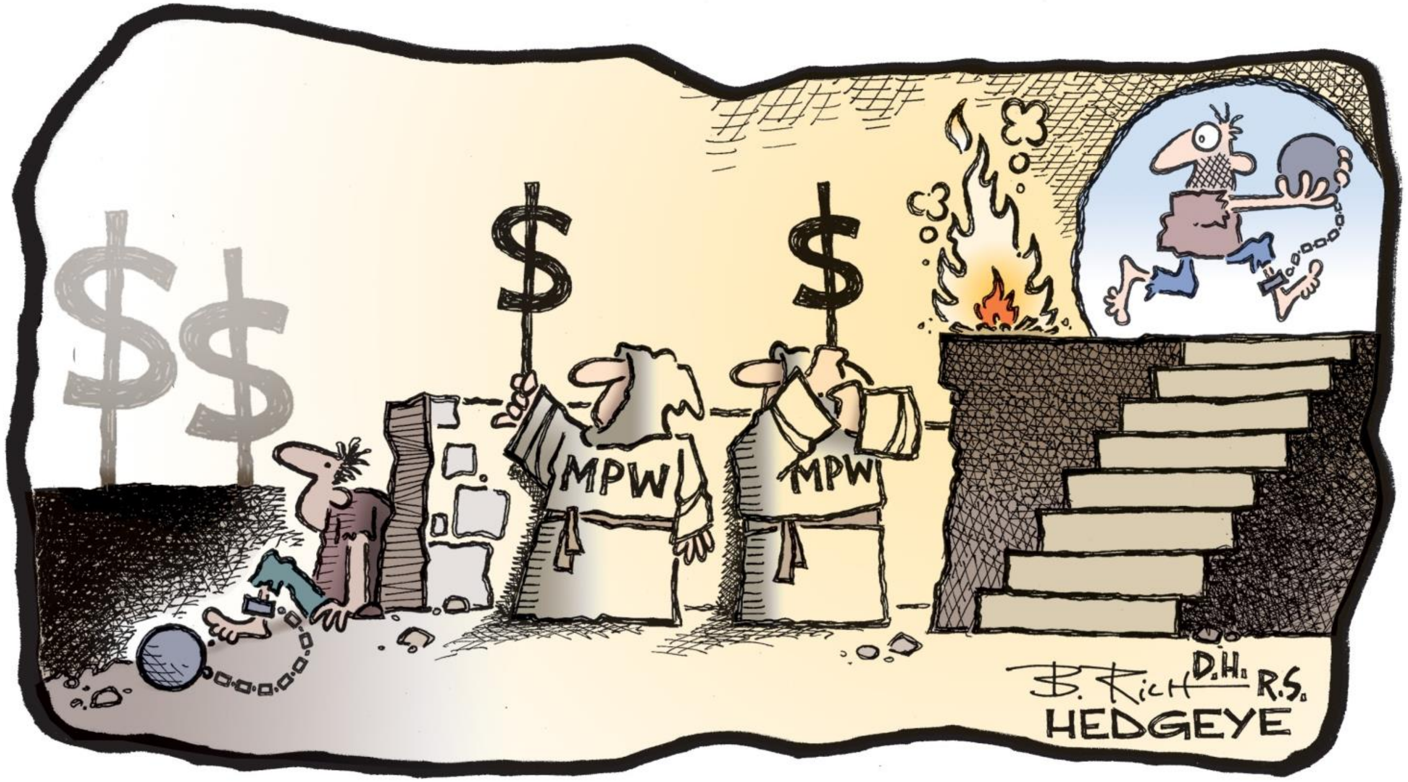
- Also a maintenance covenant.
- Shall not permit Consolidated Tangible Net Worth to be less than the sum of (i) $6,685,089,750 plus (ii) 75% of Net Cash Proceeds from issuances of Capital Stock by the Borrower or Holdings on or after March 31, 2022.
- TNW = consolidated shareholder’s equity as reported on the consolidated balance sheet minus assets considered to be intangible assets under GAAP (other than SFAS 141 Intangibles).
- We estimate TNW= ~$7,633,865,000 as of 4Q23, implying ~$948.8 million of “cushion” to absorb future write-offs/impairments as of 4Q23.
- We believe MPW will likely need a waiver of this covenant from the banks.
- MPW cannot issue public equity right now to rebuild this cushion.

[5] | WHAT ARE THE IMPLICATIONS OF THE RCF COVENANTS?

HEDGEYE

- **It is challenging to see a scenario where MPW will not need covenant waivers from the banks**. Without a waiver, there will very likely be a default.
- **Material risk from Steward non-real estate investments**:
  - **~$1.2 billion of non-consolidated real estate value** sitting on MPW's balance sheet as of 4Q23.
  - Of that amount, ~$394 million equity book value attributable to the MAM UJV, leaving
  - **~$834.2 million of equity/loan investments in the Steward OpCo**.
  - **We believe these investments are worthless**. A Steward BK will likely necessitate **material impairments**.
  - **Steward alone could trip the TLR and TNW covenants**.
- **Material risk from Prospect non-real estate investments**:
  - **~$700 million book value attributable to PHP Holdings ("PHPH")**.
  - As of early-January 2024, the minority interest transfer to MPW had not been approved by the CA DMHC.
  - The CA DMHC also had not approved the creation of PHPH itself.
  - **MPW recorded these investments as "earned" and "received" during 2Q23**, despite not being approved. The WSJ reported about that HERE.
  - Additionally, even under a "best case," we believe that PHPH's residual value to MPW would very likely be worth far less than ~$700 million. The gross value at 100% may barely exceed the ~$375 million of third-party debt originated on the PhysicianCo entity.
  - **A write-off/loss taken against PHPH could absorb most of MPW's TNW cushion**.
- **MPW is very limited in its ability to take losses** as it attempts to sell assets and repay debt.

[6] OVERVIEW OF MPW'S BUSINESS MODEL



[6] | UNDERSTANDING MPW'S BUSINESS MODEL

HEDGEYE

In our view, functionally MPW is less a triple-net REIT and more a "non-FDIC backed bank" that actually or effectively "owns" safety net hospital WholeCos.

Traditional Triple-Net Lease Model:

- Leases typically **require the tenant to pay all operating expenses** (utilities, real estate taxes, maintenance, insurance, etc.) and **capex**.
- In exchange, the **tenant pays a base rent to the landlord** based on the investment (the "lease base") and an initial cash yield (the "lease rate").
- Rent escalates over time based on contractual escalators, or "bumps." Can be CPI-linked.
- Lease terms typically range between 10-20 years.
- Most "bond-like" lease arrangement.
- Leases can arise from sale-leaseback transactions ("SLBs"), whereby the operator/tenant sells the real estate in exchange for capital and then leases it back = form of 100% financing against real estate.
- **Simple, straightforward and "capital-light" to landlord.**

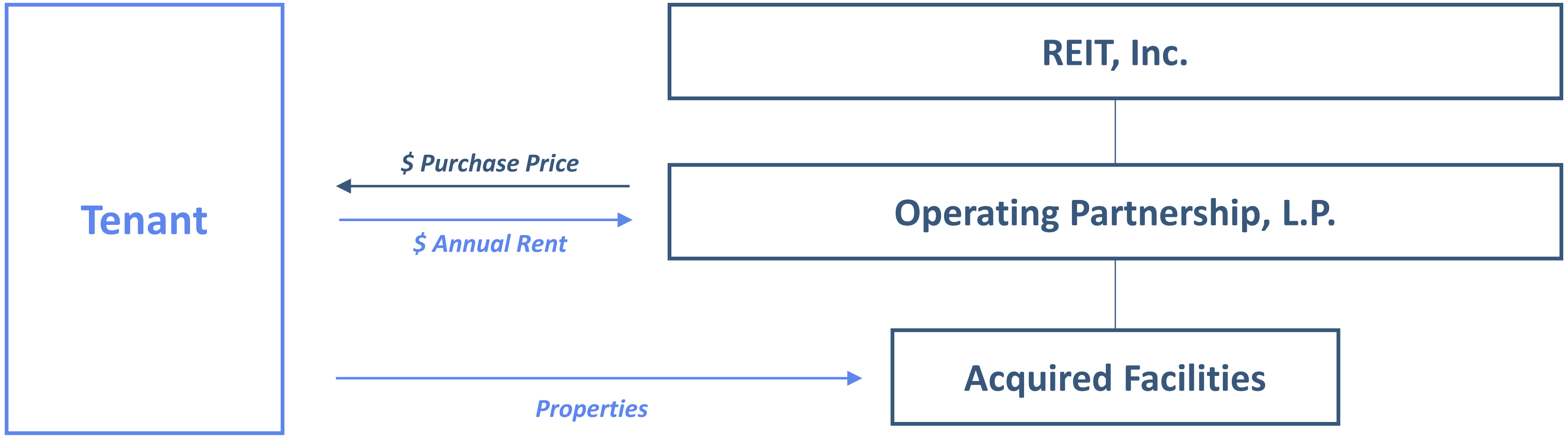
MPW's Model:

- Initial Transaction
  - **Acquire portion of real estate via SLB**, often with tenants who cannot afford even the initial rent.
  - Concurrently, **originate mortgage loan** against another portion of real estate w/ **same terms as SLB** (rate, term, escalators).
  - Concurrently, **acquire direct equity stake in or lend to operator**.
  - Use actual or effective "RIDEA" structure, paired with SLB.
  - All or substantially all of proceeds flow to prior PE owner.
- Recurring Follow-Up Deals to Recap Struggling Tenant:
  - **Avoid reducing rent at all costs!**
  - Convert mortgage to "fee simple" + **pay additional cash.**
  - **Lend directly to tenant**.
  - **Modify initial agreements** in tenant's favor using non-commercial terms.
  - **Invest additional equity** directly into operator.
  - **Invest "capex" + make other advances** to tenant.
  - **All capital in these steps flows to operator/tenant.**
- Often MPW puts up nearly all of the capitalization of entire health system = **NOT A REAL ESTATE DEAL!**
- **Hedgeye regards this to be a crazy, circular, non-economic and non-commercial business model.**

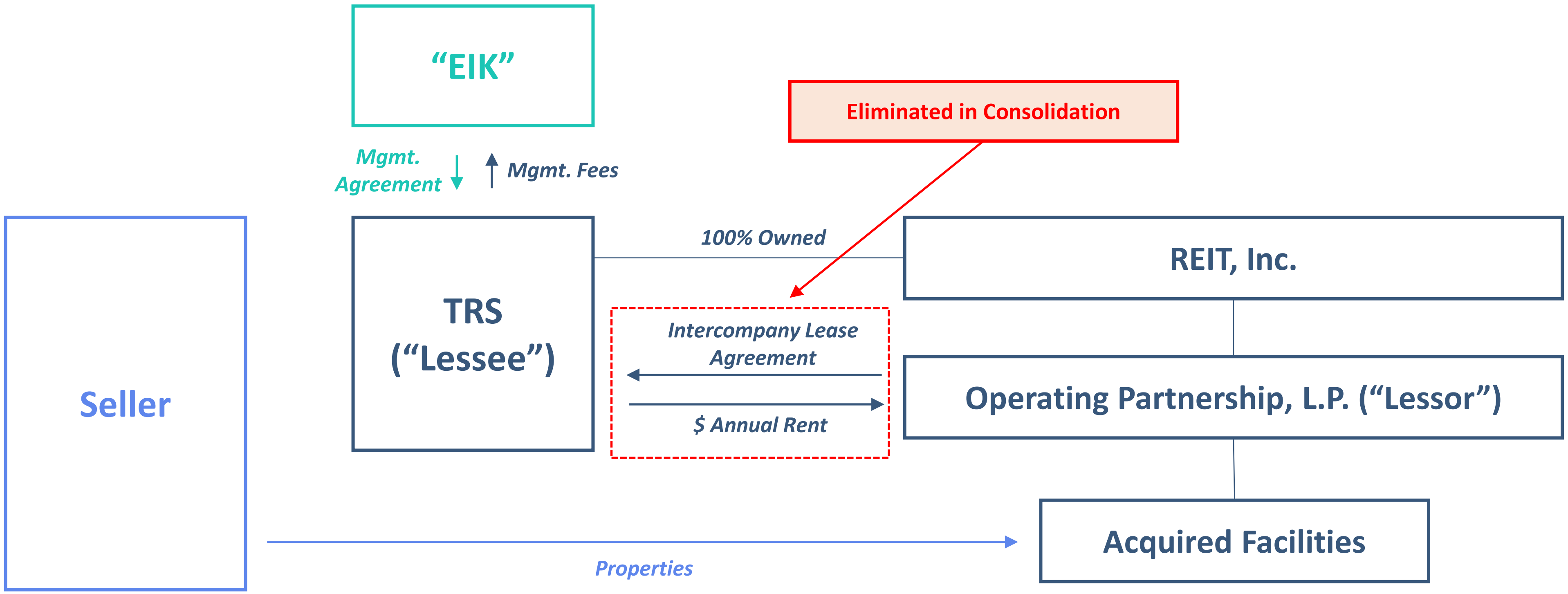
[6] | A TYPICAL TRIPLE-NET LEASE TRANSACTION

HEDGEYE

Keeping things simple. The REIT, usually via the majority-owned operating partnership (the "OP"), buys the real estate assets "fee simple" and then leases them back to the tenant in exchange for rent.



[6] | A TYPICAL “RIDEA” STRUCTURE



REIT Economics Under RIDEA via TRS:

Operating Revenue
(-) Opex
(-) Mgmt. Fees to EIK
(-) Rent
(-) D&A
= EBIT
(-) Taxes
(+) D&A
(+) Rent
= REIT Cash Flow

Intercompany rent, which is eliminated in consolidation, typically “struck” at level to minimize taxable income. Therefore, EBITDA is rough approximation of what REIT “earns.”

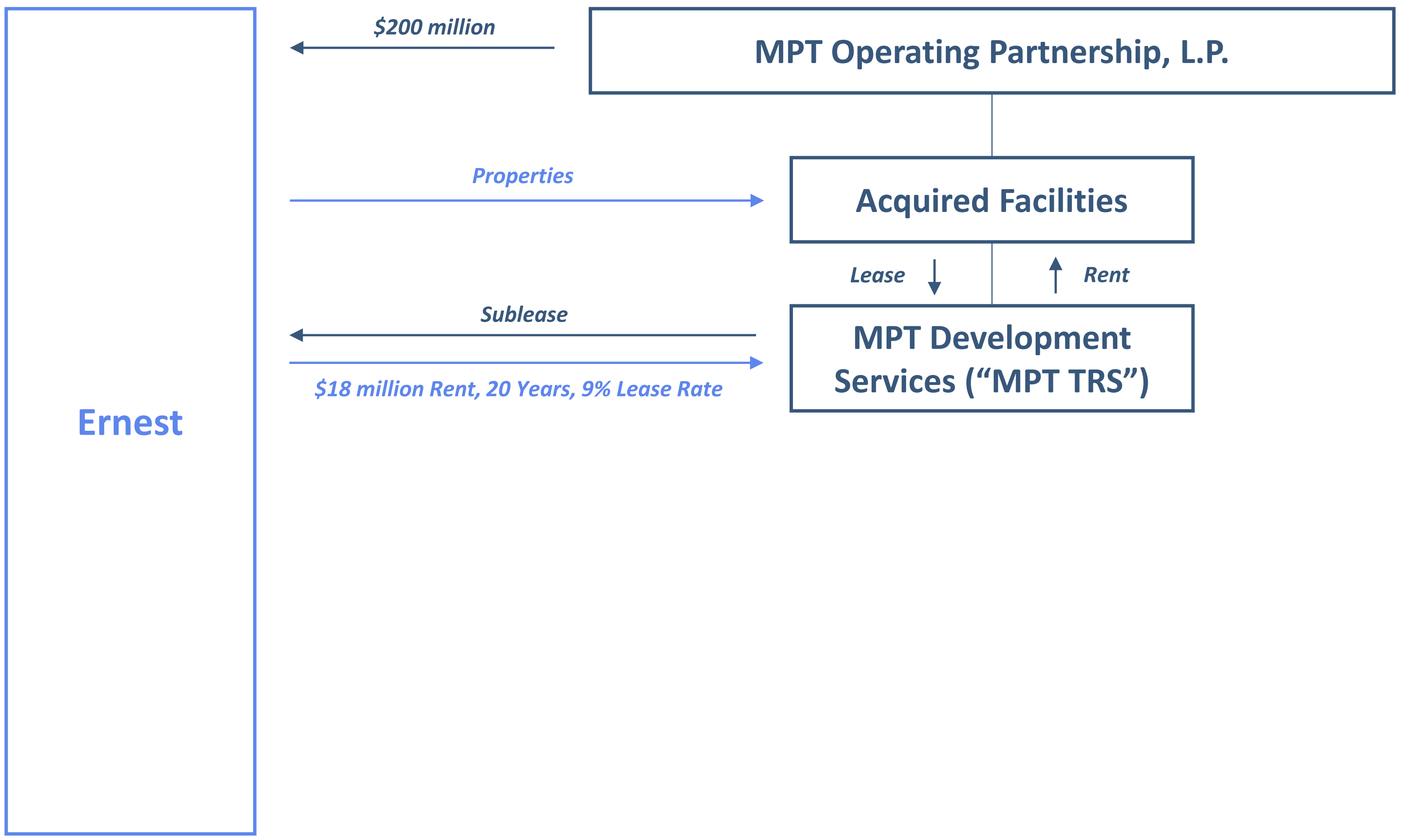
- A “RIDEA” structure allows REITs to engage in activities that would otherwise trip REIT rules. REITS cannot manage healthcare assets.
- Specifically, it allows for participation in the economics of healthcare operations (usually “SHOP” in HC).
- REIT acquires asset, leases asset to a wholly-owned taxable REIT subsidiary (“TRS”) on market terms, TRS hires eligible independent contractor (“EIK”) to manage/operate property, TRS pays taxes.
- Essentially REIT “earns” EBITDA after mgmt. fees, but still “receives” rent from TRS to maintain REIT status.
- RIDEA + triple-net NEVER used in same transaction… except by MPW.

Source: https://rsmus.com/insights/industries/real-estate/taxable-reit-subsidiaries.html, Hedgeye Estimates

[6] | WHAT MPW DOES (THROUGH THE LENSE OF ERNEST TRANSACTION IN 2012)

HEDGEYE

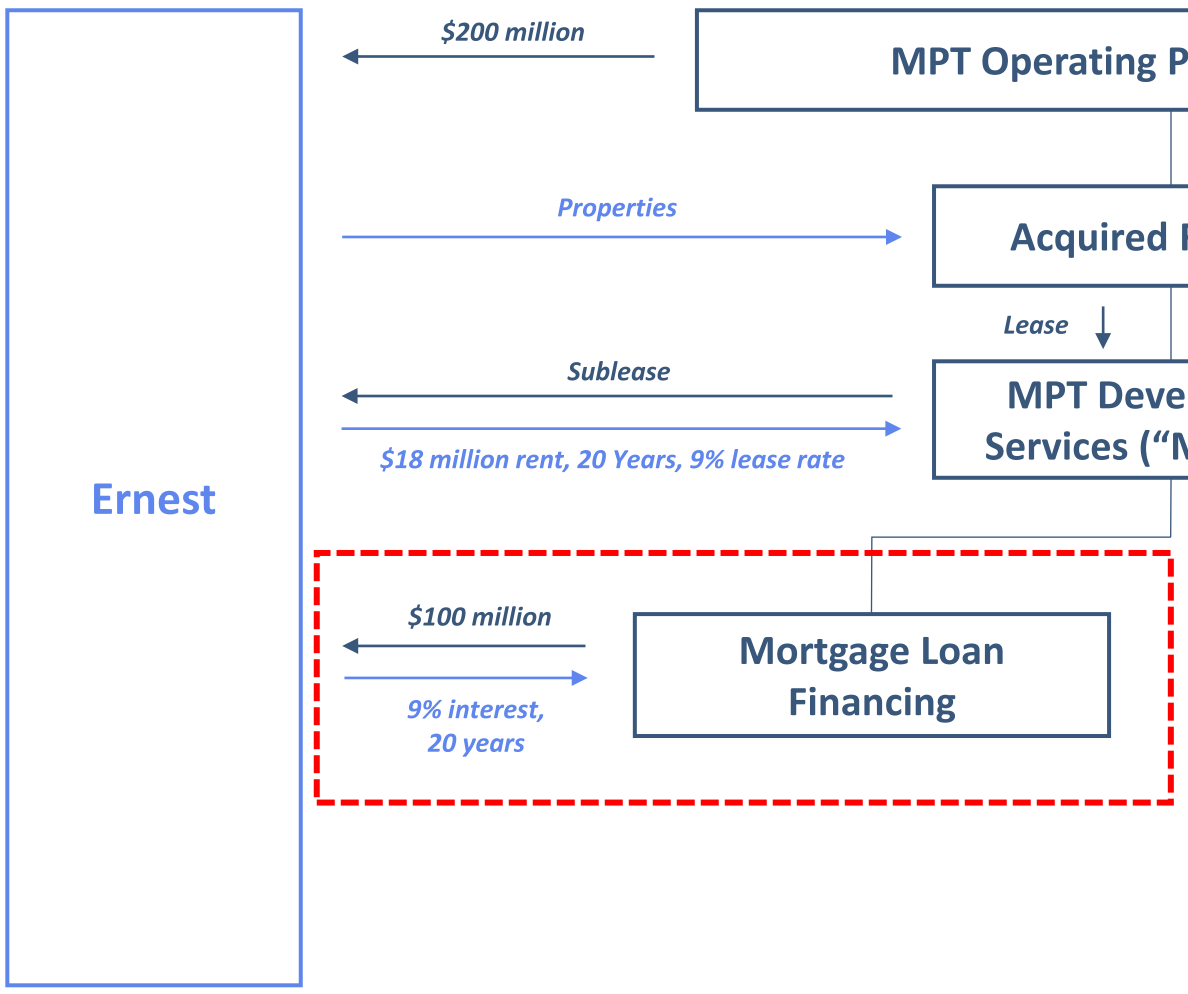
Step 1: MPW acquired real estate facilities for ~$200 million from Ernest Health ("Ernest"). The OP underneath the REIT leased the facilities to a TRS, which in-turn sublet the facilities back to Ernest. This is already unusual. We are not aware of any other triple-net REITs that do this.



[6] | WHAT MPW DOES (THROUGH THE LENSE OF ERNEST TRANSACTION IN 2012) (CONT'D)

HEDGEYE

Step 2: TRS originated ~$100 million mortgage loan financing to Ernest with terms substantially similar to the triple-net leases, including escalations on the loan payment. Highly irregular.

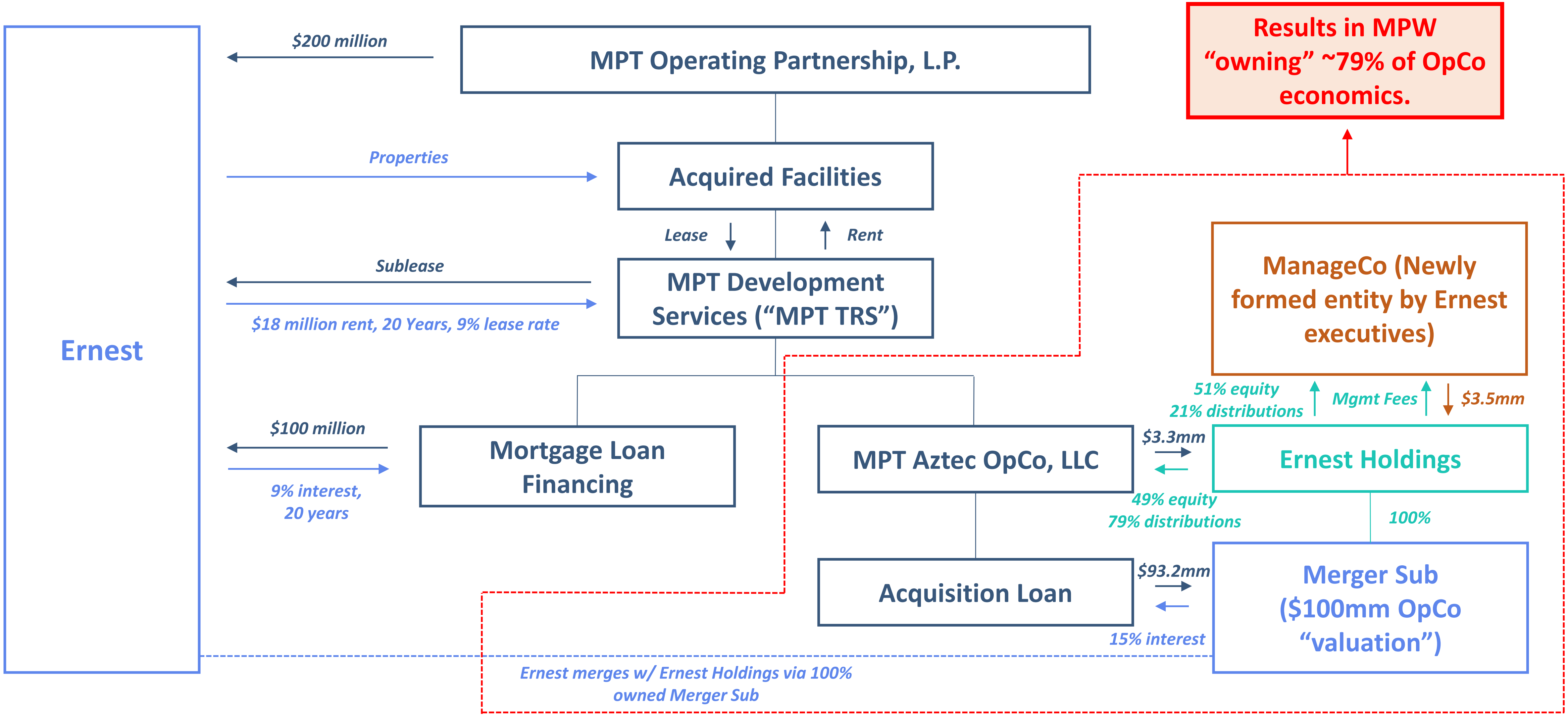


Hedgeye believes that this mechanism is key, as it sets up MPW to recap the operator/tenant in *future* periods. MPW typically does so by cancelling the mortgage and converting to fee simple, but also paying additional cash. The additional cash flows to the operator.

[6] | WHAT MPW DOES (THROUGH THE LENSE OF ERNEST TRANSACTION IN 2012) (CONT'D)

HEDGEYE

Step 3: Acquisition loan + equity contribution. MPW owns essentially all of the economics of the entire system, among the real estate rent + loan interest + distributions. We believe this level of complexity demonstrates intent.



[6] | BASIC MATH: 79% IS > THAN 35% LIMITATION

HEDGEYE

"Ernest Prospectus" HERE – filed on 1.31.12

Following the consummation of these transactions, Ernest and its operating subsidiaries will be managed and operated by ManageCo, or one or more of ManageCo's affiliates, pursuant to the terms of a management agreement, which terms shall include a base management fee payable to ManageCo and incentive payments tied to mutually agreed benchmarks. ManageCo and MPT Aztec Opco, LLC will share profits and distributions from Ernest Health Holdings according to a distribution waterfall under which, if certain benchmarks are met, such that after taking into account interest paid on the acquisition loan, **ManageCo and MPT Aztec Opco, LLC will share in cash generated by Ernest Holdings in a ratio of 21% to ManageCo and 79% to Aztec Opco, LLC.**

We have obtained a private letter (PLR) ruling from the Service (IRS) holding that ownership of the equity interest and the operation of the facility in accordance with the agreements among the parties **do not adversely affect the taxable REIT subsidiary status of MPT Covington TRS, Inc.** We have structured other transactions which MPT TRS owns an indirect equity interest in a tenant entity in a similar manner, and we **will structure leases with the subsidiaries of Ernest in a similar manner** and may structure other such transactions in the future.

"Covington PLR" – filed on 12.10.10

A TRS's purchase of stock or other securities of Parent, Brother, Manager or any of their direct or indirect subsidiaries or of Operator **will not cause the TRS to fail to qualify as a "taxable REIT subsidiary"** within the meaning of section 856(l) or cause Parent, Brother, Manager or any of their direct or indirect subsidiaries or Operator to fail to qualify as an eligible independent contractor within the meaning of section 856(d)(9), **provided TRS does not directly or indirectly own more than 35 percent (by vote or value)** of the securities of any such corporation.

- **MPW obtained a favorable ruling from the IRS on Covington, then less than two years later cited that PLR despite owning ~79% of the economics of the Ernest OpCo, over-and-above MPW's rent.**
- **Hedgeye views this as violating the "spirit" of REIT rules, if not the "letter," + demonstrative of management's willingness to take risk.**

[6] | NET RESULT → MPW CAPITALIZES THE ENTIRE HOSPITAL SYSTEM

HEDGEYE

($ in Millions)

Uses of Funds	$	% of Total
Real Estate Acquisition	200.0	50.0%
Mortgage Loan Financing	100.0	25.0%
Acquisition Loan - OpCo	93.2	23.3%
Ernest Holdings Investment - OpCo	6.8	1.7%
Total Uses (Total Ernest Capitalization)	**400.0**	**100.0%**

Sources of Funds	$	% of Total
MPW SLB	200.0	50.0%
MPW Mortgage Loan	100.0	25.0%
MPW Acquisition Loan	93.2	23.3%
MPW Investment in Ernest Holdings	3.3	0.8%
ManageCo Investment in Ernest Holdings	3.5	0.9%
Total Sources	**400.0**	**100.0%**

Initial Capital Contributions:		
MPW	396.5	99.1%
ManageCo	3.5	0.9%
Total	**400.0**	**100.0%**

OpCo Capitalization	$	% of Total
MPW	96.5	96.5%
Ernest Management	3.5	3.5%
Total	**100.0**	**100.0%**

- Illustrative of MPW's model → did similar for Steward, Prospect, Priory, etc. through different mechanisms.
- For what should have been a relatively simple SLB transaction investing in hospital real estate, approximately ~50% of the capital was deployed unrelated to the transfer of ownership of the fee simple real estate.
- MPW directly capitalized operator with ~$93.2 million acquisition loan + $3.3 million investment in Ernest Holdings. Capital represented roughly ~2.4 years of initial rent and loan interest owed by Ernest back to MPW.
- MPW capitalized ~96.5% of the OpCo, and MPW shareholders put up ~99% of the total capital in the transaction = asymmetric risk!
- MPW wound up owning the substantial majority of the economics of the system. This was not a real estate deal, in our view.

[6] | MANAGEMENT *INTENDED* TO DO THIS

RIDEA used within context of "outsized returns" and "augmenting" real estate returns. Meanwhile, MPW extracted near ~100% of system economics without paying corporate taxes, and arguably tripped at least "spirit" of REIT rules.

THE UPSIDE OF RIDEA

- *We make equity investments in certain operators where **outsized returns** can augment real estate returns.*
- *RIDEA permits healthcare REITs to make such **direct equity investments** in our tenants.*

MPT's RIDEA Model

Cost of a Typical Ernest Hospital	***$17,000,000***
Expected Normalized EBITDAR	*$4,000,000*
Rent	*(1,500,000)*
EBITDA	*$2,500,000*
MPT's Interest	*80%*
	$2,000,000
	6x
Unrecognized Value at 6x	***$12,000,000***

Under this example, ~$1.5 million rent + ~$2 million participation = **~88% of total EBITDAR**.

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[6] | WHEN THINGS GO WRONG, AVOID REDUCING RENT AT ALL COSTS!

HEDGEYE

We believe this is MPW's "guiding principle" or "North Star." Admitting rents are above-market and unaffordable *somewhere*, could also mean admitting rents are above-market *EVERYWHERE*. Instead, it further capitalizes the system through various mechanisms.

Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		**$468.8 mm**	**($253.9 mm)**	**$214.9 mm**	

KEY TAKEAWAYS:

- General working capital loans are **relatively small** (~$175 mm) and help **safeguard the value** of MPT's real estate
- **Cross-defaulted** with Steward master leases (both include parent guaranty), with first liens on assets of hospital operating entities and second liens (after ABL lenders) on receivables
- Approximately **$4 mm in cash interest income** in the third quarter from $214.9 mm in total loans
- For facilities with strong local coverage and *temporary* cash flow challenges, working capital support is **preferable to *permanently* destroying value by reducing rent**

[1]Includes Tranche 2 and other loans that have since been fully repaid

MPT | 5

[6] | MECHANISM #1: MORTGAGE CONVERSION + INVESTMENT OF ADDITIONAL CASH

HEDGEYE

The **incremental ~$200 million flowed directly to Steward** the tenant. We estimate this amount represented ~66% of annual rent + interest owed back to MPW. MPW's basis in these assets was multiples higher than other Steward assets, per HERE.

2017 Activity

Steward Transactions

On September 29, 2017, we acquired, from IASIS Healthcare LLC ("IASIS"), a portfolio of ten acute care hospitals and one behavioral health facility, along with ancillary land and buildings, that are located in Arizona, Utah, Texas, and Arkansas. The portfolio is now operated by Steward which separately completed its acquisition of the operations of IASIS on September 29, 2017. Our investment in the portfolio includes the acquisition of eight acute care hospitals and one behavioral health facility for approximately $700 million, **the making of $700 million in mortgage loans on two acute care hospitals**, and a $100 million minority equity contribution in Steward, for a combined investment of approximately $1.5 billion. – **page 94, 2017 10-K filing** HERE

A summary of our 2020 highlights is as follows:

Acquired the following real estate assets:

...

- Acquired the fee simple real estate of two general acute care hospitals in Utah for a total investment of $950 million in exchange for the **reduction of the mortgage loans** made to Steward for such properties and **additional cash consideration of $200 million** based on their relative fair value; ... **- page 41, 2020 10-K filing** HERE

[6] | MECHANISM #2: LEND DIRECTLY TO TENANTS

HEDGEYE

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROSS STEWARD INVESTMENT)

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	DESCRIPTION
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improvement project, improving MPT's real estate
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward stepping in to operate Florence, AZ hospital
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital – MPT continues to earn cash interest identical to lease terms
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support; $100 mm repaid with Steward's 2023 Utah sale
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support - facilitate Steward provider tax program pay-in
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		$468.8 mm	($253.9 mm)	$214.9 mm	

KEY TAKEAWAYS:

- General working capital loans are **relatively small** (~$175 mm) and help **safeguard the value** of MPT's real estate

- **Cross-defaulted** with Steward master leases (both include parent guaranty), with first liens on assets of hospital operating entities and second liens (after ABL lenders) on receivables

To protect the value of MPT's assets and hospital operations while Steward executes on its strategic plan, MPT has agreed to fund a new $60 million bridge loan secured by all MPT's existing collateral plus new second liens on Steward's managed care business, subordinate only to Steward's ABL lenders. A portion of MPT's existing approximately $215 million of transaction-specific and working capital loans to Steward will now also be secured by these same second liens on the managed care platform. The Company has also consented to the deferral of unpaid rent

[6] | MECHANISM #3: MODIFY ORIGINAL AGREEMENTS, TO DETRIMENT OF MPW SHAREHOLDERS/BONDHOLDERS

HEDGEYE

2Q22 Earnings Call - held on 8.3.22

CFO Steve Hamner: "So, all of this describes why we remain enthusiastic about first and foremost the value of our hospital real estate, but also of Steward's near and long-term outlooks. This led us to agree early in the second quarter to facilitate Steward's transition of its recent cash pressures to the strongly positive cash flow outlook I have just described by **providing a $150 million debt facility to Steward**. Among other key terms in the facility are a relatively short five-year term, cross-collateralization to our master leases, **mandatory prepayment from proceeds of any sale of Utah and other operations**, and attractive kicker interest payment. The strength of our master lease structure whereby **we basically have first priority in the valuable Utah and Florida operations** along with other markets, made this investment decision very attractive for MPT."

2Q23 Earnings Call - held on 8.8.23

CFO Steve Hamner: "During the second quarter, **we also received, from Steward, $100 million in repayment of the loan we made in 2022**. As our press release and Ed earlier described, our primary new capital commitment came in the third quarter as we elected to participate in Steward's new syndicated ABL facility for up to $140 million. This facility is secured by first-lien interest in patient receivables – that is, receivables from government payors, commercial insurers, managed care companies and others."

To Summarize:

- **Changed agreement on non-commercial terms to favor tenant.**
- **Loan not mandatorily prepayable.**
- **No first priority on ~$700 million Utah OpCo sale.**
- **~$50 million of ~$150 million remains outstanding; $50 million = ~1 quarter of rent under consolidated master lease.**
- **Thereafter, extended additional unsecured loans to Steward.**

[6] | MECHANISM #4: INVEST EQUITY DIRECTLY INTO OPERATOR

HEDGEYE

SMN is the operator under MPW's Infracore PropCo UJV. MPW acquired a ~46% stake in Infracore in May 2019, and later upped its stake to ~70% in December 2020. In April 2021, MPW invested roughly ~$160 million directly into SMN.

On July 6, 2021, we also acquired an acute care hospital in Stirling, Scotland for £15.6 million. This hospital is leased to Circle Health Ltd. ("Circle") pursuant to a long-term lease with annual inflation-based escalators.

On April 16, 2021, we made a CHF 145 million investment in Swiss Medical Network, our tenant via our Infracore SA ("Infracore") equity investment.

On January 8, 2021, we made a $335 million loan to affiliates of Steward, all of the proceeds of which were used to redeem a similarly sized convertible loan from Steward's former private equity sponsor.

- *Passive investments typically needed in order to acquire the larger real estate transactions.*
- *Cash payments go to previous owner and not to the tenant, with limited exceptions.*
- *Operators are vetted as part of our overall underwriting process.*
- *Potential for outsized returns and organic growth.*
- *Certain of these investments entitle us to customary minority rights and protections.*
- *No additional operating loss exposure beyond our investment.*
- *Proven track record of successful investments, including Ernest Health and Capella Healthcare.*

Investment into SMN tenant OpCo made several years after initial Infracore investment = ~3 years of annual Infracore rent at 100%.

Operator	Investment as of December 31, 2023	Ownership Interest	Structure
PHP Holdings	$ 699,535	49.0%	Includes a 49% equity ownership interest in, along with a loan convertible into PHP Holdings, the managed care business of Prospect. Both instruments are accounted for under the fair value option method, which resulted in a combined $45 million gain in Q3 and Q4 2023.
Steward Health Care	361,591	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% return plus 37% of the increase in the value of Steward over seven years.
International Joint Venture	225,960	49.0%	Includes our 49% equity ownership interest and a loan made for the purpose of investing in select international hospital operations. The loan carries a 7.5% interest rate and is secured by the remaining equity of the international joint venture and guaranteed by the other equity owner.
Swiss Medical Network	186,113	8.9%	Includes our passive equity ownership interest, along with a CHF 37 million loan as part of a syndicated loan facility.

[6] | MECHANISM #5: ADVANCE "CAPEX" TO OPERATOR

HEDGEYE

On 1.13.23, MPW announced Pipeline's exit from Ch. 11 protection. It noted the capex commitment under the original lease, but failed to note incremental funding. The additional ~$18 million funded represented roughly ~1 year of rent owed back to MPW.

Medical Properties Trust

Apparently, MPW does not regard additional "capex" funding as "material."

Medical Properties Trust Announces That Pipeline Health Will Assume the Existing Terms of Its Los Angeles Hospital Master Lease

January 13, 2023

Lease Rate and Escalator Unchanged; MPT to Collect 100% of Rent Accrued During Bankruptcy

MPT Facilities and Related Capital Additions Vital to Go-Forward Operator Strategy

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Jan. 13, 2023-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that the assumption of its master lease of four Los Angeles area hospitals and two medical office buildings by Pipeline Health ("Pipeline") has been approved as part of Pipeline's successful confirmation of its plan of reorganization (the "Plan"), which provides for Pipeline's exit from bankruptcy proceedings. The pre-bankruptcy lease rate, annual escalator, remaining term of approximately 18 years and other material lease provisions remain unchanged. The Court-approved Plan reconfirms the characterization of the master lease as a true operating lease rather than a financing arrangement.

Following the December sale of its Illinois hospitals, Pipeline is primarily focusing its post-bankruptcy business plan on opportunities within its attractive Los Angeles footprint. On the effective date of the Plan, MPT will be paid all rent that accrued through the first half of January 2023, and it has agreed to defer approximately $5.6 million, or approximately 30%, of 2023 cash rent into 2024 when it will be collected with interest. MPT and Pipeline also agreed to complete Pipeline's pre-bankruptcy plans to add a behavioral facility within Coast Plaza Hospital. MPT will fund the capital addition, which will be joined to the master lease and earn rent at the lease rate upon completion.

"This outcome with Pipeline demonstrates that well-underwritten hospital real estate subject to carefully crafted master lease agreements offers strong protection from operator financial challenges," said Edward K. Aldag, Jr., President, Chairman and Chief Executive Officer. "We have long invested in hospitals with true infrastructure characteristics that provide an inherently favorable local setup for operator profitability, and it is no accident that our expected long-term cash rent trajectory will not be impacted by Pipeline's bankruptcy process."

Capital Expenditure Funding	Following the Plan Effective Date, MPT shall fund $23.65 million in capital expenditures to be utilized only for the benefit of the L.A. Hospitals through a combination of: • a release of up to $9.4 million in security deposits; provided, however, that a letter of credit from a financial institution reasonably acceptable to the MPT Lessors is posted in favor of the MPT Lessors in the amount released. • Up to $6 million for Capital Additions pursuant to section 10.3(b) of the Original Lease related to the construction of the Debtors' proposed behavioral facility at Coast Plaza Hospital, to include reimbursement of reimbursable expenses that have already been

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SETTLEMENT TERMS	
	incurred by the Debtors as of the Agreement Effective Date; *provided* that such $6 million in Capital Additions shall be included in the calculation of Lease Base in the Amended Lease. • Up to an additional $5 million for additional Capital Additions to be available on the Agreement Effective Date for projects to be identified in the Lease Amendment, such funding to be provided pursuant to section 10.3(b) of the Original Lease and to include Major Repairs; *provided* that such $5 million in Capital Additions shall be included in the calculation of Lease Base in the Amended Lease. • Up to $3.25 million in repairs and upgrades to be funded from the existing reserve held by the MPT Lessors, which would remain intact and accessible for the purposes specified in the Original Lease.

[6] | AGAIN, KEEP THIS FRAMEWORK IN MIND…

HEDGEYE

We see this pattern repeated over time and across multiple tenants. We will use it as a "TOC, within a TOC."

- **Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.**
- **Target funding amounts rather than lease affordability, "true" market values, etc.**
- **Capitalize the operator upfront/invest in the "WholeCo."**
- **Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!**
- **Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.**
- **Generally aggressive accounting - "financial engineering gone wrong."**
- **Go to extraordinary lengths to hide efforts and obfuscate operator performance.**

[7] STEWARD HEALTH CARE SYSTEM LLC (“STEWARD”)

“MUTUALLY ASSURED DESTRUCTION”

[A] INTRO & BACKGROUND

Steward

Steward Health Care System

[7][A] | "MUTUALLY ASSURED DESTRUCTION" – HEARD SOMEHWERE IN OCTOBER 2022

HEDGEYE

- The relationship between MPW and Steward is the most fascinating and problematic that we have ever seen. **We believe that MPW's story can be viewed through the lens of Steward**.
- **Hedgeye identified Steward as existential to MPW in early-2022**, given Steward's obvious financial distress and MPW's significant investment into the OpCo.
- A core part of our short thesis was that **MPW would go to extraordinary lengths to support Steward** so as to keep it out of bankruptcy. This would likely be **done on non-commercial terms** and would **drain MPW's liquidity**. This is occurred.
- **Steward has very likely been insolvent for years**. It only made it this far in its current condition by the graces of MPW's balance sheet. **We believe that MPW fully capitalized Steward in 2020**, putting up **literally ~100% of the capital**.
- We believe that **MPW has actively and deliberately misled investors and analysts** as to Steward's status and importance over several years.
- Sitting here today, we estimate that **MPW has invested a net ~$2.5 billion in the real estate + another ~$1.2 billion in OpCo loans/equity and one unconsolidated JV**. It continued to invest incremental capital as recently as 1Q24.
- In early-2024 MPW finally and officially announced HERE that **Steward had in essence failed and had become a restructuring**. We believe that a **Steward Chapter 11 filing is inevitable**.
- We believe MPW putting up ~100% of the capital + owning 9.9% directly + purchasing non-straight debt + being the largest unsecured creditor + being the largest landlord of an insolvent Steward have **MASSIVE implications**. **Will Steward need to be consolidated with and into MPW?**

[7][A] FIRST… WHY DOES A HOSPITAL COMPANY NEED A "BLACKOUT ROOM?"

HEDGEYE

De La Torre ran his empire close to the vest, zealously guarding Steward's finances and strategy. In 2017, the company sought a Suffolk Superior Court ruling that its systemwide financial data did not have to be shared with Massachusetts officials. When Steward lost that ruling, it appealed.

In the chain's Back Bay headquarters, there was a "blackout room," with walls engineered to block cell and Wi-Fi signals. Cellphones were useless inside, and the room could not be bugged, so secrets stayed secret. The C-suite was guarded by extra locks.

"There was always a certain level of secrecy," said another former Steward official, "and nobody was sure what it was all about."

The company also never seemed to have enough cash and routinely sat on invoices for months before paying them, former employees said.

[7][A] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[7][A] | ORIGINAL 2016 TRANSACTION INCLUDED ~$1.2 BILLION FOR REAL ESTATE

HEDGEYE

MPW invested ~$1.2 billion in the Steward real estate, consisting of a ~$600 million SLB + ~$600 million mortgage financing on identical terms. Steward was owned by funds of Cerberus Capital Management ("Cerberus") at the time.

Medical Properties Trust, Inc. to Invest $1.25 Billion in Nine Acute Care Hospitals

Download PDF

Real Estate to be Acquired from and Leased to Steward Health Care System LLC, an Affiliate of Cerberus Capital Management; Immediately Accretive Transaction Increases Company's Asset Base to Approximately $7 Billion

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Sep. 26, 2016-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has signed a definitive agreement to acquire the real estate interests of nine acute care hospitals operated by Steward Health Care System LLC ("Steward"). The $1.25 billion total value of the transactions includes a $1.2 billion investment in hospital real estate and a $50 million equity investment in Steward. Per share accretion of approximately 10% is expected, after consideration of previously disclosed dispositions of approximately $800 million, approximately $300 million of previously disclosed and pending acquisitions of German hospitals and permanent financing of the transactions. Steward is owned by its management team and premier private equity firm, Cerberus Capital Management ("Cerberus"), and is the largest for-profit hospital system in the highly innovative Massachusetts market.

MPT's interests in the hospitals will be subject to a master lease and mortgage loan arrangements with cross default provisions and backed by a corporate guaranty. The master lease represents approximately $600 million and has a 15-year initial term and three five-year extension terms, and a GAAP yield of 10.1%; the cross-defaulted mortgage loans, with a similar aggregate value, have identical rates including CPI-based escalations, generally within a two to five percent band. MPT is also investing, alongside Cerberus and management, $50 million in Steward, which in addition to attractive investment characteristics, provides certain protective rights concerning Steward's credit decisions.

A Cerberus affiliate has agreed to invest $150 million in MPW's common stock in a private placement transaction concurrent with or soon after closing.

In addition to the premiere portfolio of irreplaceable hospital assets announced today, the agreement also includes a right of first refusal for MPT to acquire future Steward hospitals.

Data Source: https://medicalpropertiestrust.gcs-web.com/node/6941/pdf, Hedgeye Estimates

[7][A] | THE LEASES NEVER MADE SENSE, NOR DID THE VALUES

HEDGEYE

In September of 2016, Steward announced a $1.25 billion deal with a real estate investment trust, Medical Properties Trust Inc., in which Steward sold hospital properties to MPT. The real estate investment trust then rented them back to Steward for multimillion dollar lease payments, which, in its current state, it cannot afford. Governor Maura Healey has called the rents "perhaps usurious," a term often used to describe ruinously high interest rates. Steward said at the time it would use the sale proceeds to finance expansion, pay off debt, and return money to its private equity owner, Cerberus.

From the perspective of operating hospitals, the deal made no sense, said one of de la Torre's former colleagues. "And then we all sort of nodded our heads and rolled our eyes and said, 'Oh, now I get it. There are no plans to turn this into a viable set of community hospitals. It's all about pulling money.' "

De la Torre puts the responsibility for the real estate sale on Cerberus, which, he said, "controlled both over 90 percent of the shares and a majority of the board" at the time of transaction. "The ultimate decision was theirs," he said.

A Cerberus spokesperson said de la Torre and his management team had operating control of Steward and controlled the relationship with MPT. "They originated and were strong proponents of the sale-leaseback transaction that supported management's plans. The transaction with MPT would not have occurred without Dr. de la Torre's consent and support given that he was the lead operating manager."

[7][A] | SECOND TRANSACTION INCLUDED ~$1.4 BILLION FOR REAL ESTATE

HEDGEYE

In September 2017, MPW invested ~$700 million to acquire fee simple real estate via SLB + another ~$700 million mortgage loan financing under the same terms as the leases.

Transaction Summary

MPT's interests in the hospitals to be acquired will be subject to a master lease and mortgage loan arrangements with cross default provisions and backed by a corporate guaranty. Nine hospitals will be purchased for $700 million and leased back to Steward under the master lease, which has an expiration date of October 31, 2031, and includes three five-year extension terms, resulting in a GAAP yield of 10.2%. The new mortgage loans, also aggregating $700 million, have the same contractual terms as the leases. Additionally, MPT is making an attractive $100 million preferred equity investment in Steward, which will provide low risk equity-like returns.

MPT's pro forma investment of $3.3 billion in Steward real estate will include MPT's existing investment in hospital real estate leased to IASIS, and generate approximately $298 million in annual revenue split 67% rental income and 33% interest income from mortgages. Expected 2018 EBITDAR rent and interest coverage for all Steward hospitals is 2.8 times.

The transaction is expected to close by September 30, 2017, subject to customary approvals and consents. MPT expects to finance the acquisitions with proceeds from a combination of a fully committed $1.0 billion term loan with a term up to two years, its revolving credit facility with present availability of approximately $1.0 billion and the possible issuance of long-term unsecured notes. The Company intends to maintain its prudent leverage position and does not expect net debt to adjusted EBITDA to exceed 5.7 times.

[7][A] | MPW CLEARLY OVERPAID FOR THE REAL ESTATE IN 2016

HEDGEYE

MA property records show the degree of overpayment here. MPW paid >9x more than Steward did in 2010/2011. These are single-use, highly capital-intensive assets with no or essentially no terminal value due to the long lease terms.

Steward MA Values [1]	Steward 2010/2011	MPW's Purchase Prices 2016	MPW's Purchase Prices 2018	MPW's Purchase Prices Total	% of Steward's Cost
Good Samaritan	$ 11,437,947	$ 98,000,000	$ -	$ 98,000,000	856.8%
Holy Family Methuen	17,115,777	129,000,000	-	129,000,000	753.7%
Holy Family Merrimack Valley	8,386,667	-	123,889,105	123,889,105	1477.2%
Morton Hospital	37,290,000	88,000,000	-	88,000,000	236.0%
St. Anne's Hospital	5,654,686	96,000,000	-	96,000,000	1697.7%
SEMC	16,897,715	189,000,000	-	189,000,000	1118.5%
Carney Hospital	12,502,540	-	262,923,010	262,923,010	2103.0%
Nashoba	6,152,764	-	94,710,000	94,710,000	1539.3%
Norwood	18,936,385	-	177,637,268	177,637,268	938.1%
Total	**$ 134,374,481**	**$ 600,000,000**	**$ 659,159,383**	**$ 1,259,159,383**	**937.1%**

Notes:

(1) Sourced from MA property records.

[7][A] | MPW CLEARLY OVERPAID FOR THE REAL ESTATE (CONT'D)

HEDGEYE

In mid-2020, MPW converted the 2017 Utah mortgages + invested an additional ~$200 million cash to acquire the fee simple real estate. MPW's basis was orders of magnitude higher than other assets. This capital flowed to Steward, we believe for working capital purposes.

"Since the pandemic began, **MPT has struck a series of deals** involving Steward and its chief executive that together **resulted in hundreds of millions of dollars flowing from MPT to Steward**.

Former MPT employees familiar with the company's transactions said they saw deals with Steward as a way for MPT to provide it with cash as it notched losses, which in turn helped Steward make its rent payments and kept MPT growing…

… In another case, Steward had acquired two properties in Utah as part of a broader 2017 deal financed by MPT. In July 2020, MPT converted the mortgages into leases and paid Steward an additional $200 million, according to securities filings.

The **total price tag worked out to about $2.4 million per licensed bed** for the Utah properties, **compared with about $350,000 per bed for the other properties MPT acquired in the 2017 deal**.

Steward said it was paid an "appropriate if not conservative price" for the Utah properties, and that valuing the properties on a per-bed basis wasn't appropriate since the Utah properties generated significant revenue from outpatient services.

"We are highly confident that our investment in our Utah properties does not exceed their fair values," MPT said." – **WSJ, *How a Small Alabama Company Fueled Private Equity's Push Into Hospitals*, 2.14.22.**

Data Source: https://www.wsj.com/articles/hospitals-private-equity-reit-mpt-steward-11644849598, Hedgeye Estimates

[7][A] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[7][A] | MPW TARGETING PROCEEDS IN 2016?

HEDGEYE

"Transaction benefits" defined within context of GAAP accretion + reducing prior largest tenant exposure + increasing size. Also facilitated distributions to prior PE owner, a recurring theme. MPW pitched "bigger is better," but actually (-).

Benefits of the Transaction

- **Achieves Immediate Accretion.**
- **Expands Acquisition Pipeline.** The transaction aligns MPT with an industry-leading acute care provider and provides the Company with right of first refusal to purchase real estate resulting from Steward's future growth.
- **Reduces Tenant Concentration.** Subsequent to the Steward and MEDIAN transactions, MPT's exposure to its largest tenant improves to 17.8% from 20.8% and its two largest tenants combined improve to 33.9% from 40.2%.
- **Improves Diversification.** The transaction improves geographical diversification with MPT now being represented in 30 states at the close of the transaction. Acute care facilities as a percentage of MPT's U.S. portfolio increases to 80%, up from 75% as of June 30, 2016.
- **Increases Critical Mass.** The transaction, combined with MEDIAN transactions, increases MPT's total gross assets 29% to approximately $7 billion on a pro forma basis. Further, it adds nine hospital properties and approximately 1,800 beds to MPT's portfolio increasing the total number to 248 and approximately 27,000, respectively.
- **Establishes New Operator Relationship.** The transaction adds Steward to MPT's industry-leading group of 30 hospital operators. Steward provides the largest fully integrated community-based healthcare delivery system in New England.

But almost as soon as the state monitoring period ended, Cerberus did what many private equity skeptics feared. In 2016, Steward sold off some of the hospitals' property for $1.25 billion. The hospitals now had to pay rent to use buildings they once owned. That helped Cerberus extract a giant gain; one of its funds collected a $484 million dividend, according to a confidential investor document. Mostly because of the real estate transaction, the fund tripled its money. The deal also enabled an acquisition spree. Steward now owns 34 hospitals in nine states, including Florida, Ohio, Pennsylvania, and Texas, as well as two in, of all places, Malta.

Steward ended up with $1.3 billion in long-term debt in 2018. On top of that, it owed more than $3 billion in future lease payments. In keeping with the private equity model, Cerberus didn't owe that. Steward did. The hospital company is bleeding–a combined half a billion dollars in losses in 2017 and 2018 alone, according its last publicly available financial statements. Based on 2018, the Massachusetts agency monitoring hospital finance rated Steward's solvency lower than that of any other hospital system in the state.

Data Source: https://www.bloomberg.com/news/features/2020-08-06/cerberus-backed-hospitals-face-life-and-debt-as-virus-rages, https://medicalpropertiestrust.gcs-web.com/node/6941/pdf, Hedgeye Estimates

[7][A] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[7][A] | INITIAL TRANSACTION INCLUDED DIRECT EQUITY INVESTMENT INTO STEWARD...

HEDGEYE

Medical Properties Trust, Inc. to Invest $1.25 Billion in Nine Acute Care Hospitals

Download PDF

Real Estate to be Acquired from and Leased to Steward Health Care System LLC, an Affiliate of Cerberus Capital Management; Immediately Accretive Transaction Increases Company's Asset Base to Approximately $7 Billion

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Sep. 26, 2016-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has signed a definitive agreement to acquire the real estate interests of nine acute care hospitals operated by Steward Health Care System LLC ("Steward"). The $1.25 billion total value of the transactions includes a $1.2 billion investment in hospital real estate and a $50 million equity investment in Steward. Per share accretion of approximately 10% is expected, after consideration of previously disclosed dispositions of approximately $800 million, approximately $300 million of previously disclosed and pending acquisitions of German hospitals and permanent financing of the transactions. Steward is owned by its management team and premier private equity firm, Cerberus Capital Management ("Cerberus"), and is the largest for-profit hospital system in the highly innovative Massachusetts market.

MPT's interests in the hospitals will be subject to a master lease and mortgage loan arrangements with cross default provisions and backed by a corporate guaranty. The master lease represents approximately $600 million and has a 15-year initial term and three five-year extension terms, and a GAAP yield of 10.1%; the cross-defaulted mortgage loans, with a similar aggregate value, have identical rates, including CPI-based escalations, generally within a two to five percent band. MPT is also investing, alongside Cerberus and management, $50 million in Steward, which in addition to attractive investment characteristics, provides certain protective rights concerning Steward's credit decisions.

[7][A] | … AS DID THE SECOND - THIS WAS NOT JUST A REAL ESTATE DEAL!

HEDGEYE

Medical Properties Trust, Inc. Completes $1.4 Billion Investment in Eleven IASIS Hospitals Now Operated by Steward Health Care

Download PDF

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Sep. 29, 2017-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has completed the previously announced acquisition of the real estate interests from IASIS Healthcare Corporation of ten acute care hospitals and one behavioral health facility with Steward Health Care System LLC ("Steward") becoming the facilities' new operator. Additionally, MPT invested $100 million in minority preferred interests of Steward.

[7][A] | MPW INVESTED IN THE STEWARD "WHOLECO"

HEDGEYE

As of 12.31.17, MPW owned a direct ~9.9% equity stake in Steward. This placed MPW up against the direct ownership limitation pursuant to REIT rules under the U.S. Code (the "Code"). MPW's interest may be owned via the "MPT Sycamore OpCo TRS" entity.

Gross Assets by Operator

Operators	As of December 31, 2017 Total Gross Assets	As of December 31, 2017 Percentage of Total Gross Assets	As of December 31, 2016 Total Gross Assets	As of December 31, 2016 Percentage of Total Gross Assets
Steward	$3,457,384(1)	36.5%	$1,609,583(2)	22.5%
MEDIAN	1,229,325	13.0%	993,677	13.9%
Prime	1,119,484	11.8%	1,144,055	16.0%
Ernest	629,161	6.6%	627,906	8.8%
RCCH	506,265	5.3%	566,600	7.9%
Other operators	2,089,934	22.1%	1,900,397	26.7%
Other assets	444,659	4.7%	300,903	4.2%
Total	$9,476,212	100.0%	$7,143,121	100.0%

(1) Includes approximately $1.86 billion of triple net leased gross assets, including the subsequent event transaction as discussed in Note 13 to Item 8 of this Annual Report on Form 10-K.

(2) Includes approximately $360 million of gross assets related to facilities leased to IASIS prior to it being acquired by Steward on September 29, 2017.

Affiliates of Steward Health Care System LLC ("Steward") lease 28 facilities pursuant to a master lease agreement, which had an initial 15-year term (ending in October 2031) with three five-year extension options, plus annual inflation-based escalators. At December 31, 2017, these facilities had an average remaining initial lease term of 13.8 years. In addition to the master lease, we hold a mortgage loan on six facilities with terms and provisions substantially similar to the master lease agreement. The master lease and loan agreements include extension options that must include all or none of the properties, cross default provisions for the leases and loans, and a right of first refusal for the repurchase of the leased properties. At December 31, 2017, we hold a 9.9% equity investment in Steward for $150 million.

11

(4) at the close of each quarter of the taxable year—

(A) at least 75 percent of the value of its total assets is represented by real estate assets, cash and cash items (including receivables), and Government securities; and

(B)

(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)),

(ii) not more than 20 percent of the value of its total assets is represented by securities of one or more taxable REIT subsidiaries,

(iii) not more than 25 percent of the value of its total assets is represented by nonqualified publicly offered REIT debt instruments, and

(iv) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—

(I) not more than 5 percent of the value of its total assets is represented by securities of any one issuer,

(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any one issuer, and

(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any one issuer.

B STEWARD IN 2018

Steward

Steward Health Care System

[7][B] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[7][B] | 2018 PERFORMANCE NARRATIVE VS. REALITY

HEDGEYE

What management said…

- CEO Ed Aldag: "Steward, our largest tenant, **continues to perform well** and is **on track for a record year** in 2018." - **1Q18 Earnings Call**
- CEO Ed Aldag: "Steward, our largest tenant, **continues to perform well** and we expect that they will achieve **a record year** in 2018…. Steward's EBITDARM coverage for the trailing 12 months ending first quarter of 2018 was approximately 2.25 times." - **2Q18 Earnings Call**
- CEO Ed Aldag: "Steward, our largest tenant, continues to perform at anticipated levels with same-store trailing 12-month EBITDARM coverage exceeding 3 times." - **3Q18 Earnings Call**
- CEO Ed Aldag: "Drew (Babin), I don't have that first answer right off top of my head. But from how is Steward doing, **it's doing exceptionally well. Their coverage is over 2 times**." - **4Q18 Earnings Call**

(1) Excluding non-cash gains on sales of assets and businesses.

… vs. EBITDAR coverage <1.0x + lost money [(1)].

Amounts in 000s, Except per Share Data

	Actual			
Steward Reported Corp. Income Statement	**2020**	**2019**	**2018**	**2017**
Revenues:				
Patient Service Revenue	4,453,490	4,980,593	4,853,665	3,042,547
Premium Revenue	276,093	1,331,808	1,449,638	465,651
Pandemic Relief Fund Revenue	389,485	-	-	-
Other Revenue	294,836	415,120	322,886	197,443
Total Revenue	**5,413,904**	**6,727,521**	**6,626,189**	**3,705,641**
Expenses:				
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907	2,744,635	1,780,182
Supplies & Other Expenses	2,657,213	2,695,879	2,628,183	1,561,051
Medical Claims Expense	203,541	1,179,682	1,151,875	363,978
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Transaction Expenses	-	-	-	49,792
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Reorganization Expenses	-	9,497	5,308	8,859
Total Expenses	**5,853,065**	**6,602,208**	**6,895,375**	**4,027,238**
Operating Income	**(439,161)**	**125,313**	**(269,186)**	**(321,597)**
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
Income Before Taxes	**(453,894)**	**134,112**	**(268,783)**	**(319,374)**
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Net Income	**(395,670)**	**82,157**	**(279,547)**	**(207,181)**
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Rent Expense	385,200	383,800	212,900	106,300
Reported Un-Adjusted EBITDAR	**210,186**	**817,409**	**344,696**	**50,302**
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
EBITDAR	**221,120**	**421,356**	**309,088**	**48,079**
EBITDAR / (GAAP Rent + Interest)	**0.48x**	**0.85x**	**0.81x**	**0.22x**
OCF excl. MAP Payments	**15,168**	**(202,016)**	**239,654**	**(22,164)**
Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	**(274,126)**	**(358,579)**	**38,759**	**(105,567)**

[7][B] | IN 2018 MPW INJECTED CAPITAL VIA MORTGAGE CONVERSION + ADDITIONAL CASH

HEDGEYE

We estimate this transaction by MPW injected nearly ~$60 million into Steward. In our view, the SJM portion of the transaction was the first "red flag" that there were problems. We estimate this ~$60 million represented ~3-4 months of rent.

Other Transactions

On August 31, 2018, we acquired an acute care facility in Pasco, Washington for $17.5 million. The property is leased to RCCH, pursuant to the existing long-term master lease entered into with RCCH in April 2016.

On August 28, 2018, we acquired three inpatient rehabilitation hospitals in Germany for €17.3 million (including real estate transfer taxes). These hospitals are part of a four-hospital portfolio that we agreed to purchase for an aggregate amount of €23 million (including real estate transfer taxes) in June 2018 – see Note 13 for an update on the final property in this portfolio. The properties are leased to MEDIAN, pursuant to a new 27-year master lease with annual escalators at the greater of 1% or 70% of the change in German CPI.

During 2018, we acquired the fee simple real estate of five general acute care hospitals, four of which are located in Massachusetts and one located in Texas, from Steward Health Care System LLC ("Steward") in exchange for the reduction of $764.4 million of mortgage loans made to Steward in October 2016 and March 2018, along with additional cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016 that had an initial 15-year term with three five-year extension options, plus CPI increases.

(Amounts in 000s)

	Original Investment [1]	2018 Purchase	Delta
Holy Family Merrimack Valley		123,889	
Carney Hospital		262,923	
Nashoba		94,710	
Norwood		177,637	
Subtotal - MA	**616,400**	**659,159**	
St. Joseph's Medical Center ("SJM") [2]	131,400	148,000	
Total - 2018	**747,800**	**807,159**	**59,359**

Notes:

(1) MPW disclosed with the 2Q18 10-Q that the SJM mortgage balance was ~$148 million. It disclosed in the 2018 10-K that ~$764.4 million of mortgage principal was converted to leases.

(2) MPW's gross investment in SJM was ~$131.4 million as of 12.31.17.

[7][B] | MPW FUNDED "CAPEX" IN 2018

HEDGEYE

Under a normal triple-net lease arrangement, this funding would have been the tenant's (Steward's) obligation. If cash is fungible, loans such as these also support working capital at the tenant.

MPT'S STEWARD INVESTMENTS

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROSS STEWARD INVESTMENT)

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	DESCRIPTION
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improvement project, improving MPT's real estate
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward stepping in to operate Florence, AZ hospital
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital – MPT continues to earn cash interest identical to lease terms
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $100 mm repaid with Steward's 2023 Utah sale
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support – facilitate Steward provider tax program pay-in
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		**$468.8 mm**	**($253.9 mm)**	**$214.9 mm**	

[7][B] | GROSS ASSETS INCREASED ~$366 MILLION Y/Y – ADDT'L "CAPEX" FUNDING?

HEDGEYE

12.31.17 Steward Gross Assets = ~$3.5 billion

TOTAL PRO FORMA GROSS ASSETS AND ACTUAL REVENUE BY OPERATOR

(December 31, 2017)

($ amounts in thousands)

Operators	Total Pro Forma Gross Assets [(A)]	Percentage of Pro Forma Gross Assets
Steward	$ 3,457,384	36.5%
MEDIAN	1,229,325	13.0%
Prime Healthcare	1,119,484	11.8%
Ernest Health	629,161	6.6%
RCCH	506,265	5.3%
26 operators	2,089,934	22.1%
Other assets	444,659	4.7%
Total	$ 9,476,212	100.0%

12.31.18 Steward Gross Assets = ~$3.8 billion

TOTAL PRO FORMA GROSS ASSETS AND ACTUAL REVENUE BY OPERATOR

(December 31, 2018)

($ amounts in thousands)

Operators	Total Pro Forma Gross Assets [(A)]	Percentage of Pro Forma Gross Assets [(B)]
Steward		
Massachusetts market	$ 1,469,423	14.6%
Utah market	1,019,874	10.1%
Texas/Arkansas/Louisiana market	635,496	6.3%
Arizona market	312,872	3.1%
Florida market	196,096	2.0%
Ohio/Pennsylvania market	189,864	1.9%
Prime Healthcare	1,124,711	11.2%
MEDIAN	1,075,504	10.7%
Healthscope	858,569	8.5%
LifePoint	502,072	5.0%
Ernest	500,397	5.0%
24 operators	1,644,900	16.3%
Other assets	528,669	5.3%
Total	$ 10,058,447	100.0%

[C] STEWARD IN 2019

Steward

Steward Health Care System

[7][C] | 2019 PERFORMANCE NARRATIVE VS. REALITY

HEDGEYE

What management said…

- **CEO Ed Aldag**: "Yeah, it's (coverage) trended up and **we expect 2019 to be a very strong year** for them…. but on an overall basis, Steward's coverage is well over 2 times. It's actually in the 2.5 times range." - **1Q19 Earnings Call**
- **CEO Ed Aldag**: "Yeah. Overall, Steward is **performing very well**… And when you **look overall at their coverage being in the 2.85 range today**, and we expect to see that continue to grow…. And so we're very pleased with where they are right now." - **2Q19 Earnings Call**
- **CEO Ed Aldag**: "But overall, the Steward **hospitals are doing very well**. We're very happy with where they are from a total coverage standpoint and very happy with where the company is on a total integration of all the new hospitals." - **3Q19 Earnings Call**
- **CEO Ed Aldag**: "Steward continues to see **good progress, both operationally and financially**." - **4Q19 Earnings Call**

(1) Excluding non-cash gains on sales of assets and businesses.

… vs. EBITDAR coverage <1.0x + lost money (1) + burned cash.

Amounts in 000s, Except per Share Data

	Actual			
Steward Reported Corp. Income Statement	**2020**	**2019**	**2018**	**2017**
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Other Revenue	294,836	415,120	322,886	197,443
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Transaction Expenses	-	-	-	49,792
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Reorganization Expenses	-	9,497	5,308	8,859
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OCF excl. MAP Payments	**15,168**	**(202,016)**	**239,654**	**(22,164)**
Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	**(274,126)**	**(358,579)**	**38,759**	**(105,567)**

[7][C] | VENDOR ISSUES STARTED MUCH EARLIER THAN 2022-2023

HEDGEYE

Past-due vendor invoices as early as 2019…

A spokesman for Steward says it has plenty of cash to meet its obligations, and its underlying businesses are sound and growing. Still, current and former employees complain about chronic maintenance problems and supply shortages, and some vendors have cut off business with Steward. Since early 2019, several companies have taken Steward to court over past-due invoices: two advertising firms, Rev77 in Arizona and Richards Group in Texas, for billings that topped $2 million; Angelica, for $317,000 in hospital linens; Great Eastern Energy, a New York utility, for $250,000 in natural gas bills; and Ohio vendors for $213,000 in flooring and $36,000 for boiler repair. Not long ago, Cape Cod Cafe stopped delivering pizzas for the cafeteria at Steward's Good Samaritan Medical Center, in Brockton, Mass. Cafe co-owner Jonathan Jamoulis says Steward would pay only after thousands of dollars in bills piled up for six months. "It was a lot of money for us," he says.

… and Steward staff instructed to delay payments.

Late payments weren't just an oversight, according to several former finance employees. Steward instructed staff to delay payments. Mike Green, who worked briefly as a controller for three of Steward's Ohio hospitals in 2018, says the company wanted to improve its short-term cash flow. "Vendors that were used to receiving a payment in 30 days were waiting 90 and sometimes more than that," says Green, now chief financial officer at Jaro Transportation Services Inc., an Ohio trucking company. "It snowballed to where we were struggling to get supplies in a timely manner."

Steward says disputes with vendors have been resolved and reflect a negligible part of its spending. The delays, it says, reflect the difficulty of integrating payments systems in the companies it bought. "We continue to work diligently on this transformation," the company said in a statement.

MPW cited vendor terms as reason for Steward restructuring in 1.4.24 PR. Hedgeye began citing unpaid vendors in July 2022.

[7][C] | CERBERUS WARNED ON STEWARD'S FINANCES AT END OF 2019

HEDGEYE

This was taken from a Bloomberg article dated August 2020, referring to late-2019. Steward's financial condition had been deteriorating well-before COVID began in 2020.

Steward was no exception, but its finances had deteriorated long before the crisis. Cerberus indicated as much to investors last year. In a yearend update, the investment firm described Steward's liquidity, or ability to raise cash easily to meet obligations, as "on watch." Previously, Cerberus had "no concerns." (In a statement, Cerberus said that "at no time was the Steward investment viewed as at risk.") More recently, the firm told investors the Covid crisis could cost Steward $500 million.

[7][C] | ANOTHER "UNUSUAL" ACQUISITION IN 2019

The incremental ~$14 million here from MPW flowed to Steward. The ultimate use of proceeds remains unclear. We believe it was likely for working capital. In the end, cash is fungible. This was another **"red flag."**

Steward's revenues nearly doubled between 2017 and 2019 as it acquired more hospitals. MPT financed that growth by buying the real estate, at times paying premium prices. In 2019, Steward bought a West Texas hospital for $11.7 million. The same day, it sold the hospital's real estate to MPT for $26 million, agreeing to lease it back.

MPT said its investments are based on extensive underwriting, and that the price for the West Texas property reflected assessments about what returns Steward could generate from the facility compared with its former owner. MPT and Steward said proceeds from the deal funded improvements in the Texas hospital.

[7][C] | MPW FUNDED ADDITIONAL "CAPEX" IN 2019

HEDGEYE

Under a normal triple-net lease arrangement, this funding would have been the tenant's (Steward's) obligation.

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROSS STEWARD INVESTMENT)

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	DESCRIPTION
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improvement project, improving MPT's real estate
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward stepping in to operate Florence, AZ hospital
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital – MPT continues to earn cash interest identical to lease terms
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $100 mm repaid with Steward's 2023 Utah sale
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support – facilitate Steward provider tax program pay-in
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		$468.8 mm	($253.9 mm)	$214.9 mm	

[7][C] | GROSS ASSETS INCREASED ~$230 MILLION Y/Y – ADDT'L "CAPEX" FUNDING?

HEDGEYE

12.31.18 Steward Gross Assets = ~$3.8 billion

TOTAL PRO FORMA GROSS ASSETS AND ACTUAL REVENUE BY OPERATOR

(December 31, 2018)

($ amounts in thousands)

Operators	Total Pro Forma Gross Assets (A)	Percentage of Pro Forma Gross Assets (B)
Steward		
Massachusetts market	$ 1,469,423	14.6%
Utah market	1,019,874	10.1%
Texas/Arkansas/Louisiana market	635,496	6.3%
Arizona market	312,872	3.1%
Florida market	196,096	2.0%
Ohio/Pennsylvania market	189,864	1.9%
Prime Healthcare	1,124,711	11.2%
MEDIAN	1,075,504	10.7%
Healthscope	858,569	8.5%
LifePoint	502,072	5.0%
Ernest	500,397	5.0%
24 operators	1,644,900	16.3%
Other assets	528,669	5.3%
Total	$ 10,058,447	100.0%

12.31.19 Steward Gross Assets = ~$4.1 billion

TOTAL PRO FORMA GROSS ASSETS AND ACTUAL REVENUE BY OPERATOR

(December 31, 2019)

($ amounts in thousands)

	Pro Forma	
Operators	Total Gross Assets (A)	Percentage of Total Gross Assets
Steward Health Care		
Massachusetts market	$ 1,491,782	9.0%
Utah market	1,052,803	6.4%
Texas/Arkansas/Louisiana market	750,746	4.5%
Arizona market	332,239	2.0%
Ohio/Pennsylvania market	203,400	1.2%
Florida market	221,192	1.4%
Circle Health	2,152,951	13.0%
Prospect Medical Holdings	1,563,642	9.5%
LifePoint Health	1,202,319	7.3%
Prime Healthcare	1,144,705	6.9%
36 operators	5,509,952	33.4%
Other	903,543	5.4%
Total	$ 16,529,274	100.0%

[D] 2020: THE MPW RECAPITALIZATION

Steward

Steward Health Care System

[7][D] | 2020 PERFORMANCE NARRATIVE VS. REALITY

HEDGEYE

What management said…

- **CEO Ed Aldag**: “It's Steward, Prospect Medical, LifePoint, Prime and Ernest Health. **All of those operators continue to perform very well**… But all of them, all of those that I've mentioned are performing very well.” - **1Q20 Earnings Call**
- **CEO Ed Aldag**: “**Our operators are performing beautifully across the world**. They have **strong liquidity, strong operations** and **none of them are suffering** from any capacity issues or lack of supplies.” - **3Q20 Earnings Call**
- **CEO Ed Aldag**: “MPT has the **strongest portfolio of hospitals in the world**. Our operators are at the very top of the class in their regions. We remain committed to quality accretive investments and look forward to seeing MPT continue its role as the leading provider of capital to hospitals worldwide.” - **4Q20 Earnings Call**

(1) Excluding non-cash gains on sales of assets and businesses.

… vs. EBITDAR coverage <1.0x + lost money (1) + burned cash.

Amounts in 000s, Except per Share Data

Steward Reported Corp. Income Statement	Actual 2020	2019	2018	2017
Revenues:				
Patient Service Revenue	4,453,490	4,980,593	4,853,665	3,042,547
Premium Revenue	276,093	1,331,808	1,449,638	465,651
Pandemic Relief Fund Revenue	389,485	-	-	-
Other Revenue	294,836	415,120	322,886	197,443
Total Revenue	**5,413,904**	**6,727,521**	**6,626,189**	**3,705,641**
Expenses:				
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907	2,744,635	1,780,182
Supplies & Other Expenses	2,657,213	2,695,879	2,628,183	1,561,051
Medical Claims Expense	203,541	1,179,682	1,151,875	363,978
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Transaction Expenses	-	-	-	49,792
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Reorganization Expenses	-	9,497	5,308	8,859
Total Expenses	**5,853,065**	**6,602,208**	**6,895,375**	**4,027,238**
Operating Income	**(439,161)**	**125,313**	**(269,186)**	**(321,597)**
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
Income Before Taxes	**(453,894)**	**134,112**	**(268,783)**	**(319,374)**
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Net Income	**(395,670)**	**82,157**	**(279,547)**	**(207,181)**
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Rent Expense	385,200	383,800	212,900	106,300
Reported Un-Adjusted EBITDAR	**210,186**	**817,409**	**344,696**	**50,302**
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
EBITDAR	**221,120**	**421,356**	**309,088**	**48,079**
EBITDAR / (GAAP Rent + Interest)	**0.48x**	**0.85x**	**0.81x**	**0.22x**
OCF excl. MAP Payments	**15,168**	**(202,016)**	**239,654**	**(22,164)**
Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	**(274,126)**	**(358,579)**	**38,759**	**(105,567)**

[7][D] | THE 2020 MPW RECAP TRANSACTION

HEDGEYE

- After years of clear and mounting financial difficulties pre-COVID, **2020 is where things got REALLY crazy at Steward**. In 2020, Steward lost nearly ~$400 million on a GAPP basis and produced negative FCF of ~$274 million.
- **Several "unusual" transactions** resulted in a **net ~$485.6 million of new capital flowing from MPW's balance sheet to Steward's**. We estimate that this combined total represented **~1.5 years of rent owned back to MPW**.
- Our view is that this was **really a single recapitalization transaction** between and among **MPW/Steward/Cerberus**, that occurred in multiple steps:
  - In May 2020, **MPW injected ~$200 million cash** into Steward via the ~$205 million **International Joint Venture ("Int'l JV") transaction**,
  - In June 2020, **Cerberus transferred its equity to Steward CEO Ralph de la Torre ("RDLT")** and other doctors in **exchange for a ~$350 million convertible note**,
  - Apparently also in June 2020, **originated an ~$85.6 million "promissory note"** to Steward,
  - In July 2020, **MPW paid an incremental ~$200 million cash** + converted the mortgages to acquire the fee simple interest in Steward's Davis Medical Center and Jordan Valley hospitals in Utah, and then finally
  - In early-January 2021, **acquired the Cerberus convertible note for ~$335 million**, thereby **financing the change of control in favor of RDLT**.
- **We believe that MPW misrepresented the nature of these 2020 "investments."** We believe that, from MPW's perspective, they were **primarily intended to avoid a Steward BK filing + keep the rent coming into MPW**. This allowed MPW to **continue recording earnings from Steward**. These transactions asymmetrically favored third parties from a risk/reward standpoint, to the detriment of MPW's shareholders and bondholders.

[7][D] | THE 2020 MPW RECAP TRANSACTION (CONT'D)

HEDGEYE

This article from Bloomberg HERE, citing a Cerberus investor letter, alluded to these seemingly separate transactions actually being different components of a SINGLE transaction.

The company got help from U.S. taxpayers to get through the pandemic. It received at least $400 million in loans from a federal health program and secured a $105 million U.S. grant. Then in May, to stabilize its finances, Steward agreed to sell an additional $400 million worth of property, according to a confidential letter to investors. At the same time, Cerberus made a move to protect its remaining investment. In June, Steward announced the outline of a deal: The private equity firm transferred a controlling interest to a management team of Steward doctors. Cerberus said it was ceding control on "a high note," calling its investment "a success story."

Cerberus hasn't cut all ties. It exchanged its stock in Steward for a kind of bond. Steward now owes Cerberus $350 million through a note due in five years. Cerberus says the note puts its investors in a more "secure place in the capital structure." In essence, Cerberus is hedging. If Steward were to head to bankruptcy, it will be better to be a bondholder than a stockholder–equity is frequently wiped out. Cerberus says the transaction ensures that Steward has "unfettered access to capital" in the Covid crisis and wasn't motivated by concerns about bankruptcy.

If Steward trudges on, Cerberus will collect another $350 million when Steward repays the note, plus interest. And if Steward stabilizes its finances and even thrives? Cerberus can convert the note into a 37.5% equity stake. So, whether or not Steward's nurses, doctors, and patients prosper, or its vendors get paid, Cerberus may yet have another big payday.

[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE

HEDGEYE

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Jul. 30, 2020-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced financial and operating results for the second quarter ended June 30, 2020 as well as certain events occurring subsequent to quarter end.

- Net income of $0.21 and Normalized Funds from Operations ("NFFO") of $0.38 in the second quarter, both on a per diluted share basis;
- Expected full-calendar year 2020 cash rent and interest collections of 98%; deferrals of current rent and interest due will end by the fourth quarter, and amounts remaining unpaid will be collected pursuant to defined repayment arrangements;
- Acquired in early July for $200 million the fee simple interest in Steward's Davis and Jordan Valley, UT Hospitals previously subject to a mortgage loan investment from MPT;
- Entered into commitments to acquire real estate of Prime St. Francis Medical Center in Lynwood, CA for an investment of $300 million; expected to close in the third quarter;
- Closed in mid-May, a $205 million transaction to form a joint venture to invest in select international hospitals outside of the scope of existing operator relationships; subsequently committed to a $100 million investment, expected to close in the fourth quarter, in a three-hospital portfolio located in Colombia to be managed by the new platform;
- Entered into binding agreement to acquire real estate of a MEDIAN inpatient rehab facility in Dahlen, Germany for €12.5 million in the third quarter; separately, commenced construction on an Ernest post-acute facility in Bakersfield, CA with a total cost of roughly $48M and placed under various stages of agreement approximately $210 million of additional investments to be detailed in future quarters;
- Sold approximately 6.0 million common shares since March 31, 2020 through the Company's "at-the-market" program at an average price of $18.16 for net proceeds of approximately $108.2 million.

MPT closed in mid-May on a $205 million investment to own 49% of a joint venture with Steward CEO and Founder Dr. Ralph de la Torre and members of his management team organized to invest in select international hospitals. The distinct entity simultaneously purchased from Steward the rights and existing assets related to all present and future international opportunities previously owned by Steward for strategic, regulatory, and risk management purposes. In a transaction expected to close in the fourth quarter, MPT expects to invest $100 million in a portfolio of three hospitals in underserved areas of Colombia to be operated by the new joint venture.

[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

HEDGEYE

INVESTMENTS IN UNCONSOLIDATED OPERATING ENTITIES

(Amounts in thousands)

OPERATING ENTITY INVESTMENT FRAMEWORK

MPT's hospital expertise and comprehensive underwriting process allows for opportunistic investments in hospital operations.

- *Passive investments typically needed in order to acquire the larger real estate transactions.*
- *Cash payments go to previous owner and not to the tenant, with limited exceptions.*
- *Operators are vetted as part of our overall underwriting process.*
- *Potential for outsized returns and organic growth.*
- *Certain of these investments entitle us to customary minority rights and protections.*
- *No additional operating loss exposure beyond our investment.*
- *Proven track record of successful investments, including Ernest Health and Capella Healthcare.*

Operator	Investment as of December 31, 2023	Ownership Interest	Structure
PHP Holdings	$ 699,535	49.0%	Includes a 49% equity ownership interest in, along with a loan convertible into PHP Holdings, the managed care business of Prospect. Both instruments are accounted for under the fair value option method, which resulted in a combined $45 million gain in Q3 and Q4 2023.
Steward Health Care	361,591	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% return plus 37% of the increase in the value of Steward over seven years.
International Joint Venture	225,960	49.0%	Includes our 49% equity ownership interest and a loan made for the purpose of investing in select international hospital operations. The loan carries a 7.5% interest rate and is secured by the remaining equity of the international joint venture and guaranteed by the other equity owner.

- MPW shareholders once again put up ~100% of the capital for this transaction in the form of a loan, asymmetrically in favor of the tenant Steward.
- **We believe used essentially a "shell" entity to channel ~$200 million of working capital to Steward.**
- The non-MPW equity holders in Steward (mainly RDLT) guaranteed the loan and pledged their Steward equity as collateral.
- Loan appears to have been PIK'ing.
- MPW wrote off unpaid non-cash interest with 4Q23 results HERE.
- Unclear what "assets" remain in the JV to service this debt.
- Principal still included in ~$1.8 billion of unconsolidated OpCo investments on MPW's balance sheet.

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d, https://medicalpropertiestrust.gcs-web.com/static-files/f061e036-5020-45d1-a597-6df85c4d381e, Hedgeye Estimates

[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

HEDGEYE

The Int'l JV then sent ~$200 million to Steward in exchange for what we believe to be intangible assets + the Steward Malta concession. These assets had a book value of just ~$27 million. MPW capitalized the operator once again.

STEWARD HEALTH CARE SYSTEM LLC

Notes to Consolidated Financial Statements

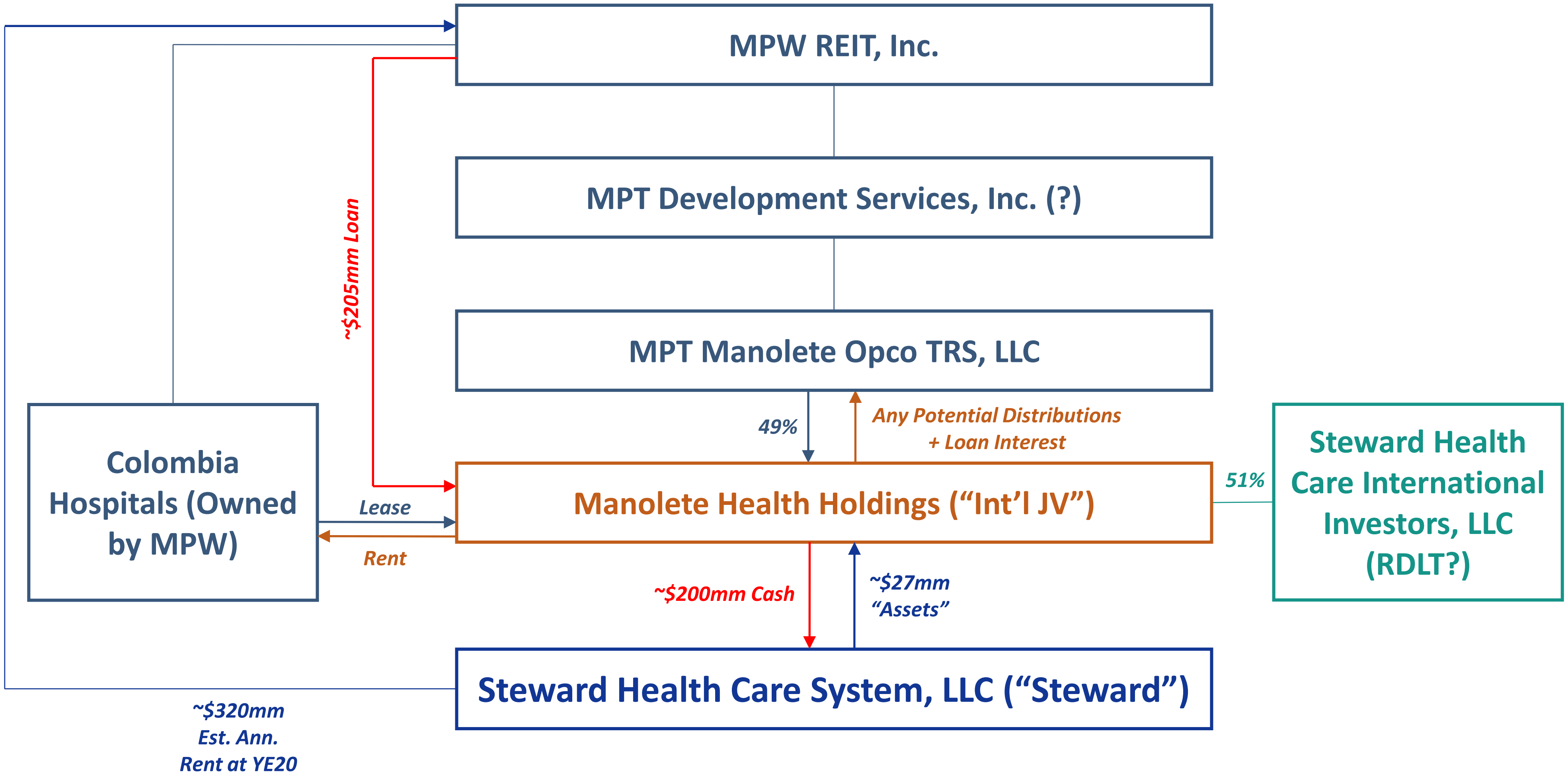
December 31, 2020 and 2019

(6) Related Party Transaction

On May 11, 2020, there was a related party transaction involving Steward Health Care International Holdings Ltd ("Steward International"), the System's international operations. Steward International was transferred to a company owned by certain of the System's management equity holders and Medical Properties Trust, Inc. (MPT). The System received $200.0 million in cash for the sale of Steward International. Total assets sold by the System were approximately $27.0 million, resulting in a net cash contribution from the management equity holders of $173.0 million to the System. The transaction has been accounted for as a related party transaction and is shown as a contribution to equity on the accompanying consolidated statement of changes in members' deficit of $130.5 million after taking into account the tax impact of the contribution.

[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

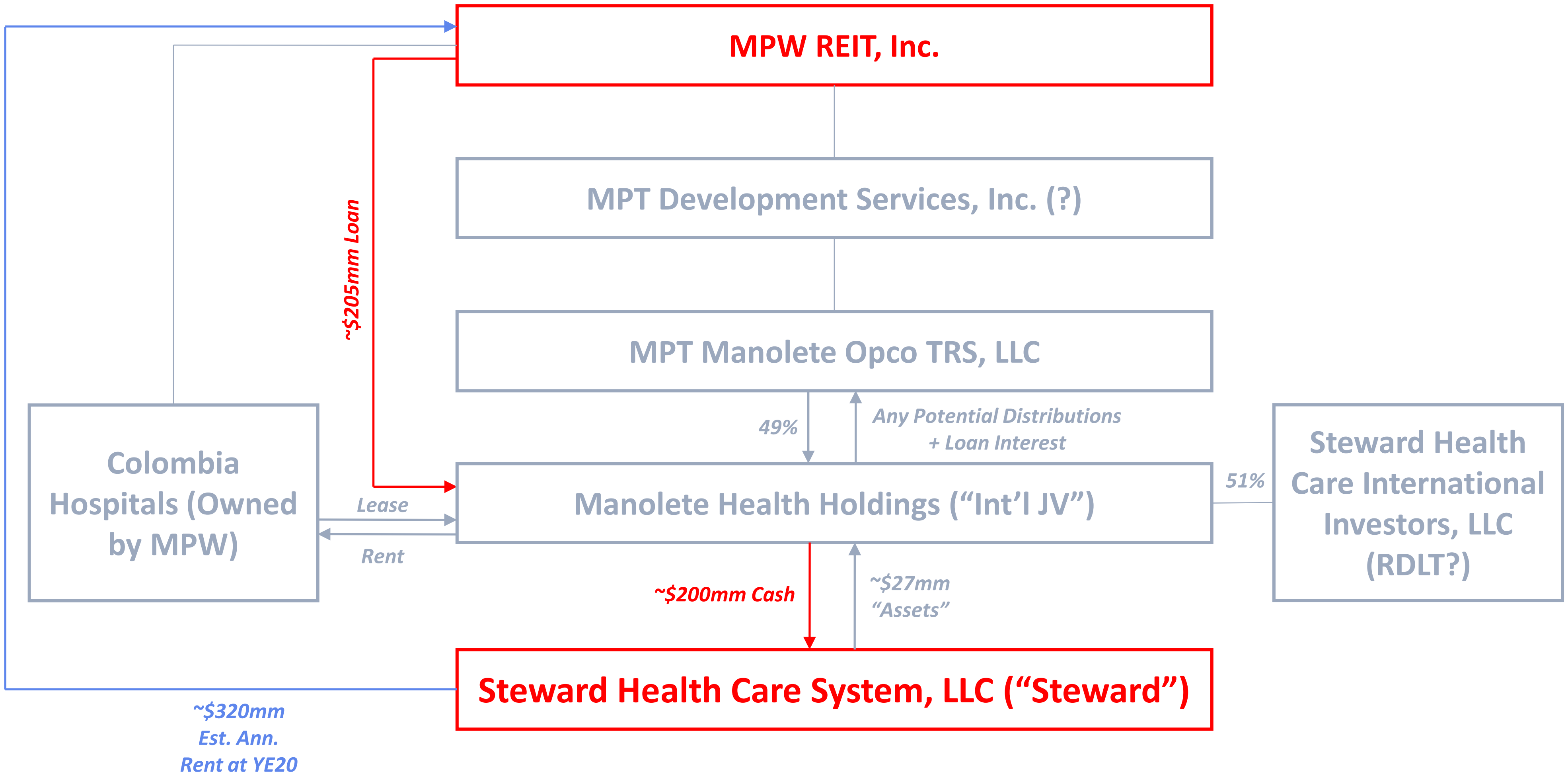
HEDGEYE



- This is Hedgeye's interpretation of the "International Joint Venture" transaction.
- Follow the red line → ~$200 million of cash (for working capital?) made its way from MPW's balance sheet to Steward. We believe this was primary intent of JV.
- This compares to Hedgeye's estimate of ~$320 million of annual rent due from Steward to MPW at YE20.
- MPW appears to have put up 100% of the capital, capitalizing both Steward as its largest tenant but also the Int'l JV entity with ~$5 million.
- The Int'l JV owned Steward Health Care International ("SHCI") + the Maltese concession + operated 3 Colombian hospitals owned by MPW.

[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

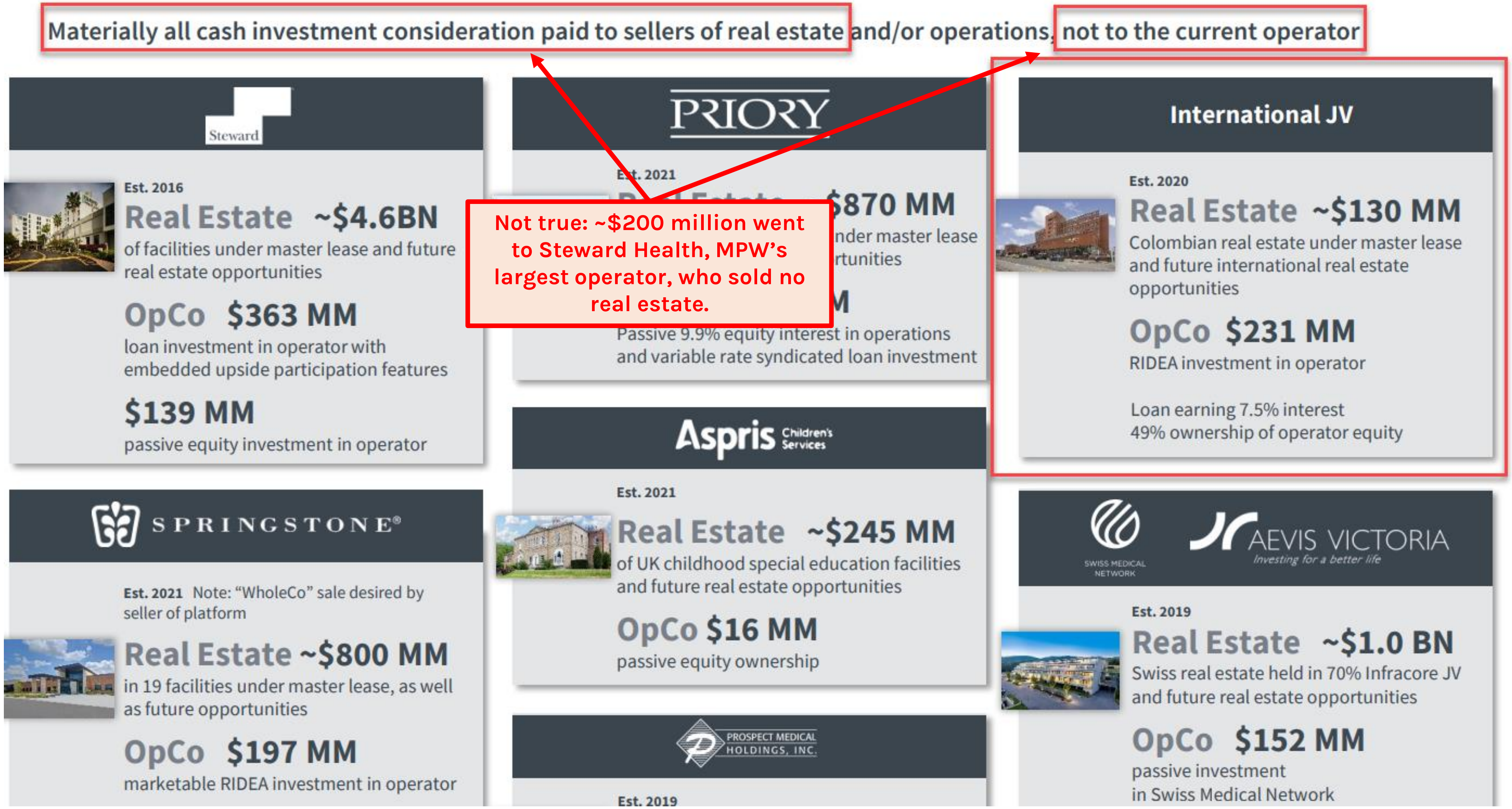
HEDGEYE



[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

HEDGEYE

MPW noted in August 2022 HERE that the Int'l JV was a RIDEA structure. We believe MPW intended to own the PropCo (the Maltese concession/ground lease + Colombia hospitals) + an interest in the OpCo manager, including SHCI/Steward Malta.



[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

HEDGEYE

Prior to the formation of the Int'l JV, MPW clearly wanted to execute a SLB in Malta. The venture was formed after the political situation became untenable there. We continue to believe the primary goal of the JV was capitalizing Steward.

3.5.17 Noted in this email was that the concession agreements were to be finalised over the next few days for Cabinet approval to be sought on 26 November 2019 and signing of the agreements to occur by not later than 12 December 2019. The SHC legal advisor attached the latest draft documents and highlighted the status of several key issues, summaries of which are reproduced hereunder:

a. Regarding the sale and leaseback of the Barts Medical School, the parties had concluded arrangements with the Medical Properties Trust Inc. and only relevant signatures were required. Reference was also made to the need to enter into a short-term lease agreement to regulate occupation of the site until definite contractual arrangements were entered into. The documentation required for the transaction with the Medical Properties Trust Inc. was to be finalised in time for signature by no later than 12 December 2019.

b. Reference was also made to an MoU that was to be entered into by the Government and the SHC, which set out the key commercial positions agreed to take the project forward. Cited by the SHC in this correspondence was that the only outstanding matters under consideration by the Government were the treatment of escalation and the definition of the transition period.

c. The concession agreements were also revisited. In relation to the HSDA, a revised draft was issued by the SHC. Most changes related to the service levels and requirements and payments. Regarding the SCA, most issues concerned the passage of time on the project and the address of bankability concerns. No changes were proposed with respect to the LSA; however, certain amendments could arise from changes to payments made under the HSDA.

3.6 The first attempt to restructure the concession is taken over by events

3.6.1 On 26 November 2019, the Minister for Tourism resigned. This resignation was shortly followed by that of the Prime Minister, who resigned on 1 December 2019.

3.6.2 The NAO enquired with the Prime Minister whether he was involved in any capacity in connection with this concession following his resignation. The Prime Minister categorically denied any involvement.

3.6.3 In submissions made to the NAO, the SHC noted that, in the context of these resignations, the Government stopped engaging with it on the renegotiation of the concession. The SHC confirmed that the first attempt at renegotiating the concession stalled due to the political upheaval prevalent in Malta at the time, which put this process and several other matters on hold. Notwithstanding this, the SHC continued to explore the possible sub-emphyteusis and leaseback of the sites with the Medical Properties Trust Inc.; however, when it became evident that the political situation in Malta would not settle in the short term, these negotiations were shelved.

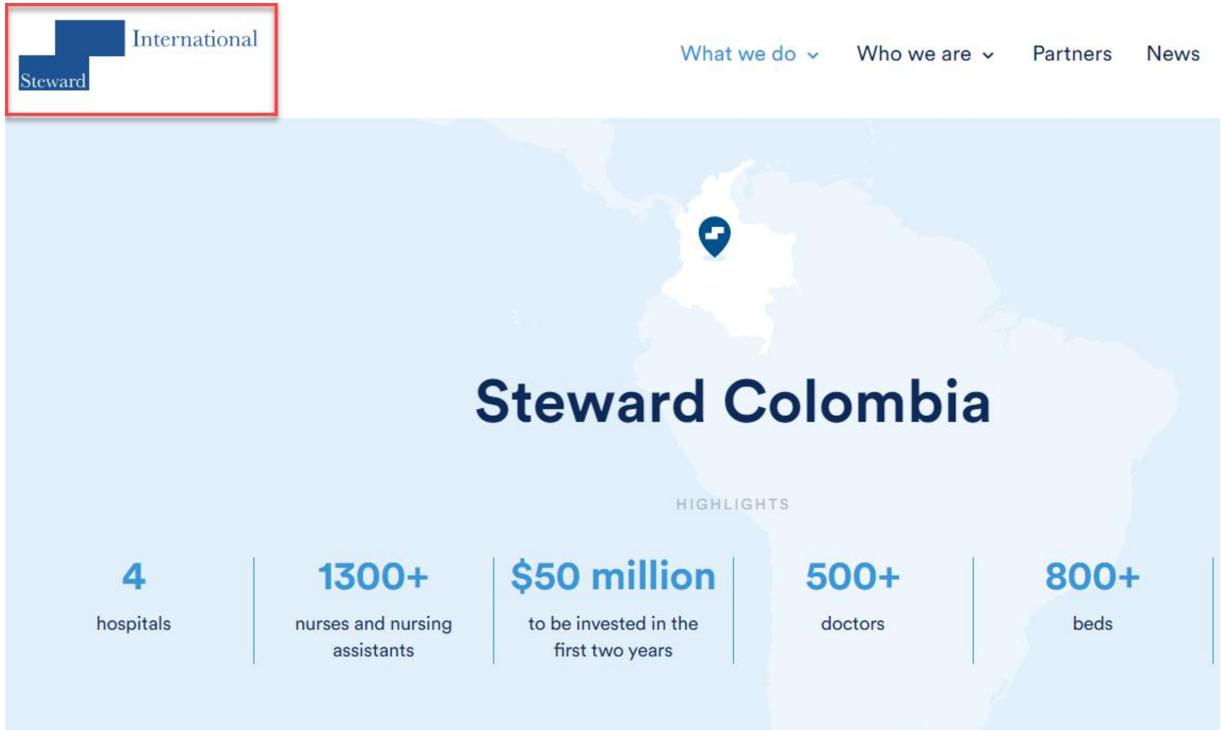
[7][D] | STEP 1: THE INTERNATIONAL JOINT VENTURE (CONT'D)

HEDGEYE

Not only did MPW capitalize the transaction, but they brought what appears to be the only "assets" as well. MPW appears to have DD'd the Colombian assets for several years and then "gave" them to the JV to manage when the Malta efforts failed.

A summary of our 2020 highlights is as follows:

- Acquired the following real estate assets:
  - Acquired 30 acute care hospitals in the United Kingdom for a purchase price of approximately £1.5 billion. These facilities are leased to Circle;
  - Formed a new joint venture for the purpose of investing in the operations of international hospitals and originated a $205 million acquisition loan as part of this formation. We have a 49% interest in this joint venture, which simultaneously purchased from Steward the rights and existing assets related to all present and future international opportunities previously owned by Steward for strategic, regulatory, and risk management purposes;
  - Completed construction and began recording rental income on two general acute care facilities and one IRF;
  - Commenced the development of two IRFs in California for a total budget of $95.6 million. These facilities will be leased to Ernest Health, Inc. ("Ernest") upon completion in the fourth quarter of 2021 and first quarter of 2022;
  - Acquired the fee simple real estate of two general acute care hospitals in Utah for a total investment of $950 million in exchange for the reduction of the mortgage loans made to Steward for such properties and additional cash consideration of $200 million based on their relative fair value;
  - Acquired an inpatient rehabilitation facility in Germany for approximately €12.5 million leased to MEDIAN;
  - Acquired two private acute care facilities in the United Kingdom for a total of approximately £115 million leased to Circle;
  - Acquired a general acute care hospital in Lynwood, California for a total investment of approximately $300 million. This facility is leased to affiliates of Prime Healthcare Services, Inc. (collectively, "Prime");
  - Acquired a general acute care facility in the United Kingdom for £50.0 million leased to a new tenant, The Royal Marsden NHS Foundation Trust;
  - Financed three general acute care hospitals in Colombia for approximately $135 million operated by the new international joint venture;



[7][D] | STEP 2: CERBERUS CONVERTED EQUITY TO CONVERT

HEDGEYE

This was described as "part of the recapitalization transaction" that "improves the company's balance sheet." Aka, just one step among several in a single transaction, but that added no cash! Asymmetrically favored Cerberus.

Team of Steward Doctors Acquire Controlling Stake of Steward Health Care

June 3, 2020

System becomes the largest physician-owned health care company in the United States

DALLAS, TEXAS – Steward Health Care today announced that it has structured a recapitalization transaction with Cerberus Capital Management (together with its affiliates, "Cerberus") that transfers controlling interest of the company to a management group of Steward Health Care physicians led by the Company's CEO and founder, Dr. Ralph de la Torre. With the transaction, Steward Health Care becomes the largest physician-owned and operated health care system in the United States.

"This is a transformational moment for the health care industry, with new realities in a COVID-19 world that must be addressed with an equally transformational, patient-first approach," said Dr. de la Torre, who will continue to serve as the Company's Chairman and CEO.

"The COVID-19 global pandemic has exposed serious deficiencies in the world's health care systems, with a disproportionate impact on underserved communities and populations," continued Dr. de la Torre. "We believe that future health care management must completely integrate long-term clinical needs with investments. As physicians first, we will focus on creating structures and timelines that meet the long-term needs of our communities and the short-term needs of our patients."

As part of the recapitalization transaction, no additional leverage was added to the Company's balance sheet and Cerberus' controlling interest was exchanged for a convertible note. The management group of Steward Health Care physicians will control 90 percent of the Company and Medical Properties Trust will maintain its previous 10 percent stake. The recapitalization transaction improves the Company's balance sheet and gives Steward Health Care financial strength to successfully navigate the COVID-19 pandemic

Cerberus hasn't cut all ties. It exchanged its stock in Steward for a kind of bond. Steward now owes Cerberus $350 million through a note due in five years. Cerberus says the note puts its investors in a more "secure place in the capital structure." In essence, Cerberus is hedging. If Steward were to head to bankruptcy, it will be better to be a bondholder than a stockholder–equity is frequently wiped out. Cerberus says the transaction ensures that Steward has "unfettered access to capital" in the Covid crisis and wasn't motivated by concerns about bankruptcy.

If Steward trudges on, Cerberus will collect another $350 million when Steward repays the note, plus interest. And if Steward stabilizes its finances and even thrives? Cerberus can convert the note into a 37.5% equity stake. So, whether or not Steward's nurses, doctors, and patients prosper, or its vendors get paid, Cerberus may yet have another big payday.

[7][D] | STEP 3: ORIGINATE "PROMISSORY NOTE" TO STEWARD

HEDGEYE

We believe that MPW's "promissory notes" are a key part of the scheme and function as effective "revolving credit facilities" to provide tenants with working capital. The Amended Steward Master Lease HERE shows one such ~$85.6 note with Steward made in June 2020.

Term Loan Promissory Note: That certain Second Amended and Restated Promissory Note, dated as of June 30, 2020, made by Steward Health in favor of MPT TRS Lender-Steward, LLC, in the original principal amount of Eighty Five Million Five Hundred Fifty Three Thousand Eighty One and 50/100 Dollars ($85,553,081.50), as the same has been or hereafter may be amended, modified, or restated from time to time.

Unclear how these amounts reconcile to disclosed working capital loans / "promissory notes."

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROSS STEWARD INVESTMENT)

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	DESCRIPTION
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improvement project, improving MPT's real estate
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward stepping in to operate Florence, AZ hospital
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital – MPT continues to earn cash interest identical to lease terms
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $100 mm repaid with Steward's 2023 Utah sale
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support – facilitate Steward provider tax program pay-in
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		$468.8 mm	($253.9 mm)	$214.9 mm	

[7][D] | STEP 4: UTAH MORTGAGE CONVERSION + ADDITIONAL CASH

HEDGEYE

In July 2020, MPW converted the Utah mortgages and paid ~$200 million of additional cash. We believe this transaction was executed to inject additional working capital into Steward. This was MPW's classic "mortgage conversion" mechanism.

A summary of our 2020 highlights is as follows:

- Acquired the following real estate assets:
  - Acquired 30 acute care hospitals in the United Kingdom for a purchase price of approximately £1.5 billion. These facilities are leased to Circle;
  - Formed a new joint venture for the purpose of investing in the operations of international hospitals and originated a $205 million acquisition loan as part of this formation. We have a 49% interest in this joint venture, which simultaneously purchased from Steward the rights and existing assets related to all present and future international opportunities previously owned by Steward for strategic, regulatory, and risk management purposes;
  - Completed construction and began recording rental income on two general acute care facilities and one IRF;
  - Commenced the development of two IRFs in California for a total budget of $95.6 million. These facilities will be leased to Ernest Health, Inc. ("Ernest") upon completion in the fourth quarter of 2021 and first quarter of 2022;
  - Acquired the fee simple real estate of two general acute care hospitals in Utah for a total investment of $950 million in exchange for the reduction of the mortgage loans made to Steward for such properties and additional cash consideration of $200 million based on their relative fair value;

[7][D] | FINAL STEP: FINANCE CHANGE OF CONTROL

HEDGEYE

Finally, MPW claimed it made a ~$335 million loan in early-2021, the proceeds of which flowed directly to Cerberus to retire their convertible note. We think it was part of the 2020 recap. Later Cerberus disclosed MPW acquired the convert outright.

PORTFOLIO UPDATE

During and subsequent to the first quarter, MPT continued to execute on accretive acquisitions.

MPT expects to replace the £800 million Priory real estate loan with sale-leaseback transactions involving 35 properties by the end of the second quarter, at which time the Company will begin to recognize a GAAP investment yield of 8.6%.

Through today, MPT made additional investments of approximately $158 million and $335 million, respectively, in its tenants Swiss Medical Network and Steward Health Care System ("Steward"). Swiss Medical, the Company's tenant through its Infracore investment, is the second largest private operator of hospitals in Switzerland, a nation known for world-class healthcare delivery and an affluent, aging population. At an attractive investment entry point, MPT stands to benefit from greater alignment with Infracore and Swiss Medical, additional insight into the Swiss hospital system, and desirable real estate opportunities as Swiss Medical continues to consolidate a fragmented hospital landscape.

Proceeds of the $335 million loan to Steward were used to redeem a similarly sized convertible loan from Steward's former private equity sponsor. Terms include opportunities for attractive participation in the value of Steward's growth as it demonstrates fundamental success consistent with recent reports from public hospital operators. Pursuant to its existing 9.9% equity interest in Steward and a direct realization of the operational strength noted above, MPT received cash distributions during the quarter of $11.0 million.

Other

On January 8, 2021, we made a $335 million loan to Steward Health Care System LLC ("Steward"), which was used to redeem a similarly sized convertible loan from Steward's former private equity sponsor.

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/baa679bd-b2cd-46fe-9ac0-aa5a331ea43b, https://medicalpropertiestrust.gcs-web.com/node/13431/pdf, Hedgeye Estimates

[7][D] | HOW DID MPW CHARACTERIZE THESE "INVESTMENTS?"

HEDGEYE

Hedgeye's Overall View: "MPW effectively invested in the receipt of it's own rent from Steward, via a recap of Steward."

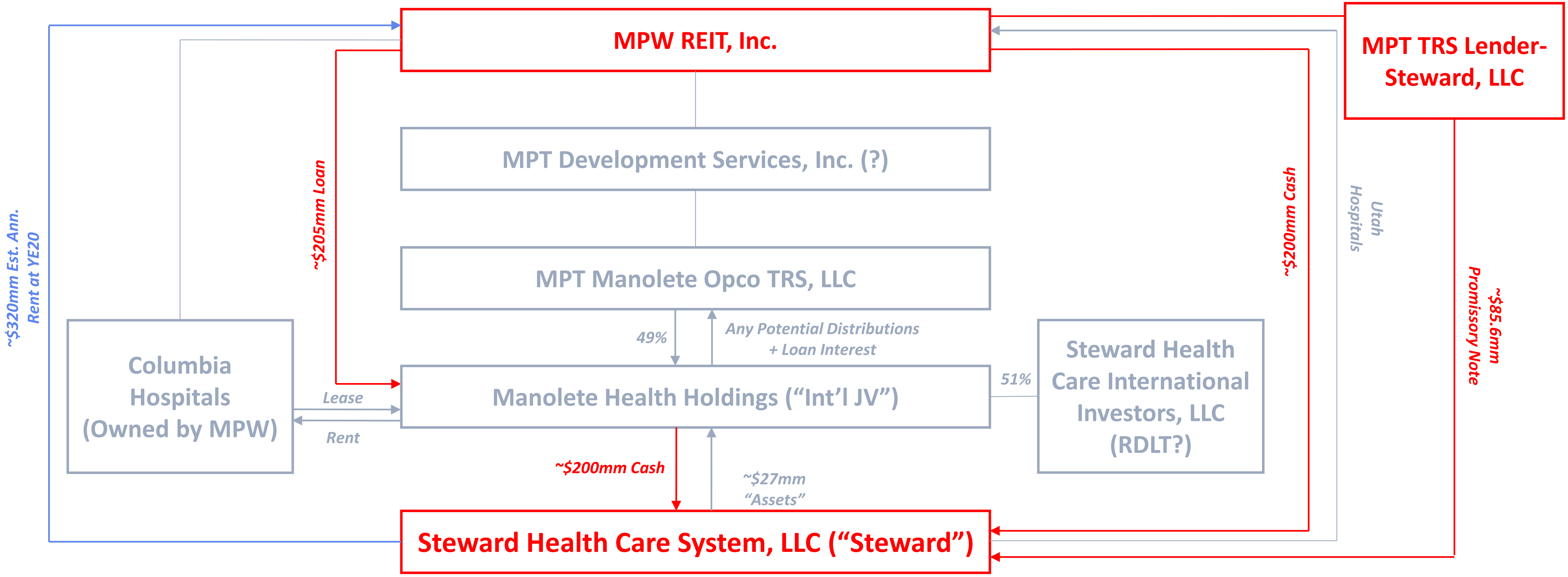
- **The International JV**: **CEO Ed Aldag**: "Yeah. So it is, ___, this **$205 million in the opco joint venture** and then a $100 million in the real estate that we own 100% of. What it gets us in the – in the opco joint venture… they put an awful lot of **time and effort and infrastructure in place, and that's what the $205 million is there…**" – **2Q20 Earnings Call held on 7.3.20**
  - **Hedgeye's View: This was actually part of a recap of Steward.** The ~$205 million of **new capital** got MPW **(1) rent/earnings coming** in and **(2) no Steward bankruptcy**. Steward, itself, characterized these deals as part of a "recapitalization."

- **The Utah Acquisition**: "Steward said it was paid an 'appropriate if not conservative price' for the Utah properties, and that valuing the properties on a per-bed basis wasn't appropriate since the Utah properties generated significant revenue from outpatient services… '**We are highly confident that our investment in our Utah properties does not exceed their fair values**,' MPT said." - WSJ, *How a Small Alabama Company Fueled Private Equity's Push Into Hospitals*, 2.14.22.
  - **Hedgeye's View**: The incremental ~$200 million had no bearing whatsoever on "fair value." It was **part of a broader recap, intended to infuse Steward with additional new capital**.

- **The ~$335 Million Loan**: **CEO Ed Aldag**: "So for those of you who've been with us since the beginning of time, you'll know that we have done this a lot. We've had the opportunity to take advantage of our healthcare knowledge. Some of you will know that my background is actually in hospitals.… This is a long-term investment that we've made with Steward." – **1Q21 Earnings Call held on 4.29.21**
  - **Hedgeye's View**: What does this actually mean? You did not answer the question, **"why did you do this?" This was solely intended to take out Cerberus**, who was either (1) about to initiate BK proceedings or (2) no longer willing to pay the unaffordable rent. This was the last step of the recap, a non-commercial transaction which also handed control to the CEO of MPW's largest tenant.

[7][D] | OUR INTERPRETATION OF 2020 STEWARD RECAP

HEDGEYE



- Cerberus Received: Essentially a "free option" on Steward w/o putting up additional cash, paid at discount to "par."
- Steward/RDLT Received: +$485.6 million of working capital from MPW + Steward majority ownership + 51% of Int'l JV.
- MPW Received: Utah real estate fee simple + 49% of Int'l JV + continuation of Steward rent/earnings.

[7][D] | CERBERUS RECENTLY CONFIRMED 2020 RECAP TRANSACTION

HEDGEYE

This letter published on 4.2.24 HERE confirmed the existence of the 2020 "recapitalization transaction" between and among Cerberus/MPW/Steward. Cerberus later issued a PR HERE. MPW never disclosed this agreement, or this as a single transaction.

The COVID 19 pandemic began to materially impact the United States, and its health care system, in the first quarter of 2020. COVID 19 put severe stress on many healthcare systems in the United States. Steward was no exception and had to manage COVID's impact on its operations, staffing, revenue, and capital expenditures. Because the CCM Funds invested in Cerberus were, for the most part, out of their investment periods, they were not able to invest additional capital in Steward. Consequently, Steward management and CCM considered alternatives to ensure that, if required, Steward would have access to additional capital to continue to fully serve its patients and communities.

2

cerberus

Accordingly, in May 2020 Steward and the CCM Funds entered a recapitalization transaction with MPT and its affiliates, Steward's major landlord and holder of a 9.9% equity interest, whereby CCM agreed to exchange its controlling interest in Steward for a $350 million convertible note. In connection with the transaction, MPT agreed to acquire certain of Steward's assets for approximately $400 million in cash. Half of this cash was funded at closing, and the other half was to be funded into Steward post-closing. Consequently, the transaction facilitated the infusion of $400 million of fresh capital into Steward and helped ensure that Steward continued to meet the needs of its patients, the communities that it served, and all other stakeholders. At the same time, as noted, CCM's investment moved from controlling shareholder equity to convertible debt. Less than a year later MPT acquired the Convertible Note, ending the CCM Funds' investment in Steward.

The COVID-19 pandemic began to materially impact the United States, and its health care system, in the first quarter of 2020. The pandemic put severe stress on many healthcare systems in the United States. Steward was no exception and had to manage the pandemic's impact on its operations, staffing, revenue, and capital expenditures. Because the Cerberus Funds invested in Steward were, for the most part, out of their investment periods, they were not able to invest additional capital. Consequently, Steward management and Cerberus considered alternatives to ensure that, if required, Steward would have access to additional capital to continue to fully serve its patients and communities.

Accordingly, as announced in June 2020, Steward and the Cerberus Funds entered a recapitalization transaction with MPT and its affiliates, Steward's major landlord and holder of a 9.9% equity interest, whereby the Cerberus Funds agreed to exchange the controlling interest in Steward for a $350 million convertible note. The convertible note did not require Steward to pay current interest and had a five-year maturity. In connection with the transaction, MPT and affiliates (including a joint venture with Steward management) agreed to acquire certain of Steward's assets for approximately $400 million in cash. Half of this cash was funded at closing and the other half was funded into Steward within 60 days post-closing. Consequently, the transaction facilitated the infusion of approximately $400 million of fresh capital into Steward and helped ensure that the company continued to meet the needs of its patients, the communities that it served, and all other stakeholders. At the same time, as noted, Cerberus' investment moved from controlling shareholder equity to convertible debt. Less than a year later, MPT elected to acquire the convertible note, at a discount to par, ending the Cerberus Funds investment in Steward.

[E] 2021: THE TENET TRANSACTION + THE CERBERUS “LOAN”

[7][E] | THE 2021 RECAP TOOK A DIFFERENT FORM

HEDGEYE

This time, in our view, MPW **put up ~100% of the "WholeCo" capital to "acquire" EBITDA into its largest tenant Steward.** Once again, this was asymmetrically detrimental to MPW's shareholders and bondholders. The SLB portion was valued at ~$900 million.

Medical Properties Trust Agrees to Acquire Five General Acute Hospitals in South Florida

Download PDF

MPW represented its share of transaction value would be ~$900 million. Steward to acquire OpCo.

Includes Leaseback to Steward Health Care of Facilities Valued at Approximately $900 Million

Year-to-Date Investment Total Exceeds $3.4 Billion

Funding Strategy Includes Substantial Proceeds from Anticipated Capital Recycling Activity

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Jun. 23, 2021-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has entered into definitive agreements to acquire for approximately $900 million five general acute care hospitals from Tenet Healthcare ("Tenet") (NYSE: THC), in conjunction with Steward Health Care System's ("Steward") acquisition of the operations of the facilities.

The hospitals will be leased pursuant to MPT's master lease agreement with Steward, which is expected to exercise its options to extend the lease term to expire in 2041, leaving a five-year extension option remaining. The Company expects to initially fund the total cash consideration using cash on hand, as well as funds from the closing of binding property sales, proceeds from loan repayments, and funds from other anticipated capital recycling transactions with an aggregate value projected to exceed $1 billion. Collectively, the pricing of these transactions is expected to provide an attractive cost of equity capital to fund the Florida sale-leaseback transaction and other announced investments, including MPT's recently announced agreement to acquire 18 inpatient behavioral health hospitals. The sources of financing actually used will depend upon a variety of factors, including market conditions. The Florida sale-leaseback transactions are expected to close during the second half of 2021, subject to customary closing conditions.

[7][E] | ~$1.1 BILLION TRANSACTION VALUE IMPLIED ~$200 MILLION FOR OPCO FROM STEWARD...

HEDGEYE

Steward Health Care to Acquire Five Hospitals in the Miami-Dade/Southern Broward Area From Tenet Healthcare

June 16, 2021

Acquisition of Tenet hospitals and hospital-affiliated operations will bring greater access to high-quality care in South Florida

DALLAS--(BUSINESS WIRE)-- Today, Steward Health Care System, LLC (Steward) and Tenet Healthcare Corporation (NYSE: THC) announced that they have signed a definitive agreement regarding the acquisition by Steward of Tenet's five hospitals and related hospital operations in the Miami-Dade and Southern Broward counties. The transaction is Steward's first acquisition since finalizing full physician control and leadership of the organization in the summer of 2020.

Under the terms of the agreement, Steward will purchase five hospitals and their associated physician practices from Tenet for approximately $1.1 billion. The hospitals included in the sale are Coral Gables Hospital, Florida Medical Center, Hialeah Hospital, North Shore Medical Center and Palmetto General Hospital. The agreement also provides that Tenet's Conifer Health Solutions subsidiary will continue to provide revenue cycle management services to the five hospitals following completion of the transaction. Tenet's ambulatory facilities operated by United Surgical Partners International (USPI) in these markets will remain with Tenet and are not included in the transaction.

Founded by Ralph de la Torre, MD, who grew up in Florida as the son of Cuban immigrants, Steward Health Care's physician-controlled and -led model was built to unlock access to the highest-quality care at a sustainable cost. Steward is committed to providing personalized, ongoing medical services that improve patients' physical, emotional, and mental wellbeing. As integrated care institutions, Steward's hospitals function on a community model, engaging with local employees and community groups as partners.

[7][E] | … BUT MPW INVESTED ~$200 MILLION AFTER CLOSING = PUT UP ~100% OF CAPITAL FOR WHOLECO!

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%

4Q21 Steward Florida gross assets up +$200 million vs. 2Q21, w/o additional acquisitions.

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	36	2,481,001	11.1%
Prospect Medical Holdings	14	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%

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/c68b5689-9faa-4720-bfc6-6507fc03dea8, https://medicalpropertiestrust.gcs-web.com/static-files/1c806224-f166-44be-bcc0-e383b863073a, Hedgeye Estimates

[7][E] | THEN MPW SAID THE ACQUISITION WAS A DRAIN ON STEWARD'S LIQUIDITY!

HEDGEYE

Steward put up no capital for the Tenet Florida OpCo acquisition… it all came from MPW. In fact, it appears that Steward received essentially "free" EBITDA and cash flow. Once again MPW's balance sheet was used in favor of Steward.

- **CFO Steve Hamner**: "As we discussed in detail on last quarter's call, during this time, **Steward's cash flow has been burdened** by having to repay to CMS the vast majority of MAP advances approximating $450 million, delayed Medicaid reimbursement in Texas of about $70 million, the revenue impact of state of Massachusetts mandated elected procedure restrictions earlier this year. And finally, **Steward's $300 million-plus cash investments in and working capital support for the five acute care hospitals in South Florida** acquired about a year ago." –**3Q22 Earnings Call held on 10.27.22**

[F] 2022: HEDGEYE TAKES AWAY MPW'S ROOM TO "GASLIGHT"

Steward®

Steward Health Care System

[7][F] | MOUNTING UNPAID VENDOR BILLS/LITIGATION

HEDGEYE

We observed and wrote about growing potential vendor liabilities as early as July 2022.

SUNDAY NIGHT REIT READ | STEWARD TRYING TO "STIFF" ITS VENDORS? | 7.31.22 | (MPW)

[redacted]

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- **Steward Health Care System, LLC vs. Aya Healthcare, Inc.; Civil Action No. 2184-CV-00513-BLS2 in the Commonwealth of MA:**
  - **Source:** Defendant & Counter-Plaintiff Aya Healthcare, Inc.'s Motion to Compel Production of Documents and Information, dated 4.1.21
  - **Known / Alleged Unpaid Amount:** at least ~$42 million as of 3.21.21
  - Under a Crisis Staffing Services Agreement entered into during COVID on 3.23.20, **Steward / Aya agreed for Aya to provide temporary nursing staffing services** based on mutually agreed upon, flexible but competitive rates.
  - Aya invoiced Steward based on the number of clinicians working + hours worked, sending "thousands of invoices to Steward for services provided under the agreement."
  - **Steward missed its first payment on 6.20.20; its past due balance reached ~$1.35 million by 7.27.20, followed by >$7 million by 12.21.20 -** Steward did not dispute the invoices and **continued to promise to pay its overdue balances**. Aya continued to perform the agreed upon services in light of the promises and the ongoing pandemic.
  - **3.2.21: Steward admitted the overdue balance had grown to ~$42 million. Steward proposed a payment plan for ~$1 million / week,** and **increasing to $1.5 million / week after 10 weeks. Aya rejected the proposal**, as it was **providing services costing ~$2.5 million / week**.

- **Steward Health Care System, LLC vs. Tenet Business Services Corporation; Case No. 2022-0289-SG in the Chancery Court of the State of Delaware:**
  - **Source:** Defendant's Reply Brief in Support of Cross-Motion for Summary Judgment, dated 6.30.22
  - **Known / Alleged Unpaid Amount: At least $37.5 million** as of 5.4.22, **+ $20 million NWC in a separate arbitration case**
  - **Steward has refused to pay tens of millions of dollars owed to Tenet** directly covered by the APA and the Transition Services Agreement ("TSA") executed between Steward and Tenet. **That amount has continued to grow** as Tenent has provided additional services under the TSA, but also learned about additional amounts Steward owes under the APA related to the Florida Directed Payment Program.
  - Additionally, **Tenet alleges that Steward owes Tenet over $20 million in net working capital** delivered to Steward at closing, which Steward is apparently disputing in a separate arbitration proceeding.
  - **7.1.22**: Tenet also filed a **motion to compel for targeted financial discovery**, including making **Steward CFO**, **Christopher Dunleavy**, available for deposition and (presumed by us) to produce Steward's financials.

[7][F] | THE 2Q22 "TRANCHE 5" LOAN

HEDGEYE

Medical Properties Trust, Inc. (MPW)
Q2 2022 Earnings Call

Corrected Transcript
03-Aug-2022

So, all of this describes why we remain enthusiastic about first and foremost the value of our hospital real estate, but also of Steward's near and long-term outlooks. This led us to agree early in the second quarter to facilitate Steward's transition of its recent cash pressures to the strongly positive cash flow outlook I have just described by providing a $150 million debt facility to Steward. Among other key terms in the facility are a relatively short five-year term, cross-collateralization to our master leases, mandatory prepayment from proceeds of any sale of Utah and other operations, and attractive kicker interest payment. The strength of our master lease structure whereby we basically have first priority in the valuable Utah and Florida operations along with other markets, made this investment decision very attractive for MPT.

It really is [redacted] when you add up all of that hitting in a very kind of tight timetable and so that's really what facilitated us being willing, frankly a little bit eager to make this investment. We truly expect fourth quarter and Steward to be generating the very strong levels of EBITDAR, if not the $800 million, then certainly very strong cash flow – free cash flow coverage.

Other Investment Activities

In the 2022 second quarter, we loaned $150 million to Steward pursuant to a five-year secured loan. The loan bears interest at a current market rate (comparable to recent lease rates) plus a component of additional interest upon repayment. The loan is prepayable without penalty and is mandatorily prepayable upon certain sales of Steward assets and operations.

- We believe MPW originated this loan on or about 4.28.22, the same day that the company held the now-infamous 1Q22 earnings call.
- This ~$150 million loan was supposed to be secured and receive "mandatory prepayment" from the proceeds of Steward's Utah OpCos.
- The planned ~$800-850 million sale of the Utah operations to HCA was called off on 6.17.22 after the FTC sued to block the deal.
- On 2.15.23, CommonSpirit/CHIC agreed to acquire the Utah operations and disclosed a ~$685 million purchase price. We believe the transaction closed on 5.2.23 for just north of ~$700 million.
- **MPW only received ~$100 million repayment following the sale.**
- **The ~$50 million that stayed at Steward = roughly ~1 quarter of rent under the consolidated master lease.**

[7][F] | WADLEY TEXARKANA: THE "SMOKING GUN?"

HEDGEYE

MPW advanced Steward ~$57.4 million in late-2021/early-2022 for the development of a Steward hospital in Texarkana. The site had no activity until December 2022. We believe most, if not all, of the advance went towards Steward's working capital.

SUMMARY OF CURRENT DEVELOPMENT PROJECTS AS OF JUNE 30, 2022

(Amounts in thousands)

Operator	Location	Commitment	Costs Incurred as of June 30, 2022	Estimated Commencement Date
Steward Health Care	Texas	$ 169,408	$ 57,405	Q2 2024
IMED Hospitales	Spain	49,371	12,542	Q2 2023
Ernest Health	California	47,700	42,073	Q3 2022
IMED Hospitales	Spain	44,470	29,538	Q3 2023
IMED Hospitales	Spain	35,975	8,000	Q3 2024
Springstone	Texas	34,600	-	Q1 2024
		$ 381,524	$ 149,558	

(A) Excludes transaction costs, such as real estate transfer and other taxes. Amount assumes exchange rate as of the investment date.

[7][F] | WADLEY TEXARKANA: THE "SMOKING GUN?" (CONT'D)

HEDGEYE

[7][F] | WADLEY TEXARKANA: THE "SMOKING GUN?" (CONT'D)

Construction at the ~$227 million project (~$169 million to MPW) was finally halted on 2.1.24 amid Steward's financial distress. As of 3Q23, MPW claimed to have invested ~$90 million in the project.

The metal frame for the new Wadley Regional Medical Center is seen Thursday, Oct. 26, 2023, in northwest Texarkana, just off Interstate 30 at the corner of University Avenue and West Park Boulevard. Construction on the $227 million facility, which will replace the current hospital on Pine Street was stopped Thursday, Feb. 1, 2024. (Staff photo by Stevon Gamble)

TEXARKANA, Texas -- Construction work at Wadley Regional Medical Center's new $227-million campus halted Thursday as the woes of its financially distressed parent, Steward Health Care, took effect in Texarkana.

[redacted]

A number of sources confirmed the temporary stop in construction. Steward Healthcare representatives did not respond to requests for comment despite multiple efforts.

A memorandum from Robins & Morton, the firm tasked with orchestrating the construction of the new facility, was sent out to all sub-contractors calling for a work stoppage.

"We requested evidence of their (Steward Healthcare) having made financial arrangements that will allow them to fulfill their payment obligations under the contract," the memorandum states. "Unfortunately, they have not been able to provide reasonable evidence of financing, and we are now exercising our right to stop further work on the project under Section 2.2.2 of the General Conditions."

Specifics on Robins & Morton's financial concerns were unavailable Monday evening.

[7][F] | THE 2Q22 "TRANCHE 6" LOAN

HEDGEYE

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROS

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improv
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward s
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital -
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support - f
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, in expenses; secured by Steward's bu
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revol Steward to repay ~$5 million relate unsecured loan will remain outside
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		$468.8 mm	($253.9 mm)	$214.9 mm	

Medical Properties Trust, Inc. (MPW) — Corrected Transcript

Q4 2022 Earnings Call — 23-Feb-2023

[redacted]

Q

And then the AR receivables being up $50 million and anything going on there with kind of slower AR receivable [indiscernible] (00:40:35).

R. Steven Hamner

Co-founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

So, yeah. So, we just – yeah. Prospect is a big piece of unpaid billed rent.

[redacted]

Q

Got you. Okay. And then from an accounting perspective, just bear with me. Appreciate the explanation about the change to net investments that you discussed earlier on, Steve. I mean, the only challenge is when we have that change, when we don't see gross investments, we can't really see any additional investments that were made. Could you just talk about, again, since you guys did the $250 million of investments to Steward and Prospect, if there were any additional investments to those two operators since that time?

R. Steven Hamner

Co-founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

No. Other than routine order of business, for example, the development funding that goes on with – of course, there are no development funding at Prospect. There's the Texarkana and Norwood construction projects with Steward, but that – that's the increased investment.

- Hedgeye repeatedly called for MPW's likely need to lend to Steward/assume the ABL during 4Q22.
- MPW repeatedly denied doing so, including on the 4Q22 earnings call in late-February 2022.
- MPW made a loan during 4Q22. We believe that the outstanding balance on Tranche 6 was very likely higher intra-quarter.

G 2023: THINGS FALL APART, THE CENTER CANNOT HOLD

Steward

Steward Health Care System

[7][G] | THE 1Q23 "TRANCHE 7" LOAN

HEDGEYE

MPW "tucked away" an additional ~$50 million loan on the 1Q23 call, then later disclosed it was for "general working capital support." This equaled ~1 quarter of rent under the consolidated Steward master lease. The availability of insurance proceeds remains unclear.

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROS

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improv
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward s
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital -
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support - f
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, ir expenses; secured by Steward's bu
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revol Steward to repay ~$5 million relate unsecured loan will remain outside
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		$468.8 mm	($253.9 mm)	$214.9 mm	

Medical Properties Trust, Inc. (MPW)
Q1 2023 Earnings Call

Corrected Transcript
27-Apr-2023

in England and Germany for up to an approximate $150 million investment. Similar to our limited late 2022 acquisitions, these acquisitions selectively add to certain existing relationships in ways that strategically strengthen the respective portfolios.

At present, there are no other scheduled or expected near-term acquisitions. We have virtually completed our new build hospital for Ernest in Stockton, California; and it will come online and begin paying rent during this second quarter. The Ernest new build in South Carolina is still underdeveloped. We continue development of a new state-of-the-art behavioral hospital in Texas for Springstone, now a part of LifePoint. And we continued construction of the three general acute care hospitals for our premier Spanish tenant, IMED.

In conjunction with the redevelopment of Steward's Norwood Hospital, which you may remember was made unusable by storms and floods during COVID, we advanced $50 million that is secured by, among other things, proceeds from Steward's insurance claims well in excess of the advance. This development is well underway. Finally, we have already noted the Prospect convertible debt of $50 million we funded in conjunction with the binding funding commitments from third-party lenders to Prospect.

[7][G] | 2Q23 NORWOOD "RENT DEFERRAL"

HEDGEYE

Development Activities

See table below for a status summary of our current development projects (in thousands):

1Q23 10-Q: No "defer rent."

Property	Commitment	Costs Incurred as of March 31, 2023	Estimated Rent Commencement Date
Ernest Health, Inc. ("Ernest") (Stockton, California)	$ 47,700	$ 46,372	2Q 2023
IMED Hospitales ("IMED") (Spain)	51,043	13,323	2Q 2023
Ernest (South Carolina)	22,400	14,469	3Q 2023
IMED (Spain)	45,976	37,568	3Q 2023
Springstone (Texas)	31,600	4,099	1Q 2024
IMED (Spain)	37,193	9,170	3Q 2024
Steward (Texas)	169,408	57,059	1Q 2026
	$ 405,320	$ 182,060	

During the 2022 first quarter, we completed construction and began recording rental income on an inpatient rehabilitation facility located in Bakersfield, California. This facility commenced rent on March 1, 2022 and is being leased to Ernest pursuant to an existing long-term master lease.

We continue to fund the redevelopment of our Norwood facility in Massachusetts, and recovery receivables of approximately $150 million associated with the prior storm and flood damage to this facility are included in the "Other assets" line of our condensed consolidated balance sheets.

2023 Activity

2Q23 10-Q: Includes "defer rent."

During the 2023 second quarter, we completed construction and began recording rental income on an inpatient rehabilitation facility located in Stockton, California. This facility commenced rent on May 1, 2023, and is being leased to Ernest pursuant to an existing long-term master lease.

We continue to fund the redevelopment of and defer rent on our Norwood facility in Massachusetts. Recovery receivables of approximately $130 million associated with the prior storm and flood damage to this facility are included in the "Other assets" line of our condensed consolidated balance sheets. In conjunction with the redevelopment of Steward's Norwood hospital, we advanced $50 million, in the first half of 2023, that is secured by, among other things, proceeds from insurance claims in excess of the advance.

- **We regarded this event as an extraordinary act of deception.**
- During 2Q23, Steward was negotiating to refinance the prior ABL with Citi.
- Our understanding is that MPW aggregated all of the rent allocated to Norwood Hospital in MA since it closed nearly ~3 years earlier, and then **wired that amount back to Steward during 2Q23 as a "deferral."**
- We believe it aggregated (again) nearly ~$50 million, which roughly equaled ~1 quarter of rent under the consolidated Steward master lease.
- MPW reflected this as an A/R build on the statement of cashflows, **but in reality it was another loan/advance**.
- **MPW did not discuss this "deferral" on the 2Q23 earnings call.**
- It was detected only via a passing reference to continuing to "defer rent" in the 2Q23 10-Q HERE.

[7][G] | THE 3Q23 "ABL/TRANCHE 8" LOAN

HEDGEYE

This is where MPW finally admitted that Steward, in its current form, could not exist without MPW's direct support. This also represents one of the most striking disclosure issues that we have seen since first covering the company.

PORTFOLIO UPDATE

During the third quarter, Steward refinanced its asset-backed credit facility five months ahead of the maturity of its previous agreement. The new facility carries a four-year term and provides significant incremental liquidity to Steward. The leaders of the lending group, experienced private credit funds Sound Point Capital Management and Brigade Capital Management, offered MPT the opportunity to participate. After careful consideration of the terms, pricing and security in the form of government and commercial receivables, MPT elected to invest up to $140 million, an amount not to exceed 25% of the fully syndicated facility.

In early August, one of Pipeline Health System's ("Pipeline") Los Angeles-area safety net hospitals, Coast Plaza Hospital, announced the opening of a specialized inpatient behavioral health unit to fill a critical need in underserved communities. The expansion, which MPT agreed to fund last year, was completed ahead of schedule and is expected to be profitable for Pipeline and supportive of the related increase in rental payments to MPT.

The Company has total assets of approximately $19.2 billion, including $12.5 billion of general acute facilities, $2.6 billion of behavioral health facilities and $1.7 billion of post-acute facilities. MPT's portfolio includes 444 properties and approximately 44,000 licensed beds across the United States as well as in the United Kingdom, Switzerland, Germany, Australia, Spain, Finland, Colombia, Italy and Portugal. The properties are leased to or mortgaged by 55 hospital operating companies.

- **"...Security in the form of government and commercial receivables, ..."**
- **Described as a participation in the syndicated facility.**
- **Described as an "opportunity to participate" in an "investment."**

[7][G] | THE 3Q23 “ABL/TRANCHE 8” LOAN (CONT’D)

HEDGEYE

This is what Aldag and Hamner said on the 2Q23 call when the facility was announced… “pari passu,” “not an operating loan,” “first secured by receivables” and “first-lien.”

CEO Ed Aldag: “This past Friday, Steward refinanced their ABL five months ahead of the December 2023 maturity. The new ABL is led by a group of third-party private credit lenders, whose aggregate assets under management exceed $50 billion. The new ABL provides significantly more liquidity to Steward than the most recent facility. There are seven unrelated lenders in the ABL.

Steward taking the concerns of the market for the ABL refinancing off the table and having a new ABL with a much larger liquidity availability with a maturity of four years, plus Steward having the right to extend that maturity, is a very strong positive. **MPT's investment in the credit facility is pari passu with all the other lenders and provides MPT with a strong return. This participation is not an operating loan to Steward. This is well first secured by receivables that MPT would not otherwise have a security interest in.”** – **2Q23 Earnings Call held on 8.8.23**

CFO Steve Hamner: “As our press release and Ed earlier described, our primary new capital commitment came in the third quarter as **we elected to participate in Steward's new syndicated ABL facility for up to $140 million. This facility is secured by first-lien interest in patient receivables** – that is, receivables from government payors, commercial insurers, managed care companies and others.

There are several compelling benefits **to this investment**. Given the conditions in the bank lending market since the SVB and other disruptions earlier this year, the return on these **first-lien collateralized facilities** has been very attractive. The lending group in the Steward facility, including MPT, will be paid monthly at double-digit rate. And as noted, **our investment is collateralized by borrowing base of government and commercial receivables**. There is a well-developed market for these participations and that should give us optionality for liquidity if, during the four year term of the lending agreement, we elect to assign our investment and reallocate the capital for different uses.” – **2Q23 Earnings Call held on 8.8.23**

[7][G] | THE 3Q23 "ABL/TRANCHE 8" LOAN (CONT'D)

HEDGEYE

But then with 3Q23 results, MPW released this "Steward Update." The loan became for "general working capital support," an "unsecured loan" and "outside of the ABL." There was no intra-quarter update in this loan. **What? Why?**

MPT'S STEWARD INVESTMENTS

TRANSACTION-SPECIFIC AND WORKING CAPITAL LOANS (5% OF GROSS STEWARD INVESTMENT)

LOAN	DATE	ORIGINAL	REPAID	9/30/2023 BALANCE	DESCRIPTION
Tranche 1	2018	$10.0 mm	-	$10.0 mm	Funded Steward pharmacy improvement project, improving MPT's real estate
Tranche 3	2019	$13.5 mm	-	$13.5 mm	Start-up costs related to Steward stepping in to operate Florence, AZ hospital
Tranche 4	2020	$32.0 mm	($13.9 mm)	$18.1 mm	Facilitated sale of Easton Hospital – MPT continues to earn cash interest identical to lease terms
Tranche 5	2022	$150.0 mm	($100.0 mm)	$50.0 mm	General working capital support - $100 mm repaid with Steward's 2023 Utah sale
Tranche 6	2022	$28.0 mm	-	$28.0 mm	General working capital support – facilitate Steward provider tax program pay-in
Tranche 7	2023	$50.0 mm	-	$50.0 mm	General working capital support, including covering ongoing Norwood Hospital operating expenses; secured by Steward's business interruption insurance receivables at Norwood Hospital
ABL/Tranche 8	2023	$145.3 mm	($100 mm)	$45.3 mm	Participation in asset-backed revolving credit facility and general working capital support; Steward to repay ~$5 million related to MPT's temporary August ABL investment; $40 mm unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment
Fully Repaid[1]		$40.0 mm	($40.0 mm)	-	
Total		**$468.8 mm**	**($253.9 mm)**	**$214.9 mm**	

SUMMARY OF MPW'S *KNOWN* CAPITALIZATION OF STEWARD

Steward

Steward Health Care System

[7][H] | WE ESTIMATE MPW HAS SUPPORTED STEWARD WITH ~$1.7 BILLION OUTSIDE REAL ESTATE

HEDGEYE

Amounts in 000s

Investment Type	Date	Funding Amount ($000s)	Notes
2018:			
SJM Transaction	Aug-18	7,362	- Cash portion of repurchase of hospital from Steward, capital flowed to Steward. Incremental to mortgage cancellation. Estimated based on total cost per MPW's Schedule III.
MA Hospital Acquisition	2018	59,159	- MPW cancelled original MA mortgages + paid incremental cash, which flowed directly to Steward. Estimated based on MA property records.
"Tranche 1" Loan	2018	10,000	- Funded Steward pharmacy improvement project. Cash is fungible.
Delta - Increase in Gross Assets ("Capex?")	2018	276,220	- Balance of change in Steward gross assets, excluding known acquisitions.
Subtotal - 2018		**352,741**	
2019:			
West Texas Hospital	Apr-19	14,300	- Delta between MPW's purchase price and Steward's. Steward acquired the hospital for ~$11.7 million, and then MPW acquire it from Steward for ~$26 million in the same day.
"Tranche 3" Loan	2019	13,500	- Start-up costs related to Steward stepping in to operate Florence, AZ hospital. Cash is fungible.
Delta - Increase in Gross Assets ("Capex?")	2019	200,737	- Balance of change in Steward gross assets, excluding known acquisitions.
Subtotal - 2019		**228,537**	
2020:			
International Joint Venture Transaction	May-20	200,000	- New working capital channeled, via off-balance sheet JV, from MPW's balance sheet to Steward. Non-commercial and asymmetrically in favor of Steward. Hedgeye believes part of broader recap of Steward.
2020 "Promissory Note"	Jun-20	85,553	- June 2020 "promissory note" contained in 2021 amended master lease. Cash flowed to Steward.
Utah Hospital Acquisition	Jul-20	200,000	- Additional new working capital, consisting of ~$200 million cash paid to Steward over-and-above then cancelled original ~$750 million mortgage balance on two Utah hospitals. Hedgeye believes part of broader recap of Steward.
"Tranche 4" Loan	2020	18,100	- Cash to facilitate sale of Easton hospital. Cash is fungible.
Delta - Increase in Gross Assets ("Capex?")		-	- In Hedgeye's view, numbers stopped tying. Only including this item pre-2020.
Subtotal - 2020		**503,653**	
2021:			
Tenet Florida Hospital OpCo Purchase/"Capex"	3Q-4Q21	211,680	- Subsequent to the initial ~$900 million SLB, MPW invested an additional ~$200+ million into the Steward Florida market as "capex." We believe this was effectively reimbursement for Steward's share of the ~$1.1 billion total transaction.
Wadley Texarkana Development	4Q21	57,000	- In late-2021/early-2022, MPW advanced to Steward ~$57 million for the construction of a new hospital in Texarkana. The project sat vacant with no activity for ~1 year. We believe most, if not all, of that capital was used for Steward's working capital.
Subtotal - 2021		**268,680**	

[7][H] | WE ESTIMATE MPW HAS SUPPORTED STEWARD WITH ~$1.7 BILLION OUTSIDE REAL ESTATE (CONT'D)

HEDGEYE

2022:			
"Tranche 5" Loan	2Q22	50,000	- Loan made during 2Q22 (we believe 4.28.22), intended to "facilitate Steward's transition of its recent cash pressures to the strongly positive cash flow outlook." Shown net of ~$100 million repayment from Steward in 2Q23. Balance of ~$50 million outstanding represented roughly ~1 quarter of MPW's 2023 consolidated rent from Steward.
"Tranche 6" Loan	4Q22	28,000	- MPW actively worked to hide this loan to Steward made in 4Q22, set against a critical debt maturity for Steward. We believe the intra-quarter balance outstanding was likely significantly higher. Management denied making this loan on the 4Q22 call, made passing reference to it in the 2022 10-K, and was directly called out for lying on the 1Q23 call.
Subtotal - 2022		**78,000**	
2023:			
"Tranche 7" Loan	1Q23	50,000	- Loan made during 1Q23, roughly equals ~1 quarter of consolidated rent in 2023, and purported to be "secured" by business interruption receivables at Norwood hospital in MA. Zurich/Steward litigation records indicate that Steward had already utilized all available proceeds.
Norwood Deferral	2Q23	50,000	- During 2Q23 MPW aggregated all of the rent allocated to Norwood under the master lease, and credited that amount back to Steward as a "deferral." This amounted to a loan, and was expressed by MPW as an A/R build. Regardless, MPW recorded this rent as earnings during 2Q23. Management did not discuss this on the earnings call, rather briefly noted "defer" one time in the 10-Q. This roughly equaled ~1 quarter of consolidated Steward rent.
ABL/"Tranche 8" Loan	3Q23	45,300	- Shown net of ~$100 million repaid. Originally represented by MPW as an "investment pari passu with all other lenders," "secured by receivables" and "not an operating loan to Steward." Days later MPW sold a participation. Then, with 3Q23 results, changed to "temporary" and "unsecured loan will remain outside of ABL due to higher likelihood of earlier repayment." Red flags everywhere. ~$45 million roughly equaled ~1 quarter of consolidated rent in 2023.
Subtotal - 2023		**145,300**	
2024:			
"Bridge Loans" / Stewardship	1Q24	97,500	- Following Steward's default under the ABL and the official beginning of the restructuring, MPW has lent at least ~$97.5 million of 2L bridge loans to Steward while not collecting contractual rent + interest. We believe that MPW likely funded an additional ~$35 million in mid-March.
		97,500	
Total MPW Support Outside RE		**1,674,411**	

I AGGRESSIVE ACCOUNTING

Steward

Steward Health Care System

[7][I] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[7][I] | ALL 2022-2023 RENT RECORDED AS EARNINGS, DESPITE OFFSETTING SUPPORT

HEDGEYE

Hedgeye estimates that MPW received just ~75%/16% of consolidated rent over 2022/2023, respectively, net of *known* support to the tenant. ~100% of this rent was recorded to "NFFO" and "AFFO," including in 4Q23 where write-offs were added back to "NFFO[(A)]."

($ in Millions)

Hedgeye Est. Steward Consolidated Cash Rent Collection %

	Hedgeye-Est. Consolidated Cash Rent (A)	Known MPW Support to Steward [(1)]: Support (+)	Repayment (-)	Net Support (B)	Est. Net Cash Rent Paid (A-B)	Net % Paid to MPW
1Q22 [(2)]	93.0	-	-	-	93.0	100.0%
2Q22 [(3)]	71.1	150.0	(100.0)	50.0	21.1	29.7%
3Q22	71.1	-	-	-	71.1	100.0%
4Q22 [(4)]	71.1	28.0	-	28.0	43.1	60.6%
Subtotal - 2022	**306.4**	**178.0**	**(100.0)**	**78.0**	**228.4**	**74.5%**
1Q23 [(5)]	74.7	50.0	-	50.0	24.7	33.0%
2Q23 [(6) (7)]	56.9	50.0	-	50.0	6.9	12.1%
3Q23 [(8)]	48.0	43.0	-	43.0	5.0	10.4%
4Q23 [(9)]	48.0	48.0	-	48.0	-	-
Subtotal - 2023	**227.6**	**191.0**	**-**	**191.0**	**36.6**	**16.1%**
Total - 2023	**534.0**	**369.0**	**(100.0)**	**269.0**	**265.0**	**49.6%**

Notes:

(1) Consists of known/disclosed loans, advances, rent deferrals/credits, net of repayments.
(2) 50% MAM JV closed on 3.16.22; represents period of MPW's 100% ownership.
(3) MPW advanced ~$150 million to Steward in 2Q22, ~$100 million of which was repaid upon the sale of the Utah OpCos to CommonSpirit. Presented on a net basis in 2Q22 for simplicity and to demonstrate underlying support in 2023.
(4) MPW advanced ~$28 million, which was denied on the 4Q22 earnings call and not fully disclosed until 10.26.23, for "general working capital support."
(5) MPW advanced ~$50 million for "general working capital support" in 1Q23.
(6) MPW selectively disclosed to certain analysts it had "credited back" an estimated ~$50 million to Steward in 2Q23, ahead of the Steward ABL financing.
(7) CommonSpirit transaction closed on 5.1.23; represents period of Steward's ownership.
(8) MPW lent ~$40 million on an unsecured basis to Steward in 3Q23, after originally representing to investors that the loan was part of a secured ABL facility.
(9) On 1.4.24 MPW disclosed Steward owed ~$50 million in unpaid rent under the consolidated master lease. We believe MPW paid no consolidated rent during 4Q23. Any and all rent paid by Steward most likely went to the MAM JV to keep the mortgage current.

RECONCILIATION OF NET (LOSS) INCOME TO FUNDS FROM OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

Write-offs added back.

	For the Three Months Ended December 31, 2023	December 31, 2022
FFO INFORMATION:		
Net (loss) income attributable to MPT common stockholders	**$ (663,943)**	**$ (140,474)**
Participating securities' share in earnings	(349)	(567)
Net (loss) income, less participating securities' share in earnings	**$ (664,292)**	**$ (141,041)**
Depreciation and amortization	95,648	98,891
Loss (gain) on sale of real estate	2,024	(99)
Real estate impairment charges	112,112	170,582
Funds from operations	**$ (454,508)**	**$ 128,333**
Write-off of billed and unbilled rent and other	499,335	111
Other impairment charges	171,507	112,368
Litigation and other	2,899	-
Share-based compensation adjustments	(6,571)	4,042
Non-cash fair value adjustments	8,405	9,466
Tax rate changes and other	(2,797)	3,796
Debt refinancing and unutilized financing (benefit) costs	(239)	-
Normalized funds from operations	**$ 218,031**	**$ 258,116**
Certain non-cash and related recovery information:		
Share-based compensation	$ 10,102	$ 12,377
Debt costs amortization	$ 4,933	$ 5,023
Non-cash rent and interest revenue (C)	$ (57,920)	$ (47,216)
Cash recoveries of non-cash rent and interest revenue (D)	$ 2,364	$ 514
Straight-line rent revenue from operating and finance leases	$ (63,282)	$ (72,494)

Notes:
(A): MPW stopped reporting "AFFO" along with 4Q23 results.

[7][I] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[7][I] | ASSUMING TENANT EXTENSIONS EXERCISED?

HEDGEYE

Original 2016 ~$600 million SLB carried 15-year initial term, 3 5-year extension options and +2-5% escalators based on U.S. CPI.

Amounts in 000s

Assumptions	
Purchase Price	600,000
Calculated Annual GAAP Yield	**8.6%**
Initial Lease Term	15 Years
Minimum Annual Escalator	2.0%
Implied Initial Cash Yield - Year 1	**7.5%**

Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Minimum Rent Δ	Unlevered GAAP Yield	Unlevered Cash Yield	SL Rent / GAAP Rent
1	-	600,000	600,000	51,880	45,000		8.6%	7.5%	13.3%
2	600,000	-	600,000	51,880	45,900	2.0%	8.6%	7.7%	11.5%
3	600,000	-	600,000	51,880	46,818	2.0%	8.6%	7.8%	9.8%
4	600,000	-	600,000	51,880	47,754	2.0%	8.6%	8.0%	8.0%
5	600,000	-	600,000	51,880	48,709	2.0%	8.6%	8.1%	6.1%
6	600,000	-	600,000	51,880	49,684	2.0%	8.6%	8.3%	4.2%
7	600,000	-	600,000	51,880	50,677	2.0%	8.6%	8.4%	2.3%
8	600,000	-	600,000	51,880	51,691	2.0%	8.6%	8.6%	0.4%
9	600,000	-	600,000	51,880	52,725	2.0%	8.6%	8.8%	-1.6%
10	600,000	-	600,000	51,880	53,779	2.0%	8.6%	9.0%	-3.7%
11	600,000	-	600,000	51,880	54,855	2.0%	8.6%	9.1%	-5.7%
12	600,000	-	600,000	51,880	55,952	2.0%	8.6%	9.3%	-7.8%
13	600,000	-	600,000	51,880	57,071	2.0%	8.6%	9.5%	-10.0%
14	600,000	-	600,000	51,880	58,212	2.0%	8.6%	9.7%	-12.2%
15	600,000	-	600,000	51,880	59,377	2.0%	8.6%	9.9%	-14.4%
					778,204				

- MPW disclosed a ~10.1% GAAP yield HERE.
- The company did not disclose an initial cash yield, but the master lease revealed a ~7.5% initial lease rate HERE.
- Assuming the low end of the escalator range → does not = 10.1% disclosed yield.

[7][I] | ASSUMING TENANT EXTENSIONS EXERCISED? (CONT'D)

HEDGEYE

Amounts in 000s

Assumptions	
Purchase Price	600,000
Calculated Annual GAAP Yield	10.1%
Initial Lease Term	30 Years
Minimum Annual Escalator	2.0%
Implied Initial Cash Yield - Year 1	7.5%
GAAP Rent - Extensions Assumed	60,852
(-) GAAP Rent - No Extensions	(51,880)
Incremental Annual GAAP Rent	8,972
(/) Wtd. Avg. Shares	598,984
Incr. "NFFO" / Share	0.01

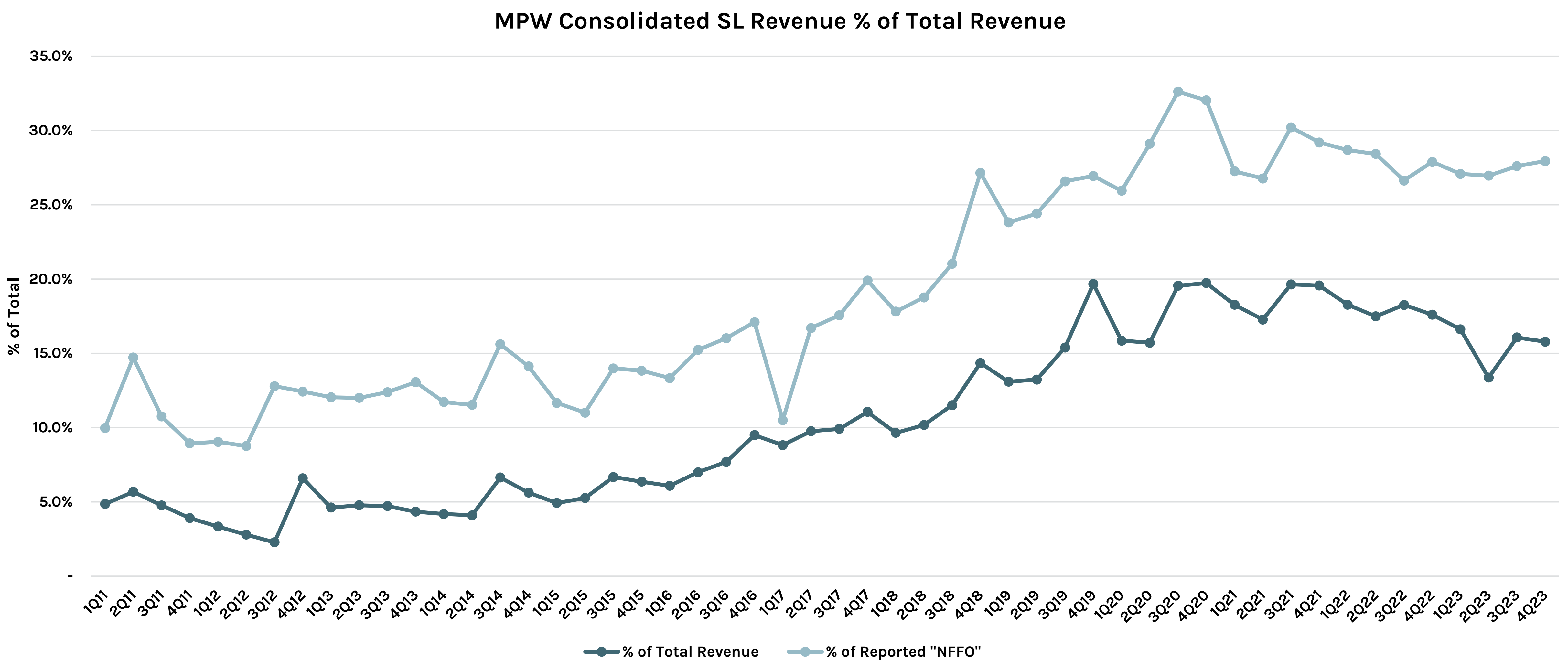
Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Minimum Rent Δ	Unlevered GAAP Yield	Unlevered Cash Yield	SL Rent / GAAP Rent
1	-	600,000	600,000	60,852	45,000		10.1%	7.5%	26.1%
2	600,000	-	600,000	60,852	45,900	2.0%	10.1%	7.7%	24.6%
3	600,000	-	600,000	60,852	46,818	2.0%	10.1%	7.8%	23.1%
4	600,000	-	600,000	60,852	47,754	2.0%	10.1%	8.0%	21.5%
5	600,000	-	600,000	60,852	48,709	2.0%	10.1%	8.1%	20.0%
6	600,000	-	600,000	60,852	49,684	2.0%	10.1%	8.3%	18.4%
7	600,000	-	600,000	60,852	50,677	2.0%	10.1%	8.4%	16.7%
8	600,000	-	600,000	60,852	51,691	2.0%	10.1%	8.6%	15.1%
9	600,000	-	600,000	60,852	52,725	2.0%	10.1%	8.8%	13.4%
10	600,000	-	600,000	60,852	53,779	2.0%	10.1%	9.0%	11.6%
11	600,000	-	600,000	60,852	54,855	2.0%	10.1%	9.1%	9.9%
12	600,000	-	600,000	60,852	55,952	2.0%	10.1%	9.3%	8.1%
13	600,000	-	600,000	60,852	57,071	2.0%	10.1%	9.5%	6.2%
14	600,000	-	600,000	60,852	58,212	2.0%	10.1%	9.7%	4.3%
15	600,000	-	600,000	60,852	59,377	2.0%	10.1%	9.9%	2.4%
16	600,000	-	600,000	60,852	60,564	2.0%	10.1%	10.1%	0.5%
17	600,000	-	600,000	60,852	61,775	2.0%	10.1%	10.3%	-1.5%
18	600,000	-	600,000	60,852	63,011	2.0%	10.1%	10.5%	-3.5%
19	600,000	-	600,000	60,852	64,271	2.0%	10.1%	10.7%	-5.6%
20	600,000	-	600,000	60,852	65,557	2.0%	10.1%	10.9%	-7.7%
21	600,000	-	600,000	60,852	66,868	2.0%	10.1%	11.1%	-9.9%
22	600,000	-	600,000	60,852	68,205	2.0%	10.1%	11.4%	-12.1%
23	600,000	-	600,000	60,852	69,569	2.0%	10.1%	11.6%	-14.3%
24	600,000	-	600,000	60,852	70,960	2.0%	10.1%	11.8%	-16.6%
25	600,000	-	600,000	60,852	72,380	2.0%	10.1%	12.1%	-18.9%
26	600,000	-	600,000	60,852	73,827	2.0%	10.1%	12.3%	-21.3%
27	600,000	-	600,000	60,852	75,304	2.0%	10.1%	12.6%	-23.7%
28	600,000	-	600,000	60,852	76,810	2.0%	10.1%	12.8%	-26.2%
29	600,000	-	600,000	60,852	78,346	2.0%	10.1%	13.1%	-28.7%
30	600,000	-	600,000	60,852	79,913	2.0%	10.1%	13.3%	-31.3%
					1,825,564				

- However, when assuming exercise of 3 5-year extension options along with +2% escalators, **produces disclosed ~10.1% GAAP yield**.
- We believe further evidence (similar to Priory) that MPW often aggressively assumes tenants exercise options.
- While the company would likely argue that "the tenant would have nowhere else to go," we would counter with **"the tenants are failing between years 1-7 of effective ~30-45 year leases."**
- This mechanism added a penny of annual "NFFO" from just this one portion of the Steward master lease prior to the MAM JV. The ~$600 million accounted for ~2-3% of gross assets.
- What happens if done across all leases?
- **Problematic in that management compensates selves based on GAAP "NFFO," not true cash flow.**

[7][I] | RECALL, MPW'S STRAIGHT-LINE RENT INCREASED SECULARLY OVER A DECADE

HEDGEYE

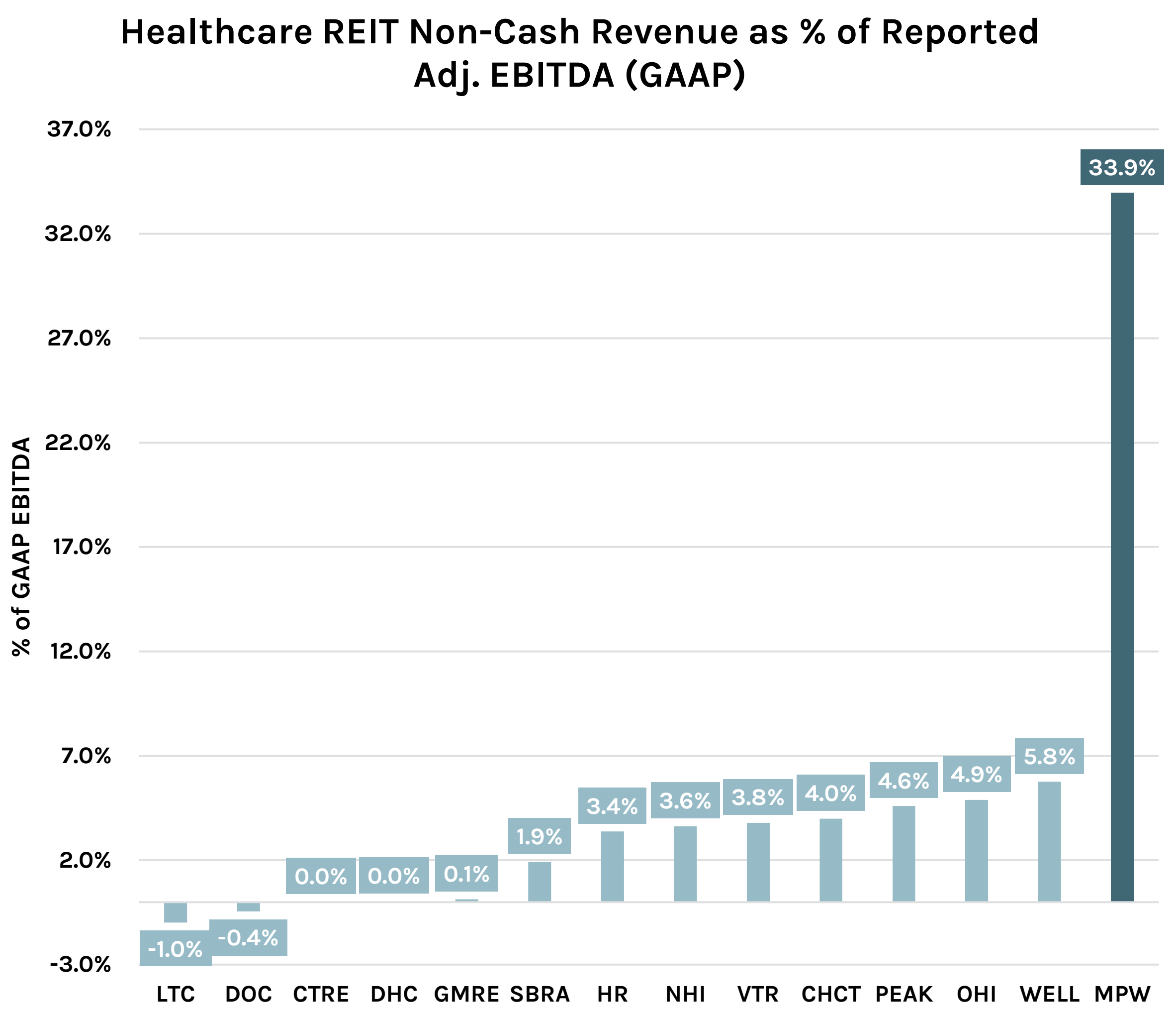
Non-cash revenue obviously cannot be used to service debt or pay dividends.

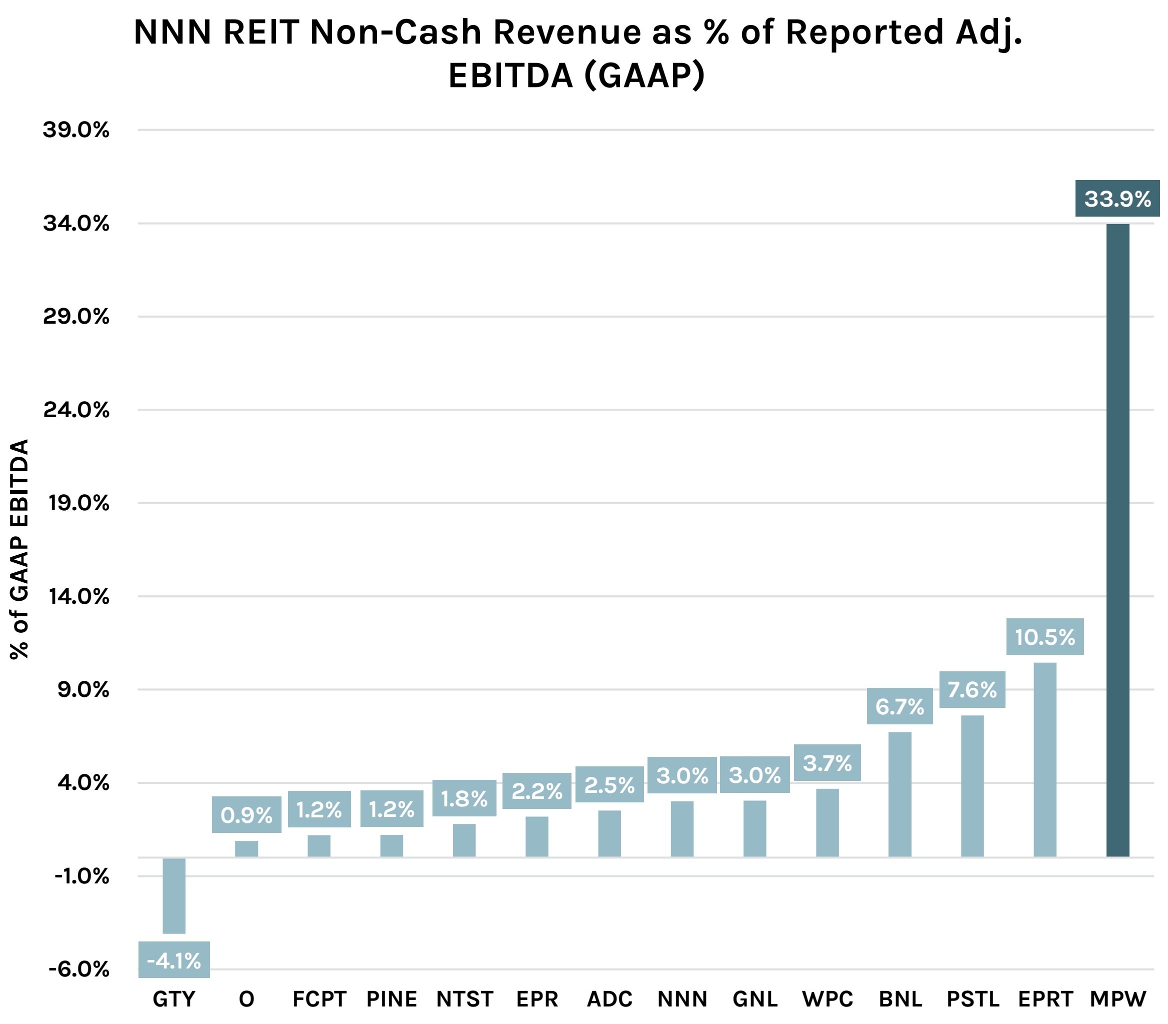


[7][I] | ...AND TOTAL NON-CASH REVENUE REMAINS ORDERS OF MAGNITUDE ABOVE PEERS

HEDGEYE

MPW's non-cash revenues as a % of reported Adj. EBITDA is orders of magnitude larger than peers = poor earnings quality! We do not think that reported "NFFO" and EBITDA, inclusive of non-cash revenue, can be relied upon.





[7][I] | WROTE OFF UNPAID RENT + TOOK IMPAIRMENTS IN 4Q23, THEN ADDED BACK TO "NFFO"

HEDGEYE

Recorded 4Q23 "NFFO" has no bearing whatsoever on MPW's recurring profitability. Comp plan-driven?

Q4 2023 Non-Recurring Accounting Adjustment Summary ($ amounts in millions)

Income Statement: Line Item Impacted	*Amount*	*Description*
Rent billed	$ (154)	Write-off of Steward rent receivable, including deferred rent on Norwood Hospital, and lease incentive assets
Straight-line rent	(224)	Write-off of Steward consolidated straight-line rent
Interest and other income	(81)	Write-off of previously disclosed non-cash interest receivable on loans to Steward and International JV
Real estate and other impairment charges, net	(112)	Steward and other real estate impairments
Real estate and other impairment charges, net	(171)	Steward non-real estate impairments
Loss from equity interests	(30)	Massachusetts partnership straight-line rent and other receivables

RECONCILIATION OF NET (LOSS) INCOME TO FUNDS FROM OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022
FFO INFORMATION:		
Net (loss) income attributable to MPT common stockholders	$ (663,943)	$ (140,474)
Participating securities' share in earnings	(349)	(567)
Net (loss) income, less participating securities' share in earnings	$ (664,292)	$ (141,041)
Depreciation and amortization	95,648	98,891
Loss (gain) on sale of real estate	2,024	(99)
Real estate impairment charges	112,112	170,582
Funds from operations	$ (454,508)	$ 128,333
Write-off of billed and unbilled rent and other	499,335	111
Other impairment charges	171,507	112,368
Litigation and other	2,899	-
Share-based compensation adjustments	(6,571)	4,042
Non-cash fair value adjustments	8,405	9,466
Tax rate changes and other	(2,797)	3,796
Debt refinancing and unutilized financing (benefit) costs	(239)	-
Normalized funds from operations	$ 218,031	$ 258,116
Certain non-cash and related recovery information:		
Share-based compensation	$ 10,102	$ 12,377
Debt costs amortization	$ 4,933	$ 5,023
Non-cash rent and interest revenue (C)	$ (57,920)	$ (47,216)
Cash recoveries of non-cash rent and interest revenue (D)	$ 2,364	$ 514
Straight-line rent revenue from operating and finance leases	$ (63,282)	$ (72,494)

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/f061e036-5020-45d1-a597-6df85c4d381e, https://medicalpropertiestrust.gcs-web.com/node/15881/pdf, Hedgeye Estimates

[7][I] | WROTE OFF UNPAID RENT + TOOK IMPAIRMENTS IN 4Q23, THEN ADDED BACK TO "NFFO" (CONT'D)

HEDGEYE

Why did they do this? We think very likely to hit comp targets. As we noted in our very first presentation, MPW targets "NFFO" inclusive of non-cash revenue and hardly if every misses the maximum threshold.

Element	Description	Objective
Base Salary	Based on duties, experience and internal pay equity	Provides a fixed level of cash compensation to attract and retain talented executives
Annual Cash Bonus	**50%** Normalized FFO per Share **20%** EBITDA/Interest Expense	Aligns our executives with near-term financial goals and strategic priorities, which for 2022 included Normalized FFO growth and managing leverage
	10% ESG Initiatives	For 2022 as we remain focused on the importance of ESG for both internal and external stakeholders, we continued to include the achievement of ESG initiatives in our annual cash bonus program as standalone assessment criteria
	20% Qualitative Performance	Given that the majority of our compensation is based on pre-established metrics and goals, allows for a subjective assessment of performance on a more holistic basis and considers factors that may not be quantifiable
Time-Based Shares	Vest ratably over 3 years	Promotes retention and aligns executives with stockholders
Performance-Based Shares	**30%** FFO per Share Growth	Rewards executives for meaningful FFO per share growth in both the short- and long-term. Achievement of these goals requires significant accretive growth on an annual and cumulative basis
	40% EBITDA	Ensures that executives are focused on profitability and stockholder value creation through EBITDA growth in both the short-term and long-term periods
	30% Acquisitions	Motivates our executives to execute our growth strategy that involves making accretive acquisitions to achieve portfolio growth that would not be achieved through a simpler organic growth model focused only on leasing spreads
	Absolute and Relative TSR Modifier	Adjusts payouts to align with long-term stockholder returns on both an absolute and relative basis

Compensation Discussion and Analysis

The 2022 cash bonus plan metrics are set forth in the following chart:

Performance Metric	Weighting	Threshold	Target	Maximum	2022 Achievement
Normalized FFO Per Share Encourages focus on profitability as measured by the most frequently used REIT earnings measurement on a per share basis; mitigates the risk of non-profitable acquisitions or other low-quality growth	50%	$1.79	$1.82	$1.85	$1.82
Target Normalized FFO per share represents an approximate 11% increase over the 2021 cash bonus target and a 4.0% increase over 2021 results as compared to 2.76% for US Healthcare REITs.[(1)(2)]					
EBITDA/Interest Expense Ratio Motivates management to maintain financial health and a low cost of capital	20%	3.5x	3.7x	3.9x	4.3x
The 3.4x target ratio was established based on our historical strategies and debt levels as publicly disclosed during recent years.					

[7][I] | MPW/AUDITORS/ADVISORS USED REVENUE MULITPLES TO VALUE AN INSOLVENT STEWARD...

HEDGEYE

We believe this was likely done in-part so as to avoid necessary write-downs/impairments and avoid tripping the consolidated TNW covenant under the RCF. There is still ~$1.2 billion of OpCo + UJV "value" sitting on MPW's balance sheet.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Steward's Business – Impairment of Non-Real Estate Investments

As described in Notes 2, 3 and 10 to the consolidated financial statements, investments in entities in which the Company does not control nor has the ability to significantly influence and for which there is no readily determinable fair value (such as the investment in affiliates of Steward Health Care System LLC ("Steward")) are accounted for at cost, less any impairment. The Company's non-real estate investments in Steward include a 9.9% equity interest, approximately $212 million in working capital loans, an approximately $362 million loan, and a $219 million loan to the international joint venture which is collateralized by the equity of Steward. Management evaluates the equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value, when impairment indicators exist. Due to the operational and liquidity challenges that Steward is facing, management assessed recovery of these investments by performing a valuation of Steward's business at December 31, 2023. The valuation was performed with assistance from a third-party, independent valuation firm using a market valuation approach including the selected revenue multiple range in reference to comparable transactions. Management compared the carrying value of the Company's 9.9% equity interest to a 9.9% share of the fair value of Steward's equity, which resulted in an impairment charge of $90 million. The Company's equity investment in Steward was $36 million as of December 31, 2023. The value of the equity of Steward was sufficient to support the recovery on the loans to Steward and the international joint venture.

The principal considerations for our determination that performing procedures relating to the valuation of Steward's business and the impairment of non-real estate investments is a critical audit matter are (i) the significant judgement by management when developing the fair value estimate of Steward's business; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumption related to the selected revenue multiple range; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

[7][I] | …AND IT DID SO WITHOUT STEWARD'S AUDITED FINANCIALS

HEDGEYE

MPW received the below letter from the SEC on the same day that it filed its 2023 10-K report without auditor consent. Absent auditor consent, we believe that MPW cannot raise public equity or debt capital.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

February 29, 2024

R. Steven Hamner
Chief Financial Officer
Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242

Re: Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
Form 10-K for the Year Ended December 31, 2021
Form 10-K for the Year Ended December 31, 2022
File No. 001-32559

Dear R. Steven Hamner:

We issued a comment on the above captioned filings on January 9, 2024. On January 25, 2024, we issued a follow-up letter informing you that comment remained outstanding and unresolved, and absent a substantive response, we would act consistent with our obligations under the federal securities laws.

As you have not provided a substantive response, we are terminating our review and will take further steps as we deem appropriate. These steps include releasing publicly, through the agency's EDGAR system, all correspondence, including this letter, relating to the review of your filings, consistent with the staff's decision to publicly release comment and response letters relating to disclosure filings it has reviewed.

Form 10-K - *Annual report [Section 13 and 15(d), not S-K Item 405]:*

Filing Date
2024-02-29
Accepted
2024-02-29 17:08:06
Documents
152

Period of Report
2023-12-31

Interactive Data

Exhibit 23.1 for auditor consent missing.

Document Format Files

Seq	Description	Document
1	10-K	mpw-20231231.htm iXBRL
2	EX-19.1	mpw-ex19_1.htm
3	EX-19.2	mpw-ex19_2.htm
4	EX-21.1	mpw-ex21_1.htm
5	EX-31.1	mpw-ex31_1.htm
6	EX-31.2	mpw-ex31_2.htm
7	EX-31.3	mpw-ex31_3.htm
8	EX-31.4	mpw-ex31_4.htm
9	EX-32.1	mpw-ex32_1.htm
10	EX-32.2	mpw-ex32_2.htm
11	GRAPHIC	img104504375_0.jpg
12	GRAPHIC	img104504375_1.jpg
13	GRAPHIC	img104504375_2.jpg
	Complete submission text file	0000950170-24-023248.txt

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/d9b3ac66-d094-4db7-ba1c-8652b0b231ca, https://www.sec.gov/Archives/edgar/data/1287865/000000000024002271/filename1.pdf, Hedgeye

[7][I] | HOW DOES MPW JUSTIFY THESE CARRYING VALUES?

HEDGEYE

The Cerberus loan and "International JV" loans were PIK-ing and secured by the non-MPW equity in Steward. MPW disclosed the JV loan "secured by Steward's management's equity in Steward" HERE.

Operator	Investment as of December 31, 2023		Ownership Interest	Structure
PHP Holdings	$	699,535	49.0%	Includes a 49% equity ownership interest in, along with a loan convertible into PHP Holdings, the managed care business of Prospect. Both instruments are accounted for under the fair value option method, which resulted in a combined $45 million gain in Q3 and Q4 2023.
Steward Health Care		361,591	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% return plus 37% of the increase in the value of Steward over seven years.
International Joint Venture		225,960	49.0%	Includes our 49% equity ownership interest and a loan made for the purpose of investing in select international hospital operations. The loan carries a 7.5% interest rate and is secured by the remaining equity of the international joint venture and guaranteed by the other equity owner.

- Steward is under forbearance with its lenders per HERE, meaning it officially defaulted under its ABL facility.
- MPW wrote down its direct 9.9% equity stake by about ~72% in 4Q23.
- **Yet it took only a ~$5 million impairment in the same quarter on ~$590 million of combined loan principal! How?**

J THE SAGE OF SJM

Steward

Steward Health Care System

[7][J] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[7][J] | TOLD THROUGH SJM + THE ~$335 MILLION CERBERUS LOAN + OTHERS

- Readers can see for themselves how MPW's management "goes above and beyond" in the pages above. These include ridiculous statements ("MPT has the strongest portfolio of hospitals in the world," for example), opaque disclosure, making loans to the financially-distressed operator so as to keep recording rent/earnings, etc.

- With that said, we believe there are two examples that vividly illustrate management's efforts at obfuscation: **the saga of Saint Joseph's Medical Center ("SJM") in 2018** and **the 2021 ~$335 million Cerberus change of control "loan**."

- **We will go through both of these cases in this section**.
  - **SJM**: Avoiding Steward financial disclosure with the SEC + injecting capital into the operator.
  - **The Cerberus "Loan**:" Obfuscating an inappropriate use of a REIT balance sheet + arguably tripping over REIT rules + disclosure STILL changing to this day.

- Additionally, we review several select "side-by-sides" that we aggregated over the last two years.

[7][J] | SUMMARY: WHAT HAPPENED WITH SJM?

HEDGEYE

- With the financing of the IASIS transaction in late-2017, **MPW acquired SJM along with 8 other hospitals** that became leased to Steward, and **likely tripped over the 20% threshold under SEC Topic 2, Section 2340**. The SEC inquired as to whether MPW would file Steward's audited 2017 financial statements.

- MPW argued with the SEC that, because it **had "sold" SJM back to Steward in March 2018** in exchange **for a mortgage note**, it **was under the 20% threshold on a pro forma basis** and did not have to file Steward's 2017 audited financials. No cash changed hands in this "sale."

- The SEC apparently agreed. **MPW did not file Steward's audited 2017 financials** with its 2017 10-K report or via 10-K/A.

- It turned out, however, that **MPW had already negotiated a repurchase option** with Steward for SJM **BEFORE** it responded to the SEC with this rationale.

- **Just months later in 2018**, the same year that it made this argument with the SEC, **MPW repurchased SJM** for cancellation of the mortgage + **additional cash. The additional cash flowed to Steward**.

- Hedgeye regards this to be a **disturbing and extraordinary effort** by MPW **to "game" the rules and hide Steward's financials**. This was arguably **one of the first major "red flags"** on the MPW/Steward relationship.

[7][J] | MPW OFFSIDES ON SECTION 2, TOPIC 2340?

HEDGEYE

Steward leased assets ended 2017 at ~19.6% of MPW's 2017 gross assets and ~20.6% of total assets.

Significant Tenants

At December 31, 2017, we had total assets of approximately $9.0 billion comprised of 275 healthcare properties in 29 states, in Germany, the United Kingdom, Italy, and Spain. The properties are leased to or mortgaged by 31 different hospital operating companies. On a gross asset basis (which is total assets before accumulated depreciation/amortization and assumes all real estate binding commitments on new investments and unfunded amounts on development deals and commenced capital improvement projects are fully funded, and assumes cash on hand is fully used in these transactions, as more fully described in the section titled "Non-GAAP Financial Measures" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K), our top five tenants were as follows (dollars in thousands):

Gross Assets by Operator

	As of December 31, 2017		As of December 31, 2016	
Operators	Total Gross Assets	Percentage of Total Gross Assets	Total Gross Assets	Percentage of Total Gross Assets
Steward	$3,457,384(1)	36.5%	$1,609,583(2)	22.5%
MEDIAN	1,229,325	13.0%	993,677	13.9%
Prime	1,119,484	11.8%	1,144,055	16.0%
Ernest	629,161	6.6%	627,906	8.8%
RCCH	506,265	5.3%	566,600	7.9%
Other operators	2,089,934	22.1%	1,900,397	26.7%
Other assets	444,659	4.7%	300,903	4.2%
Total	$9,476,212	100.0%	$7,143,121	100.0%

(1) Includes approximately $1.86 billion of triple net leased gross assets, including the subsequent event transaction as discussed in Note 13 to Item 8 of this Annual Report on Form 10-K.

(2) Includes approximately $360 million of gross assets related to facilities leased to IASIS prior to it being acquired by Steward on September 29, 2017.

[7][J] | MPW “SELLS” SJM TO STEWARD ON 3.1.18

HEDGEYE

13. Subsequent Events

St. Joseph’s Transaction

On March 1, 2018, we sold the real estate of St. Joseph Medical Center in Houston, Texas, at our original cost to Steward with the purchase price of which is evidenced by a promissory note, with such note secured in the mortgage on the underlying real estate. The mortgage loan has terms consistent with the other mortgage loans in the Steward portfolio. At December 31, 2017, this facility was designated as held for sale.

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		Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2017(1)			Accumulated				Life on which depreciation in latest income statements is computed
Location	Type of Property	Land	Buildings	Improvements	Carrying Costs	Land	Buildings	Total	Depreciation	Encumbrances	Date of Construction	Date Acquired	(Years)
						(Dollar amounts in thousands)							
Warren, OH	Rehabilitation hospital	2,417	15,857	—	—	2,417	15,857	18,274	356	—	1922-2000	May 1, 2017	46
Hoboken, NJ	Acute care general hospital	1,387	44,351	—	—	1,387	44,351	45,738	13,616	—	1863	November 4, 2011	20
Hoover, AL	Freestanding ER	—	7,581	—	—	—	7,581	7,581	590	—	2015	May 1, 2015	34
Hoover, AL	Medical Office Building	—	1,034	—	—	—	1,034	1,034	80	—	2015	May 1, 2015	34
Hope, AR	Acute care general hospital	1,651	3,359	—	—	1,651	3,359	5,010	45	—	1984-2001	September 29, 2017	41
Hot Springs. AR	Acute care general hospital	7,100	59,432	19,996	—	7,100	79,428	86,528	4,626	—	1985	August 31, 2015	40
Houston, TX	Acute care general hospital	33,627	97,745	—	—	33,627	97,745	131,372	494	—	1940-1950	September 29, 2017	41
Houston, TX	Acute care general hospital	4,757	56,238	(37)	1,259	5,427	56,790	62,217	15,691	—	2006	December 1, 2006	40
Colorado Springs, CO	Freestanding ER	600	4,231	—	—	600	4,231	4,831	379	—	2014	June 5, 2014	40
Northland, MO	Long term acute care hospital	834	17,182	—	—	834	17,182	18,016	2,971	—	2007	February 14, 2011	40

- We believe that MPW likely recognized it had tripped over the 20% reporting threshold per SEC Topic 2, Section 2340, and so listed SJM as “held for sale” at year end 2017.
- “Real estate held for sale” was ~$146.6 million as of 12.31.17. This was roughly 3 months after MPW acquired SJM in the IASIS transaction
- MPW listed SJM’s gross cost at ~$131.4 million at year-end 2017, per the Schedule III.
- MPW disclosed in the 2017 10-K as a subsequent event that it sold SJM to Steward on 3.1.18 for ~$148 million, the same day that the 10-K was filed with the SEC. This produced a ~$1.5 million gain.
- It did so by converting the fee simple interest in SJM into a mortgage note with the same terms as the leases, i.e. for no cash consideration.

[7][J] | THE SEC TOOK NOTICE IN MID-2018

HEDGEYE

On 7.3.18, the SEC wrote to MPW HERE regarding MPW's leased exposure to Steward. On 7.18.18, MPW responded HERE. MPW directly cited the above SJM transaction as justification for not disclosing.

Form 10-K for fiscal year ended December 31, 2017

Item 1 Business

Significant Tenants, page 11

1. We note your disclosure in footnote (1) to the table that Steward operates $1.86 billion of triple net leased gross assets. Please tell us whether properties leased to Steward represent more than 20% of your total assets as of December 31, 2017. To the extent you lease more than 20% of your total assets to Steward, please tell us what consideration you gave to providing audited financial statements of Steward.

MPW Response: As of December 31, 2017, properties leased to Steward represented 21.2% of our total assets. We did not provide audited financial statements of Steward as part of our 2017 Form 10-K because we knew that this spike (above 20%) in lease concentration as of December 31, 2017 was short-term. In making the determination on whether to provide audited financial statements of Steward, we were assisted by oral guidance from the Staff to the effect that spikes in tenant concentration occurring as of a fiscal year-end may be looked past for purposes of Section 2340 of the Staff's Financial Reporting Manual if the registrant believes in good faith that such spike in concentration is short-term. As discussed in Note 13 to Item 8 of our Annual Report on Form 10-K, one of our properties leased to Steward, St. Joseph Medical Center in Houston, Texas, was designated as held for sale as of December 31, 2017. As further noted in such Note 13, this property was in fact sold on March 1, 2018. Pro forma for the impact of this subsequent event transaction, properties leased to Steward would have represented 19.5% of our total assets. As we have discussed previously on our earnings calls, we believe this lease concentration will continue to decrease based on our intent to sell certain additional Steward properties, including by way of a potential joint venture transaction.

[7][J] | MPW HAD ALREADY AGREED TO "MORTGAGE CONVERSION PURCHASE AGREEMENT"

HEDGEYE

- What MPW did NOT note to the SEC, however, was that according to Harris County property records MPW and Steward had entered into a **"Mortgage Conversion Purchase Agreement" on 5.18.18**.
- This was **agreed to just ~2 months after the "sale" of SJM**.
- This was **agreed to ~2 months BEFORE the above response to the SEC**, where it used the sale as justification.
- In our view, MPW engaged in "ping pong" of this asset, primarily to avoid disclosure of Steward's audited 2017 financial statements.
- It responded to the SEC comment letter with the full knowledge that it had contracted for a repurchase of SJM.
- Steward ended 2017 at >20% of leased assets.
- **This is EGREGIOUS!**

RP-2018-426058

WITNESSETH:

WHEREAS, Assignor and certain of the Assignees previously entered into that certain Assignment of Rents and Leases, dated September 29, 2017, recorded on October 2, 2017 as **Instrument Number RP-2017-433481** in the Office of the County Clerk, Harris County, Texas and that certain Assignment of Rents and Leases, dated September 29, 2017, recorded on October 2, 2017 as **Instrument Number RP 2017-433484** in the Office of the County Clerk, Harris County, Texas, as each were amended and restated by that certain Amended and Restated Assignment of Rents and Leases, dated February 28, 2018 to be effective as of 12:01 a.m. on March 1, 2018 (the "Original ARL"), recorded on March 1, 2018, as **Instrument Number RP-2018-87866** in the Office of the County Clerk, Harris County, Texas, as the same was amended by the First Amendment to Amended and Restated Assignment of Rents and Leases, dated June 27, 2018, recorded on August 8, 2018, as **Instrument Number RP-2018-361658** in the Office of the County Clerk, Harris County, Texas, relating to the real property described on ***EXHIBIT A*** attached hereto and made a part hereof by reference and incorporation (the "Real Property");

WHEREAS, Assignor, Steward Health Care System LLC, a Delaware limited liability company ("Steward Health"), and certain of their Affiliates, on the one hand (collectively, the "Steward Parties"), and certain of the Assignees and certain of their Affiliates, on the other hand (the "MPT Buyers"), are parties to that certain Purchase and Sale Agreement, dated as of May 18, 2018 (as the same has been or may hereafter be modified, amended or restated from time to time, the "Mortgage Conversion Purchase Agreement"), pursuant to which certain of the Assignees agreed to purchase from the Steward Parties certain real property and improvements more particularly described in the Mortgage Conversion Purchase Agreement, including without limitation, the Real Property;

WHEREAS, contemporaneously herewith, the Steward Parties and MPT Buyers have consummated the purchase and sale of the Real Property pursuant to the Mortgage Conversion Purchase Agreement; and

WHEREAS, as a result of the direct and indirect benefits to be received by the Steward Parties by virtue of the closing of the purchase and sale of the Real Property and the other transactions contemplated in the Mortgage Conversion Purchase Agreement, the Assignor and the Assignees desire to amend and restate the Original ARL as hereinafter set forth in order to secure the payment and performance of the Obligations (as hereinafter defined).

[7][J] | MPW REPURCHASES SJM FROM STEWARD

HEDGEYE

That purchase appears to have been executed by "MPT Buyer" and recorded in Harris County on 8.8.18, just three weeks after the response to the SEC.

Other Transactions

On August 31, 2018, we acquired an acute care facility in Pasco, Washington for $17.5 million. The property is leased to RCCH Healthcare Partners ("RCCH"), pursuant to the existing long-term master lease entered into with RCCH in April 2016.

On August 28, 2018, we acquired three inpatient rehabilitation hospitals in Germany for €17.3 million (including real estate transfer taxes). These hospitals are part of a four-hospital portfolio that we agreed to purchase for an aggregate amount of €23 million (including real estate transfer taxes). The final property is expected to close in the fourth quarter of 2018. The properties are leased to affiliates of Median Kliniken S.à.r.l. ("MEDIAN"), pursuant to a new 27-year master lease with annual escalators at the greater of 1% or 70% of the change in German consumer price index ("CPI").

During the second and third quarters of 2018, we acquired the fee simple real estate of four general acute care hospitals, three of which are located in Massachusetts and one located in Texas, from Steward Health Care System LLC ("Steward") in exchange for the reduction of $525.4 million of mortgage loans made to Steward in October 2016 and March 2018, along with additional cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016 that had an initial 15-year term with three five-year extension options, plus CPI increases.

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- MPW acquired an unnamed Texas hospital from Steward in 3Q18 for cancellation of a mortgage + additional cash. This was SJM. MPW still owns SJM to this day.
- Represented incremental cash to Steward of at least ~$16.6 million (~$148 million – original cost of ~$131.4 million).

[7][J] | RECAP OF SJM SAGA

HEDGEYE

- MPW acquired SJM in September 2017.
- It then “**sold” SJM to Steward in March 2018 for a note and no cash consideration.**
- MPW then **used that sale as justification with the SEC to not disclose Steward's 2017 financials** under SEC Topic 2, Section 2340.
- But it **already had an agreement in place** at the time of SEC correspondence to buy SJM back from Steward.
- MPW then **bought SJM back in 3Q18** for cancellation of the mortgage + **additional cash to Steward**.
- We believe that MPW did this solely to: **(1) avoid required disclosure of Steward's audited 2017 financials** (sound familiar?), and **(2) inject additional cash into Steward** (also sound familiar?).
- The **"spike" in lease concentration was not "short-term."** Indeed, it went UP after MPW re-acquired the fee simple interest in SJM in the same year. MPW would have to disclose Steward's financials in both 2018 and 2020 on higher leased asset exposure.
- If all of this were not bad enough, despite buying back SJM in 2018 **MPW still listed the original 9.29.17 as the acquisition date of SJM** in Schedule III of the **2018 10-K** filing HERE.
- **Nothing to see here, move along…**

K THE ~$335 MILLION CERBERUS "LOAN"

Steward®

Steward Health Care System

[7][K] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[7][K] | FIRST INDICATIONS SOMETHING WAS OFF…

(Amounts in 000s)

MPW-Reported Pro Forma Total Gross Assets [1]

	Reported 4.29.20 1Q20	Reported 7.30.20 2Q20	Reported 10.29.20 3Q20	Reported 2.4.21 4Q20	Reported 4.29.21 1Q21	Reported 7.29.21 2Q21
Steward Health:						
Massachusetts	1,491,782	1,491,782	1,491,782	1,500,915	1,487,064	1,472,044
Utah	1,051,714	1,251,383	1,260,576	1,260,417	1,261,507	1,264,280
Texas/Arkansas/Louisiana	761,301	756,678	711,911	1,045,982	1,043,913	1,051,245
Arizona	332,239	332,239	332,239	332,239	330,734	332,083
Florida	221,192	221,191	221,192	215,105	218,123	1,123,154
Ohio/Pennsylvania	203,400	151,783	151,782	151,785	149,122	137,784
Total Gross Assets	**4,061,628**	**4,205,056**	**4,169,482**	**4,506,443**	**4,490,463**	**5,380,590**
Q/Q Delta	**9,466**	**143,428**	**(35,574)**	**336,961**	**(15,980)**	**890,127**
Y/Y Delta				**454,281**		
Q/Q Delta - Texas/Arkansas/Louisiana	**10,555**	**(4,623)**	**(44,767)**	**334,071**	**(2,069)**	**7,332**
Q/Q Delta - Florida	**-**	**(1)**	**1**	**(6,087)**	**3,018**	**905,031**
Q/Q Delta - Utah	**(1,089)**	**199,669**	**9,193**	**(159)**	**1,090**	**2,773**
Prospect Medical	**1,569,594**	**1,577,552**	**1,588,936**	**1,597,950**	**1,606,433**	**1,615,047**
Q/Q Delta	**5,952**	**7,958**	**11,384**	**9,014**	**8,483**	**8,614**

Notes:

(1) Per MPW: "Includes gross real estate assets, other loans, equity investments, and pro rata portion of gross assets in joint venture arrangements, **assuming material real estate commitments on new investments are fully funded."**

- MPW no longer disclosed a comparable gross assets schedule as of 4Q22/1Q23. It had been very useful in detecting new investments.
- Historically MPW's OpCo investments into Steward showed up in the Texas/Arkansas/Louisiana market.
- Along with 4Q20 results released on 2.4.21, **MPW reported a +$334 million increase in gross assets in this market**.
- Management made no reference to this very large investment increase in the 4Q20 earnings release, the earnings call or the quarterly supplemental.
- Moreover, it made no reference to any incremental investment made post-12.31.20 as a "subsequent event" in the 2020 10-K filed on 3.1.21. Why?
- This prompted us to explore the timeline around this investment. **The sequence of events is concerning**.

[7][K] | MPW FIRST DISCLOSED "LOAN" WITH 1Q21 RESULTS ON 4.29.21

HEDGEYE

Management characterized this ~$335 million investment as a "loan to Steward," the proceeds of which were used by Steward to "redeem a similarly sized convertible loan" from Cerberus.

PORTFOLIO UPDATE

During and subsequent to the first quarter, MPT continued to execute on accretive acquisitions.

MPT expects to replace the £800 million Priory real estate loan with sale-leaseback transactions involving 35 properties by the end of the second quarter, at which time the Company will begin to recognize a GAAP investment yield of 8.6%.

Through today, MPT made additional investments of approximately $158 million and $335 million, respectively, in its tenants Swiss Medical Network and Steward Health Care System ("Steward"). Swiss Medical, the Company's tenant through its Infracore investment, is the second largest private operator of hospitals in Switzerland, a nation known for world-class healthcare delivery and an affluent, aging population. At an attractive investment entry point, MPT stands to benefit from greater alignment with Infracore and Swiss Medical, additional insight into the Swiss hospital system, and desirable real estate opportunities as Swiss Medical continues to consolidate a fragmented hospital landscape.

Proceeds of the $335 million loan to Steward were used to redeem a similarly sized convertible loan from Steward's former private equity sponsor. Terms include opportunities for attractive participation in the value of Steward's growth as it demonstrates fundamental success consistent with recent reports from public hospital operators. Pursuant to its existing 9.9% equity interest in Steward and a direct realization of the operational strength noted above, MPT received cash distributions during the quarter of $11.0 million.

[7][K] | WHAT DID THEY SAY ON THE 1Q21 CALL?

HEDGEYE

CEO Ed Aldag – Compared Steward to RIDEA investments

"The loan, the investment that we've made on both Steward and in the Swiss Medical Network is part of our regional business plan. So for those of you who've been with us since the beginning of time, you'll know that **we have done this a lot. We've had the opportunity to take advantage of our healthcare knowledge**. Some of you will know that my background is actually in hospitals. And when we put the company together, most of the people that we hired have backgrounds in hospitals. So from time to time though, we had the opportunity to make these types of investments than we have and we'll continue to do so.

Where we've made these investments in the past, they have been highly successful. Probably our very first and biggest investment with **Ernest Healthcare** is the case we earned a tremendous return on that. But the next largest one would have been **Capella Health**, again which propelled us into our relationship with LifePoint and Apollo, again a fantastic return.

But in addition to that, we have equity investments in the tenants such as MEDIAN, our German operator. And by doing these types of investments, it continues to provide us with additional avenues to make the real estate investments and align our interest in the same place as our tenants. **This is a long-term investment that we've made with Steward**. We think it's a wonderful opportunity and are excited to have this potential opportunity. It's also an opportunity we weren't necessarily expecting for the Swiss Medical Group, but glad it came along and I think it just further strengthened our position with that particular operator."

CFO Steve Hamner – "no equity…" You sure?

Analyst: "Steve, can you explain how the Steward loan will help MPW profit on the potential upside of that operator? I mean, is this a straight loan **or is there some type of equity component tied to it too?"**

Steve Hamner: "No, there's no equity, but there are opportunities other than a direct equity to over time recognize opportunities **to capture value increase** that the details are not going to be disclosed."

[7][K] | "LOAN" FACILITATED 1Q21 STEWARD DIVIDENDS

HEDGEYE

MPW received ~$11 million for its 9.9% equity stake. ~$11 million / 9.9% = $111 million gross. Additionally, the loan did "remove some prohibitions" that allowed access to Steward's "tremendous amount of liquidity."

Other Investment Activities

Pursuant to our existing 9.9% equity interest in Steward, we received an $11 million cash distribution during the first quarter of 2021, which was accounted for as a return of capital.

Pursuant to our 4.9% stake in Aevis Victoria SA ("Aevis"), we recorded a $4.1 million favorable non-cash fair value adjustment to mark our investment in Aevis stock to market during the first quarter of 2021; whereas, this was a $10.4 million unfavorable non-cash fair value adjustment in the 2020 first quarter.

Medical Properties Trust, Inc. (MPW)
Q1 2021 Earnings Call

Corrected Transcript
29-Apr-2021

R. Steven Hamner

Co-founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

No. It's a good question, [redacted] It does remove some prohibitions that the former PE sponsor had that do allow Steward more freedom to grow and also create the kind of value increase that we've just been talking about. And specifically, Steward had a tremendous amount of liquidity and an equity value available that found its way to us by virtue of that $11 million distribution we commented on that would not have been possible under the prior structure.

At least ~$440 million of that "tremendous amount of liquidity" came from CMS via 2020 MAP payments.

[7][K] | WITHIN MONTHS OF THAT DIVIDEND, RDLT BOUGHT THE AMARAL

HEDGEYE

Hedgeye was the first to report on 9.18.22 HERE regarding this yacht + the timing of its purchase.

Tickers: MPW

Company Name: Active Short Medical Properties (Dis)Trust

Subsector: NNN Hospitals (just MPW standing alone)

Headline: RDLT bought the AMARAL in May 2021, just four months after MPW financed the Steward MBO

- So this is a fun one! We were doing some digging around **Steward Health**, which as a reminder is a ~30% tenant + lending relationship for MPW. As we have written about since April, Steward is very likely at or near the point of insolvency today, has generated significant operating loses over several years due to an uneconomic rent burden owed to MPW, is most likely not covering its rent with cash flow, and in our view is existential to MPW's equity. **MPW is not only Steward's primary landlord, but also likely its largest unsecured creditor in addition to being a direct ~9.9% equity owner**. In other words, there is a strong argument to be made that MPW effectively "owns" Steward once Steward enters the "zone of insolvency" (now?).
- Apparently **Steward CEO Ralph de la Torre (henceforth "RDLT")** is the proud owner of the **AMARAL, a 190-foot yacht** that he **acquired in May 2021** for an estimated ~$40 million (**see Figure 1 below**).
- Why is this important? Recall that in **January 2021 MPW** used its corporate balance sheet to **lend ~$355 million directly to a management group, led by RDLT**, to **finance the buyout of Cerberus Capital Management's** ~90.1% equity interest in Steward. RDLT + Steward management also pledged their equity as security against the loan. So again, not only has MPW (1) lent to OpCos that are MPW tenants, (2) made equity investments in OpCos that are MPW tenants, (3) funded 100% of the purchase price of those OpCos in some cases and (4) invested exorbitant "capex" in properties post-acquisition as a triple-net landlord (which should never happen), but **(5) lent funds to individual parties as the owners of those OpCos**. MPW calls them "affiliates" of Steward in the filings, but to be clear they are the majority equity owners.

Inside AMARAL Yacht • (Lady Sheridan) • A&R • 2007 • Owner Ralph De La Torre

Information | Owner | Photos | Location | For Sale & Charter | News

Name:	AMARAL (ex Lady Sheridan)
Length:	58 m (190 ft)
Guests:	12 in 6 cabins
Crew:	15 in 7 cabins
Builder:	Abeking&Rasmussen
Designer:	Donald Starkey Designs
Interior Designer:	Donald Starkey Designs
Year:	2007
Speed:	17 knots
Engines:	Caterpillar
Volume:	1,099 ton
IMO:	1009170
Price:	US$ 40 million
Annual Running	US$ 2 – 4 million

[7][K] | 1Q21 10-Q FILING REVEALED KEY TIMING

HEDGEYE

10-Q filing on 5.10.21 revealed "loan" was funded on 1.8.21. This had several important implications.

2021 Activity

Priory Group Transaction

On January 19, 2021, we completed the first of two phases in the Priory Group ("Priory") transaction in which we funded an £800 million interim mortgage loan on an identified portfolio of Priory real estate assets. In phase two, in a series of transactions we expect will be completed during the 2021 second quarter, we will acquire a portfolio of select real estate assets from Priory (now owned by Waterland Private Equity Fund VII C.V. ("Waterland VII")) in individual sale-and-leaseback transactions, subject to customary real estate and other closing conditions. As all conditions to closing for a particular asset are satisfied, the applicable purchase price for the asset will be paid by us by proportionally converting and reducing the principal balance of the interim mortgage loan we made to Waterland VII in phase one. The aggregate purchase price for the real estate assets we acquire from Priory is thus expected to be approximately £800 million, plus customary stamp duty, tax, and other transaction costs.

In addition, we agreed to provide Waterland VII with a 364-day £250 million acquisition loan, which we funded on January 19, 2021, in connection with the closing of Waterland VII's acquisition of Priory. The loan is secured by the same security assets securing the £800 million interim mortgage loan.

In connection with these transactions, we also acquired a 9.9% passive equity interest in the Waterland VII affiliate that indirectly owns Priory for a nominal amount.

We funded this investment using £500 million from a new $900 million interim credit facility as described in Note 4, £350 million from our revolving facility, and the remainder from cash on-hand.

Other

On January 8, 2021, we made a $335 million loan to Steward Health Care System LLC ("Steward"), which was used to redeem a similarly sized convertible loan from Steward's former private equity sponsor.

- MPW announced HERE a ~$711 million follow-on offering of common stock one day earlier on 1.7.21.
- This funding was not mentioned as a use of proceeds, despite accounting for ~50% of the offering.
- This also meant that MPW waited nearly ~4 months to publicly disclose the loan.

[7][K] | UNCLEAR WHERE "LOAN" RECORDED ON 1Q21 BALANCE SHEET

HEDGEYE

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)

	March 31, 2021 *(Unaudited)*	December 31, 2020 (A)
ASSETS		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	$ 12,107,170	$ 12,078,927
Investment in financing leases	2,021,480	2,010,922
Mortgage loans	1,324,865	248,080
Gross investment in real estate assets	**15,453,515**	**14,337,929**
Accumulated depreciation and amortization	(903,798)	(833,529)
Net investment in real estate assets	**14,549,717**	**13,504,400**
Cash and cash equivalents	746,753	549,884
Interest and rent receivables	44,558	46,208
Straight-line rent receivables	545,385	490,462
Equity investments	1,080,214	1,123,623
Other loans	1,522,666	858,368
Other assets	256,382	256,069
Total Assets	**$ 18,745,675**	**$ 16,829,014**

?

[7][K] | 8.9.21 – FIRST DISCLOSURE CHANGE

HEDGEYE

In 2Q21 10-Q filing, borrower changed from "Steward Health Care System LLC" to "*affiliates of* Steward Health Care System LLC." This would be the first of several changes.

Other

On April 16, 2021, we made a CHF 145 million investment in Swiss Medical Network, our tenant via our Infracore SA ("Infracore") equity investment.

On January 8, 2021, we made a $335 million loan to affiliates of Steward Health Care System LLC ("Steward"), which was used to redeem a similarly sized convertible loan from Steward's former private equity sponsor.

[7][K] | 2.3.22 – SECOND DISCLOSURE CHANGE

HEDGEYE

In 4Q21 supplemental, MPW classified "loan" as "other equity investment" and identified location on balance sheet within "Equity Investments." MPW was calling the investment "equity," despite Hamner saying "no equity."

JOINT VENTURE IMPACT

Income Statement Impact to MPT	Amounts		Financial Statement Location
Real estate joint venture income [B]	$	6,855	Earnings from equity interests
Management fee revenue	$	147	Interest and other income
Shareholder loan interest revenue	$	4,488	Interest and other income

Balance Sheet Impact to MPT	Amounts		Financial Statement Location
Real estate joint venture investments	$	817,386	Equity Investments
Other equity investments		363,639	Equity Investments
Total equity investments	$	1,181,025	
Shareholder loans	$	337,689	Other Loans

(A) Purchased the remaining 50% interest in IMED Valencia Hospitales in Spain in December 2021, which was formerly owned by MPT's joint venture partner. Includes revenue and expenses prior to the date of acquiring the additional interest.

(B) Includes $1.9 million of straight-line rent revenue, $13.2 million of depreciation and amortization expense, and $8.7 million of interest expense on third-party debt and shareholder loans.

MEDICAL PROPERTIES TRUST | SUPPLEMENTAL INFORMATION | Q4 2021

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)

		December 31, 2021 *(Unaudited)*
ASSETS		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	$	14,062,722
Investment in financing leases		2,053,327
Real estate held for sale		1,096,505
Mortgage loans		213,211
Gross investment in real estate assets		**17,425,765**
Accumulated depreciation and amortization		(993,100)
Net investment in real estate assets		**16,432,665**
Cash and cash equivalents		459,227
Interest and rent receivables		56,229
Straight-line rent receivables		728,522
Equity investments		1,181,025
Other loans		1,328,653
Other assets		333,480
Total Assets	$	**20,519,801**

[7][K] | 4.28.22 – THIRD DISCLOSURE CHANGE

HEDGEYE

On 4.28.22, MPW for first time disclosed "secured by the equity of Steward" and "provides for initial 4% cash return… possible outsized return based on the increase in value of Steward." Also reclassified on BS within "Investments in Unconsolidated Operating Entities." Loan had PIK'd.

FINANCIAL STATEMENTS

INVESTMENTS IN UNCONSOLIDATED OPERATING ENTITIES

(Amounts in thousands)

OPERATING ENTITY INVESTMENT FRAMEWORK

MPT's hospital expertise and comprehensive underwriting process allows for opportunistic investments in hospital operations.

- *Passive investments are typically made in conjunction with larger real estate transactions.*
- *Operators are vetted as part of our overall underwriting process.*
- *Potential for outsized returns and organic growth.*
- *Certain of these investments entitle us to customary minority rights and protections*
- *No additional operating loss exposure beyond our investment.*
- *Proven track record of successful investments, including Ernest Health and Capella Healthcare.*

Operator	Investment as of 3/31/2022	Ownership Interest	Structure
Steward Health Care	$ 363,236	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% cash return along with possible outsized return based on the increase in value of Steward.

[7][K] | 8.3.22 – FOURTH DISCLOSURE CHANGE

HEDGEYE

FINANCIAL STATEMENTS

INVESTMENTS IN UNCONSOLIDATED OPERATING ENTITIES

(Amounts in thousands)

OPERATING ENTITY INVESTMENT FRAMEWORK

MPT's hospital expertise and comprehensive underwriting process allows for opportunistic investments in hospital operations.

- *Passive investments typically needed in order to acquire the larger real estate transactions.*
- *Cash payments go to previous owner and not to the tenant, with limited exceptions.*
- *Operators are vetted as part of our overall underwriting process.*
- *Potential for outsized returns and organic growth.*
- *Certain of these investments entitle us to customary minority rights and protections.*
- *No additional operating loss exposure beyond our investment.*
- *Proven track record of successful investments, including Ernest Health and Capella Healthcare.*

Operator	Investment as of June 30, 2022		Ownership Interest	Structure
Steward Health Care	$	362,821	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% cash return plus 37% of the increase in the value of Steward over seven years.

- On 8.3.22, MPW reported 2Q22 results.
- For first time disclosed 37% value participation feature attached to "loan."
- This was disclosed ~19 months after the loan was first funded.
- Questions arose as to whether this participation feature qualified as a "convertibility feature."
- Convertibility into stock disqualifies debt as "straight debt" under USC § 1361(c)(5).
- "Constructive ownership of stock" is determined by proportionate share of value, as determined by USC § 856(d)(5) and USC § 318(a)(2)(C).
- Hedgeye believes that it is reasonable to conclude that this value participation disqualifies this instrument security as "straight debt."
- Straight debt securities count against the 10% REIT ownership limitation tests. MPW already owned 9.9% of Steward's equity.

[7][K] | 10.26.23 – FIFTH DISCLOSURE CHANGE

HEDGEYE

We're not done! With 3Q23 results, MPW changed the initial 4%return from "cash" to "PIK-like."

LONG-TERM INVESTMENTS IN STEWARD OPERATIONS (11% OF GROSS STEWARD INVESTMENT)

FORM	GROSS MPT INVESTMENT	RECIPIENT OF MPT CONSIDERATION	STRUCTURE/RETURNS	COLLATERAL
Investment Loan	$363 mm	Steward's Former Private Equity Sponsor	Loan provides for "PIK-like" initial 4% return, plus 37% of the increase in the value of Steward over seven years	Secured by 90.1% of equity of Steward; "one-way cross" = loan cannot trigger default of leases
Passive Equity Stake	$126 mm	Steward's former private equity sponsor and other shareholders	9.9% share in equity value of operator	Subordinated to lease and all creditors but carries some preferential rights to Steward
Total	$489 mm			

[1] Gross MPT investment in Steward is defined as total assets before accumulated depreciation, at MPT's pro rata interest

[2] Excludes Norwood and Wadley developments

[3] Includes only the 28 properties included in current total portfolio reporting; these exclude facilities under development, facilities whose financials are combined with other local facilities as well as FSED/urgent care or other facilities

[4] Total portfolio coverage calculation includes partner's share of Massachusetts partnership properties

[5] In-place cash yield on original MPT investment in these eight hospitals would be 9.2% if not for the gain recorded on the partnership transaction

MPT

3

- First of all, what does "PIK-like" actually mean?
- Second, the loan appeared to have been PIK'ing to some degree since first funding.
- Lastly, we believe that MPW likely made this change to avoid potential exclusion from "Total Leverage Ratio" covenant under the RCF. Calculation of "Total Asset Value" includes only "book value of *performing* notes receivable."

[7][K] | 4.2.24 – LATEST DISCLOSURE CHANGE

HEDGEYE

This one came from a surprising source! In a letter to Congress HERE dated 2.26.24, Cerberus noted, among several other interesting points, that "MPT acquired the Convertible Note, ending the CCM Funds' Investment in Steward." What?!?

The COVID 19 pandemic began to materially impact the United States, and its health care system, in the first quarter of 2020. COVID 19 put severe stress on many healthcare systems in the United States. Steward was no exception and had to manage COVID's impact on its operations, staffing, revenue, and capital expenditures. Because the CCM Funds invested in Cerberus were, for the most part, out of their investment periods, they were not able to invest additional capital in Steward. Consequently, Steward management and CCM considered alternatives to ensure that, if required, Steward would have access to additional capital to continue to fully serve its patients and communities.

2

cerberus

Accordingly, in May 2020 Steward and the CCM Funds entered a recapitalization transaction with MPT and its affiliates, Steward's major landlord and holder of a 9.9% equity interest, whereby CCM agreed to exchange its controlling interest in Steward for a $350 million convertible note. In connection with the transaction, MPT agreed to acquire certain of Steward's assets for approximately $400 million in cash. Half of this cash was funded at closing, and the other half was to be funded into Steward post-closing. Consequently, the transaction facilitated the infusion of $400 million of fresh capital into Steward and helped ensure that Steward continued to meet the needs of its patients, the communities that it served, and all other stakeholders. At the same time, as noted, CCM's investment moved from controlling shareholder equity to convertible debt. Less than a year later MPT acquired the Convertible Note, ending the CCM Funds' investment in Steward.

cerberus

9. What were the specific terms and conditions of the Cerberus May 2020 exit from Steward?
Answer: The essential effect of the May 2020 transaction was that the CCM Funds sold their controlling equity interests in the Steward entities to Dr. de la Torre and other members of Steward management for the purchase price of $350 million, paid in the form of a Convertible Promissory Note in the principal amount of $350 million.

10. What were the specific terms of the note that provided regular interest payments from Cerberus to Steward?
    a. How was this note valued?
    Answer: As described above, the $350 million Convertible Promissory Note was payable by Steward affiliates to CCM affiliates, and not "from Cerberus to Steward". The Convertible Promissory Note bore interest initially at 3% per annum and, to the extent remaining outstanding, such rate would have stepped up on certain anniversaries. The Note was convertible by CCM affiliates into a percentage of the equity of Steward following the third anniversary of the note based on a valuation of Steward at the time of conversion. The Note was redeemed at a discount before the three-year period had elapsed, and no conversion occurred.

11. What were the specific terms and conditions of the purchase of the note by Steward in January 2021?
Answer: The Convertible Promissory Note was purchased by MPT, for a purchase price of approximately $334 million.

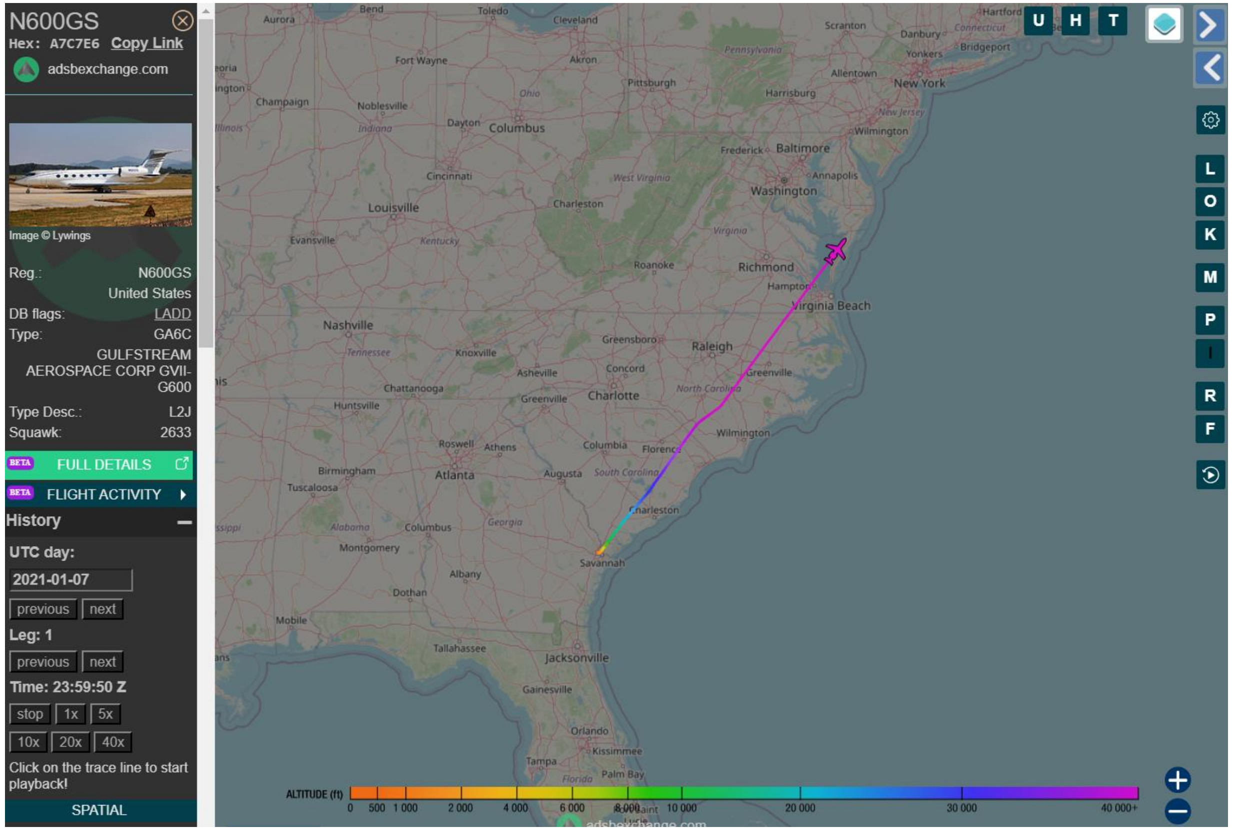
[7][K] | HEDGEYE'S QUESTIONS REGARDING THE "LOAN"

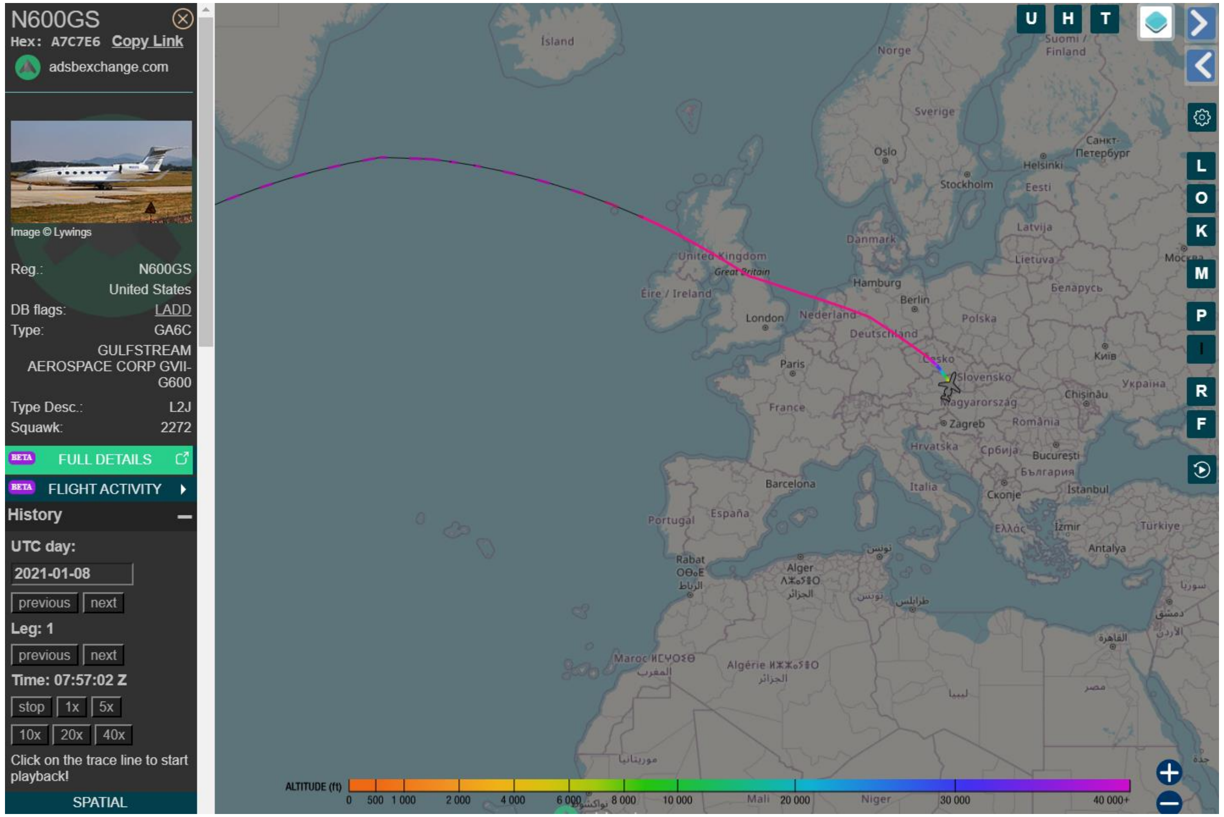
HEDGEYE

- **Who is lying here? MPW claims that it originated and funded a "loan" to affiliates of Steward**, the proceeds of which were used to redeem Cerberus' Convertible Promissory Note. **Cerberus claims that MPW directly purchased Cerberus' ~$350 million Convertible Promissory Note** for ~$334 million. Both of these statements cannot be true at the same time.
- **Why didn't MPW disclose the ~$335 million "loan,"** involving both the CEO of their largest tenant and the tenant itself, **in early-January 2021 when first funded?** This funding occurred one day after a large follow-on equity offering.
- Why does MPW's disclosure around the terms of this "loan" keep changing ~3 years after origination?
- Why did it take ~4 months for MPW to acknowledge the "loan" publicly?
- Why was the "loan" funding not included as a "subsequent event" in the 2020 10-K filing with the SEC?
- **Is this a good use of a REIT's balance sheet/acceptable capital allocation?** MPW appears to have, once again, put up 100% of the capital to recap Steward and facilitate Cerberus' exit. This appears asymmetrically detrimental to MPW's shareholders.
- **Why was this "loan" not disclosed as one part of** what is clearly **a broader 2020 recap of Steward**, per the Cerberus letter?
- Regarding ownership of the "loan" itself, does MPW still own a convertible note in Steward?
- Does this disqualify the "loan" for treatment as "straight debt?"
- If so, **is MPW "offsides" on the 10% ownership limitations under REIT rules?**
- If owned within a TRS (such as "Sycamore OpCo" or "Steward Lender"), does convertibility into ~37% put MPW offsides regarding the 35% TRS ownership limitation (by vote or value) for a manager or operator, per the Covington PLR?
- Last but not least, **what is up with the following trips to "interesting" locations using a former MPW plane** over 1.7.21-1.12.21, **immediately after the "loan" was funded**? Note: we cannot claim to know who was on the plane, just that the trips were made.

[7][K] | 1.7.21–1.8.21: SAVANNAH, GA → VIENNA, AUSTRIA

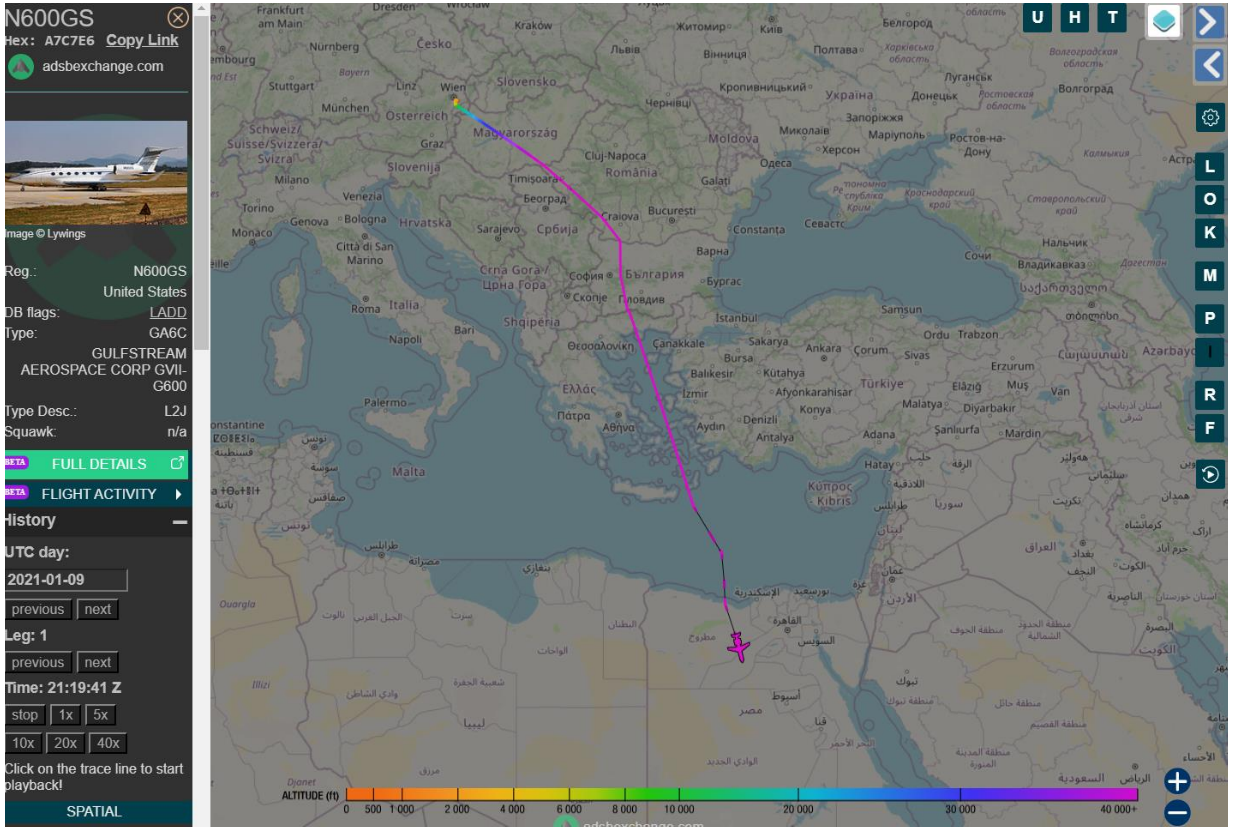
HEDGEYE

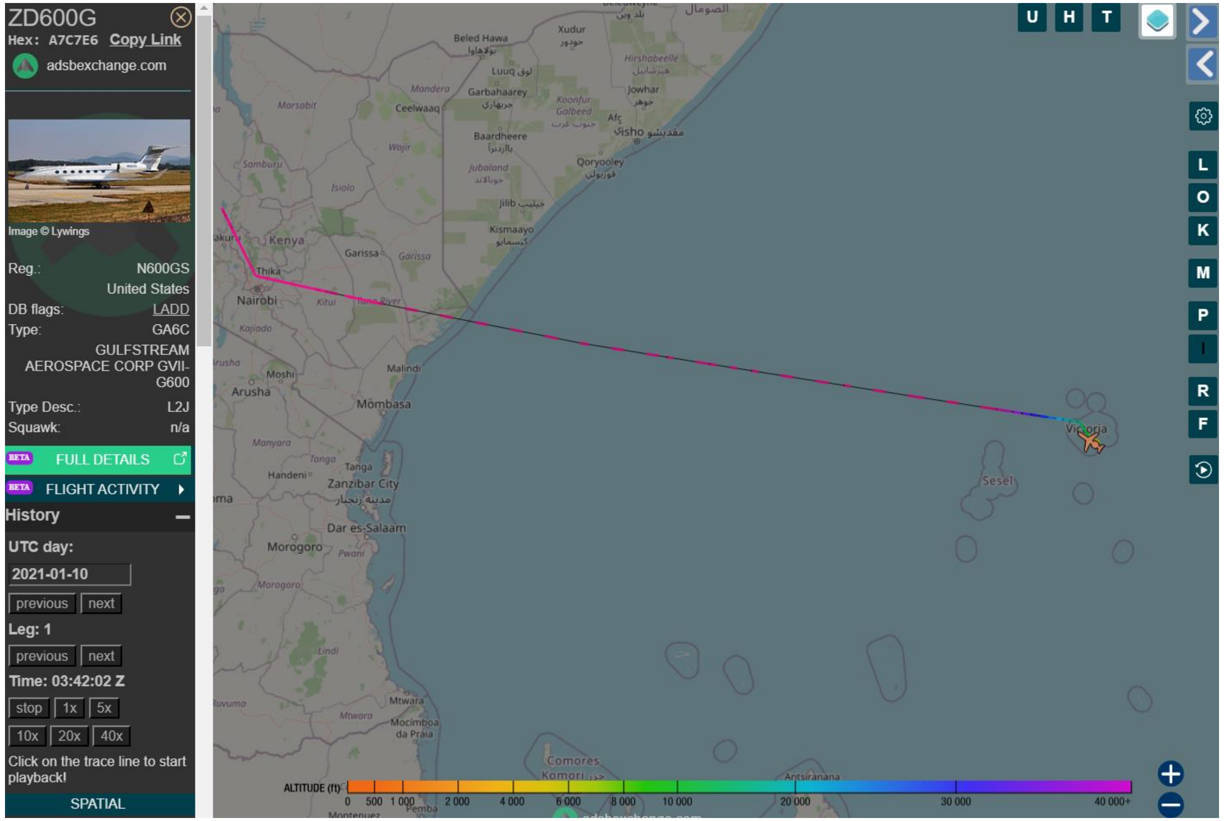




[7][K] | 1.9.21–1.10.21: VIENNA → VICTORIA, SEYCHELLES

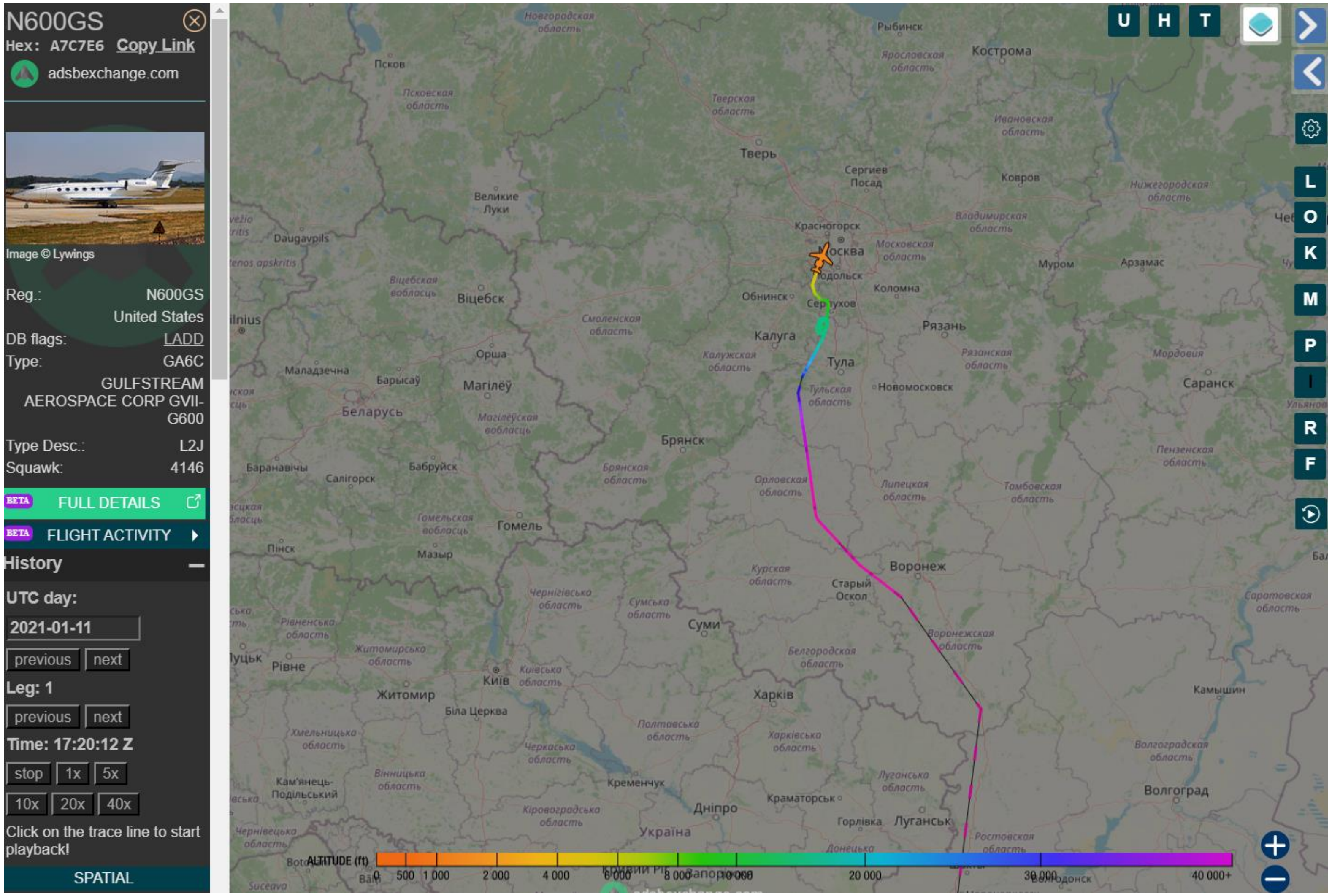
HEDGEYE





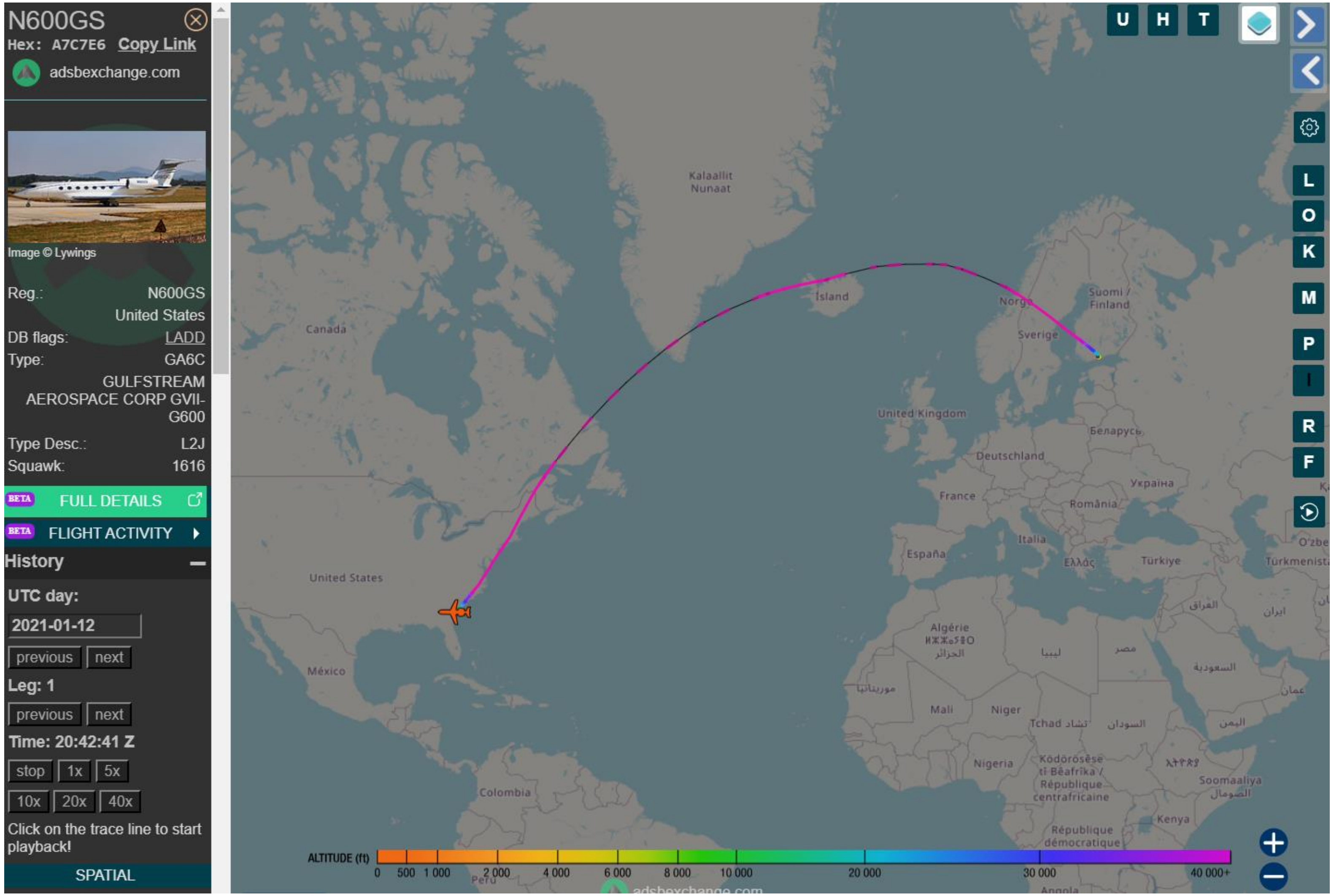
[7][K] | 1.11.21: VICTORIA, SEYCHELLES → MOSCOW, RUSSIA

HEDGEYE



[7][K] | 1.12.21: HELSINKI, FINLAND → SAVANNAH

HEDGEYE



[L] MISCELLANEOUS "SIDE-BY-SIDES"

Steward

Steward Health Care System

[7][L] | MPW-DISCLOSED COVERAGES MAKE NO SENSE

HEDGEYE

Aggressive add-backs + “apples-to-oranges” comparison = detachment from economic reality.

Steward

- Steward integrated operations of IASIS and other acquisitions which expanded the company from Massachusetts to 8 additional states, increasing its portfolio to 36 hospitals from 9 facilities
- Integrated operations of over 1,500 employed physician providers located in over 600 locations
- Expanded the network of affiliated providers from 2,700 to over 5,000
- Conversion of Electronic Health Record systems to maintain the reliability and consistency of electronic records and integrate billing processes to increase the speed at which charges are collected
- Centralization of all three corporate offices to Dallas, TX
  - Workforce reductions led to substantial one-time severance charges; savings to be realized in 2019

2018 EBITDAR Reconciliation

($ in millions)

Loss From Operations, Before Income Taxes	**($269.2)**
Gain on Sale	(36.4)
Depreciation and Amortization	230.8
Interest	169.8
Operating Leases	212.9
EBITDAR	**$307.9**
Staffing and Vendor Consolidation and Integration	82.5
Revenue Cycle Integration Adjustments	49.5
Electronic Health Record Conversion Impact	133.8
Integration Cost[1]	89.5
Facility Disposal and Transition Costs	19.6
Other Non-Recurring	27.0
Adjusted EBITDAR	**$709.8**
MPT Coverage Rent / Interest	**$249.3**
Consolidated Adjusted EBITDAR Coverage	**2.85x**

Amounts in 000s, Except per Share Data

Steward Reported Corp. Income Statement	Actual 2020	2019	2018	2017
Revenues:				
Patient Service Revenue	4,453,490	4,980,593	4,853,665	3,042,547
Premium Revenue	276,093	1,331,808	1,449,638	465,651
Pandemic Relief Fund Revenue	389,485	-	-	-
Other Revenue	294,836	415,120	322,886	197,443
Total Revenue	5,413,904	6,727,521	6,626,189	3,705,641
Expenses:				
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907	2,744,635	1,780,182
Supplies & Other Expenses	2,657,213	2,695,879	2,628,183	1,561,051
Medical Claims Expense	203,541	1,179,682	1,151,875	363,978
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Transaction Expenses	-	-	-	49,792
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Reorganization Expenses	-	9,497	5,308	8,859
Total Expenses	5,853,065	6,602,208	6,895,375	4,027,238
Operating Income	(439,161)	125,313	(269,186)	(321,597)
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
Income Before Taxes	(453,894)	134,112	(268,783)	(319,374)
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Net Income	(395,670)	82,157	(279,547)	(207,181)
Income Tax Provision	(58,224)	51,955	10,764	(112,193)
Depreciation & Amortization	206,290	186,879	230,802	154,772
Interest	72,590	112,618	169,777	108,604
Rent Expense	385,200	383,800	212,900	106,300
Reported Un-Adjusted EBITDAR	210,186	817,409	344,696	50,302
Gain on Sale of Assets & Business	(3,799)	(387,254)	(35,205)	-
Other Non-Operating Income	14,733	(8,799)	(403)	(2,223)
EBITDAR	221,120	421,356	309,088	48,079
EBITDAR / (GAAP Rent + Interest)	0.48x	0.85x	0.81x	0.22x
OCF excl. MAP Payments	15,168	(202,016)	239,654	(22,164)
Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	(274,126)	(358,579)	38,759	(105,567)

[7][L] | MPW-DISCLOSED COVERAGES MAKE NO SENSE (CONT'D)

HEDGEYE

Aggressive add-backs + "apples-to-oranges" comparison = **detachment from economic reality.** In 2020 in particular, MPW (1) included the benefit of CARES Act grants as revenue but (2) added back "COVID-19 inflationary response costs." Rent was NEVER "covered."

2020 EBITDAR Reconciliation

($ in millions)		
Net loss	$	(407.6)
Income tax benefit		(58.2)
Non-operating Income/(loss), net		14.7
Gain on sale		(3.8)
Depreciation and amortization		206.3
Interest		72.6
Operating leases		385.2
EBITDAR	**$**	**209.2**
Staffing optimization		63.7
Electronic health record conversion impact		92.1
Integration/Rationalization cost		78.7
COVID-19 inflationary and response costs		199.8
Other non-recurring		79.5
Adjusted EBITDAR	**$**	**723.0**
MPT Coverage Rent/Interest	$	300.1
Consolidated Adjusted EBITDAR Coverage		2.41x

Amounts in 000s, Except per Share Data

Steward Reported Corp. Income Statement	Actual 2020	2019	2018	2017
Revenues:				
Patient Service Revenue	4,453,490	4,980,593	4,853,665	3,042,547
Premium Revenue	276,093	1,331,808	1,449,638	465,651
Pandemic Relief Fund Revenue	389,485	-	-	-
Other Revenue	294,836	415,120	322,886	197,443
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Capex	(289,294)	(156,563)	(200,895)	(83,403)
Unlevered FCF	**(274,126)**	**(358,579)**	**38,759**	**(105,567)**

[7][L] | “AFFO CANNOT BE ENGINEERED OR MANIPULATED, SORRY!”

HEDGEYE

1Q22 Earnings Call – held on 4.28.22

CFO Steve Hamner: "We have always considered and prominently displayed the **AFFO metric** because we, like many real estate investors, think it critically important to measure results not only based on GAAP, which include mandated non-cash straight line rent, but on a measure that does not include this non-cash unbilled rent concept. **As the slide says, cash cannot be engineered or manipulated.”**

1Q23 Earnings Call – held on 4.27.23

Analyst: “Okay. Last one for me, is $0.30 and adjusted funds from operations in the quarter. **Can you just give us a sense how much of non-cash or deferred rent and interest is in that $0.30 figure in the quarter?**

CFO Steve Hamner: "**No, I don't have that off the top of my head.** Yeah. **Sorry**.”

- **Hamner knew, he is the CFO of the company. He just did not want to say it and be “on the record.”**

[7][L] | WHAT? THOSE WORDS ARE LITERALLY NOT THERE...

HEDGEYE

The Ground Up: Medical Properties Trust CEO, Edward Aldag – 10.14.22

"Steward's ABL matured at the end of September and was then restated, amended and **extended until September 30 of 2023 – Steward made clear however in its press release that it is required to complete certain documentation by December 15 to achieve that 9/30/23 maturity**. Steward is highly confident that it will complete the documentation."

- **In the interview, which was not publicly disseminated or filed as an attachment to an 8-K at the time, Aldag said the Steward press release "made clear" (1) a 1-year extension term on the existing ABL, (2) the requirement for Steward to complete "certain documentation," and (3) a 12.15.22 deadline to do so.**

Steward Health Care Press Release – 9.30.22

DALLAS--(BUSINESS WIRE)--Steward Health Care System LLC (Steward) today announced that it has entered into an agreement with its lenders, led by Citibank, N.A. as Administrative Agent, that amends and restates in its entirety Steward's previous credit agreement. The Agreement provides an interim extension of the maturity of the previous credit agreement, and Steward expects a further long-term extension of the maturities.

Steward Health Care CFO Christopher Dunleavy, commented, "We are pleased to confirm the extension of our ABL/credit agreement with our lenders. Our business continues to strengthen quarter by quarter. We are pleased with our current financial performance and are well-placed for the future of care delivery."

- **Please find those lines for us in the above press release text, because we can't see them...**
- **Hedgeye believes this clearly demonstrated the degree of MPW's involvement behind the scenes.**
- **We further view this as a clear and early warning sign that something was materially wrong with the situation.**

[7][L] | EVEN THE LAWYERS CAN'T KEEP THE STORY STRAIGHT...

HEDGEYE

MPW 4Q22 Supplemental – filed on 2.23.23

"Includes our 49% equity ownership interest and a loan made for the purpose of investing in select international hospital operations. The loan carries a 7.5% interest rate and is **secured by the remaining equity of the international joint venture** and guaranteed by the other equity owner." – MPW's description of the "International Joint Venture" loan, page 19.

MPW Legal Complaint – filed on 3.30.23

MPT had purchased these eight hospitals (plus a ninth) from hospital operator Steward Health Care System LLC ("Steward") in 2016 and 2018 for a combined cost of approximately $1.3 billion, and had then leased the premises to Steward as operator. – Definition of "Steward," page 9.

61. To fund the venture, MPT made a $205 million loan to Manolete Health LLC, **secured by Steward's management's equity in Steward**. Per multiple MPT securities filings since Q3 2020, Manolete Health LLC used the $205 million in part to purchase "the rights and existing assets related to all present and future international opportunities previously owned by Steward."

[7][L] | THIS WAS A “GEM” ON UTAH

4Q22 Earnings Call – held on 2.23.23

CEO Ed Aldag: “I think there is a **public misnomer thinking that the Utah properties are the most profitable properties** in the Steward portfolio. Actually, that is not the case. **When the Utah property transaction closes, their overall coverage will actually increase**.”

Jared Spackman, et al v. Steward – filed on 1.25.24

Steward’s Sweeping and Taking of Partnership Funds for Its Personal Use and Benefit

36. After Steward became the owner of the General Partner and assumed complete control of the General Partner and the Partnerships, **Steward**, with the knowing participation and assistance of the General Partner, **began “sweeping” or taking from the Partnerships’ bank accounts funds belonging to the Partnerships or causing funds belonging to the Partnerships to be deposited in an account controlled by Steward or a Steward Affiliate** (the “ Swept Funds ”).

37. Steward did not use the Swept Funds for the benefit of the Partnerships but instead **used the Swept Funds to pay Steward’s other obligations**, including, without limitation, the **expenses of Steward’s other hospitals and facilities around the country**.

[7][L] | STEWARD WAS NOT "CARVED OUT," MPW CLEARLY MISLED INVESTORS ABOUT THE 4Q22 LOAN

HEDGEYE

4Q22 Earnings Call – held on 2.23.23

Analyst #1: "I mean, the only challenge is when we have that change, when we don't see gross investments, **we can't really see any additional investments that were made**. Could you just talk about, again, since you guys did the $250 million of investments to Steward and Prospect, **if there were any additional investments to those two operators since that time?"**

CFO Steve Hamner: "No. Other than routine order of business, for example, the development funding that goes on with – of course, there are no development funding at Prospect. **There's the Texarkana and Norwood construction projects** with Steward, but that – **that's the increased investment."**

Analyst #2: "Did you provide any operators at all financial support in the fourth quarter through the rent deferrals, loans, equity stakes or do you expect to have to in the coming quarters outside of Prospect?"

CFO Steve Hamner: "What's that final part? Do we expect to?... Oh, aside from Prospect. **No, we don't."**

1Q23 Earnings Call – held on 4.27.23

Analyst #2: "Okay. And then turning to Steward. Could you just confirm to me, **there was another roughly $25 million in loans provided late last year to Steward?**... I guess I'm struggling with last quarter on this call, I asked you directly, have you extended Steward additional capital, and you said no. And so, I guess why wasn't that disclosed verbally on the call?"

CFO Steve Hamner: "I don't remember that question, John. I do remember you ask a question that carved out Prospect and Steward. **But if you had asked a direct question like that, the answer should have been yes.** I would have given you the same answer that I just did."

[7][L] | WHAT WAS SAID ABOUT THE "ABL PARTICIPATION?"

HEDGEYE

2Q23 Earnings Call – held on 8.8.23

CEO Ed Aldag: "This past Friday, Steward refinanced their ABL five months ahead of the December 2023 maturity. The new ABL is led by a group of third-party private credit lenders, whose aggregate assets under management exceed $50 billion. The new ABL provides significantly more liquidity to Steward than the most recent facility. There are seven unrelated lenders in the ABL… **MPT's investment in the credit facility is pari passu** with all the other lenders and provides MPT with a strong return. This participation is **not an operating loan to Steward**. This is well **first secured by receivables** that MPT would not otherwise have a security interest in."

CFO Steve Hamner: "This facility is **secured by first-lien interest in patient receivables** – that is, receivables from government payors, commercial insurers, managed care companies and others… And as noted, **our investment is collateralized by borrowing base of government and commercial receivables**."

Steward Update HERE – filed on 10.26.23

"Participation in asset-backed revolving credit facility and **general working capital support**; Steward to repay ~$5 million related to MPT's temporary August ABL investment; **$40 mm unsecured loan** will **remain outside of ABL** due to higher likelihood of earlier repayment."

[7][L] | WHAT WAS SAID ABOUT THE "ABL PARTICIPATION?" (CONT'D)

HEDGEYE

2Q23 10-Q – filed on 8.9.23

10. Subsequent Events

In the third quarter of 2023, **we invested approximately $140 million for a minority participation** in Steward's syndicated asset-backed credit facility. The four-year facility was underwritten and sized based on Steward's accounts receivable from government and commercial payors.

3Q23 10-Q – filed on 11.9.23

Other Investment Activities

In the third quarter of 2023, **we invested approximately $105 million for a participation** in Steward's syndicated asset-backed credit facility, **and we loaned an additional $40 million that we may also secure with credit facility collateral**. On August 17, 2023, we sold the $105 million interest to a global asset manager for approximately $100 million, and Steward agreed to repay the remaining balance with interest at the credit facility rate. Steward repaid approximately $2 million of this $5 million loan on November 3, 2023.

[7][L] | MANAGEMENT DID NOT MENTION LATE RENT ON 3Q23 CALL

HEDGEYE

3Q23 Earnings Call – held on 10.26.23

CEO Ed Aldag: "Turning to Steward, their **hospital operations continue to perform well**, as evidenced by strong trailing 12-month EBITDARM coverage of 2.7 times."

CFO Steve Hamner: "Given Steward's **strong facility-level operations**, we remain confident in the real estate platform's long-term profit potential despite the near-term cash flow headwind mentioned in the press release this morning. The core reasons underpinning that confidence are, **the facilities continue to generate strong EBITDARM coverage of more than two times fixed rent payments**. This is indicative of strong underlying patient flows that Steward simply would not receive if not for its **operating competence**."

CEO Ed Aldag: "Well, **if you look at their corporate level**, remember that it includes a lot of other things than just the hospitals. So, when you look at – and if you try to take what the actual "M" would be on the facilities levels, then if you reduce that just by that amount, **coverage goes down to just over two times**."

MPW 3Q23 10-Q – filed on 11.9.23

"Steward is current through September on its rent and interest obligations pursuant to the various lease and loan agreements, **although a portion of September rent was paid in early October; similarly, a portion of October rent was paid timely and the remainder is expected to be paid in mid-November**. Steward's cash flows from operations have been impacted by challenges related to revenue cycle management and a backlog of accounts payable."

- **So factually and demonstrably, MPW's management team elected NOT to inform investors on the 3Q23 earnings call that Steward had made late/partial payments.**
- **Factually and demonstrably, CEO Ed Aldag elected not to disclose true Steward corporate-level EBITDAR coverage, opting instead to discuss the "M" in a hypothetical EBITDARM calculation.**
- **Two weeks after the earnings call, MPW disclosed that Steward was late on rent.**

[7][L] | WHERE IT ALL STARTED... AND HERE WE ARE!

HEDGEYE

1 WSJ Article – 2.14.22

"Steward Health Care System LLC accounted for 30% of the company's revenue in 2020, according to a filing by MPT with the Securities and Exchange Commission. Steward lost more than $800 million between 2017 and 2020, its financial statements show, with Covid-19 adding to its financial challenges.

Since the pandemic began, **MPT has struck a series of deals involving Steward and its chief executive** that together **resulted in hundreds of millions of dollars flowing from MPT to Steward**.

Former MPT employees familiar with the company's transactions said they **saw deals with Steward as a way for MPT to provide it with cash as it notched losses, which in turn helped Steward make its rent payments and kept MPT growing."**

2 1Q22 Call – held on 4.28.22

"As I mentioned, **we believe strongly that there have been rumors and falsehoods around MPT and our business in recent months**. We appreciate that, like other public companies, MPT is regularly the focus of third-party reports that may express opinions about the company, which may be favorable or not. However, we encourage our investors to recognize that **not all market commentators or reporters are equal or write objectively without agendas**. We welcome each of you to speak directly with me, Steve, Drew or Tim, as we are eager to address any questions or concerns you may have." – **CEO Ed Aldag**

3 Cerberus PR HERE – 4.3.24

"Accordingly, as announced in June 2020, Steward and the Cerberus Funds **entered a recapitalization transaction with MPT and its affiliates**... In connection with the transaction, MPT and affiliates (including a joint venture with Steward management) agreed to acquire certain of Steward's assets for approximately $400 million in cash. Half of this cash was funded at closing and the other half was funded into Steward within 60 days post-closing. **Consequently, the transaction facilitated the infusion of approximately $400 million of fresh capital into Steward**... Less than a year later, **MPT elected to acquire the convertible note, at a discount to par**, ending the Cerberus Funds investment in Steward"

[8] PROSPECT MEDICAL HOLDINGS (“PMH”)

“THIS IS A FRAUD… 100%” – 8.9.23

PROSPECT MEDICAL HOLDINGS, INC.

[A] INTRO & BACKGROUND

PROSPECT MEDICAL HOLDINGS, INC.

[8][A] | "THE ONE THEY LET GO" + POTENTIAL OUTRIGHT ACCOUNTING FRAUD

HEDGEYE

- **PMH was MPW's second largest U.S. tenant** when Hedgeye first became involved at ~7.4% of gross assets and ~8.7% of total GAAP revenue. It shares many of the same **repetitive traits of the MPW "framework,"** plus some idiosyncrasies that leave it both fascinating and problematic for MPW.
- PMH appears likely to have been **insolvent since the start of MPW's involvement**. The **transaction in 2019 never should have happened**.
- Similar to other transactions, MPW appears to have capitalized the WholeCo and then **funded OpCo cash shortfalls for a time**. We believe **PMH paid no "net" rent + interest to MPW**. Net cash flow to MPW was negative.
- We believe that MPW, given its balance sheet constraints and lack of access to capital, **made the judgment that it could not support both PMH and Steward at the same time**. MPW, therefore, "let PMH go" and "rolled the dice" on an out-of-court restructuring process.
- That restructuring, which we now understand began as early as mid-2022 (though not disclosed at that time), remains ongoing.
- The **WSJ caught MPW aggressively recording equity** in Prospect Health Plan Holdings ("PHPH") **as "earned" and "received" in 2Q23**, despite the **transaction not being approved as of July 2023** by the regulator. It remains unapproved to this day. Despite this, there is ~$700 million of "value" currently sitting on MPW's balance sheet attributable to PHPH.
- **We believe that we caught MPW management over 2022/2023 on several material disclosure issues + overstating/manipulating reported "AFFO" earnings** in relation to PMH. MPW removed reported "AFFO" along with 4Q23 results.
- Finally, in our view MPW **resorted to typical fraud-like intimidation tactics** in response to Hedgeye's work around this issue. **That was a grave miscalculation**.

[8][A] | PMH REMAINS A CRITICAL EXPOSURE

HEDGEYE

1Q22 Supplemental – filed on 4.28.22

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 market		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%

4Q23 Supplemental – filed on 2.21.24

TOTAL ASSETS AND REVENUES BY OPERATOR

(December 31, 2023)

($ amounts in thousands)

Operators	Properties	Total Assets [(A)]	Percentage of Total Assets
Steward Health Care	36		
Florida market		$ 1,348,210	7.4%
Texas/Arkansas/Louisiana market		1,026,315	5.6%
Massachusetts market		727,832	4.0%
Arizona market		288,089	1.6%
Ohio/Pennsylvania market		122,108	0.6%
Utah market		5,983	0.0%
Circle Health	36	2,119,392	11.6%
Priory Group	37	1,391,005	7.6%
Prospect Medical Holdings	13	1,092,974	6.0%
Lifepoint Behavioral Health [(C)]	19	813,527	4.4%
CommonSpirit Health	5	786,186	4.3%
Swiss Medical Network	19	735,891	4.0%
MEDIAN	81	660,003	3.6%
Ernest Health	29	619,388	3.4%
Lifepoint Health	8	497,521	2.7%
44 operators	156	4,053,023	22.2%
Other	-	2,017,397	11.0%
Total	439	$ 18,304,844	100.0%

[8][A] | HISTORICAL BACKGROUND

HEDGEYE

ProPublica did excellent reporting HERE, HERE and HERE, all of which provides valuable historical background for PMH before MPW's involvement. Many of the same themes emerge.

- PMH, which was then publicly traded, acquired Alta in 2007. Alta was run by Sam Lee and David Topper. They gained control of PMH via the transaction.
- Weeks later E&Y discovered inflated revenues and profits at Alta. PMH was forced to delay SEC filings, delist and restate earnings. Despite this, Lee became CEO of PMH.
- Beginning around 2010, **Leonard Green Partners ("LGP")** joined Apollo, Cerberus, etc. in acquiring and assembling large for-profit hospital chains. **It acquired a ~61.3% stake in PMH for ~$205 million**, with Lee/Topper keeping ~20.2%/~14.9%, respectively.
- In 2012, **LGP took out ~$188 million in dividends** financed via a **HY debt offering**. That same year PMH acquired Nix Health System in San Antonio for ~$48 million. **Prospect later closed Nix in 2019**.
- In 2014, PMH acquired Roger Williams Hospital and Fatima in **Rhode Island** for ~$45 million. **PMH promised regulators that it would not make additional distributions** + pledged to invest ~$90 million in the hospitals over 4 years.
- In 2015, **PMH spent ~$500 million to acquire hospitals** in New Jersey, **Connecticut** and **Pennsylvania**.
- In 2016, **LGP attempted to exit** the investment. **Bain Capital** and **CVC Partners** made **offers around ~$1.2 billion for the WholeCo**. Lee held off on a sale when capital markets tightened.
- In 2018, less than four years after assuring the Rhode Island AG that it had no intention of paying additional dividends, **PMH prepared to issue another ~$600 million distribution** financed by HY bonds. It **reduced the size to ~$457 million (remember that number)** after Moody's lowered PMH's credit rating. PMH claimed it did not violate the 2014 pledge because "in 2014, no dividends were planned."

[8][A] | HISTORICAL BACKGROUND (CONT'D)

HEDGEYE

- At this point roughly **~$645 million had been distributed**, including ~$386 million to LGP, ~$128 million to Lee and ~$94 million to Topper.
- In June 2018, LGP made another attempt to exit its PMH investment. The **sale collapsed once again** and the **business started to deteriorate**.
- By January 2019, **PMH needed an emergency $41 million loan** from LGP, Lee and Topper to assuage auditor fears that the company might not remain **"a going concern"** and **avoid tripping debt covenants**.
- In March 2019, **Moody's downgraded PMH's debt deeper into junk**, citing PMH's "very high financial leverage, shareholder-friendly financial policies, and a history of failing to meet projections."
- **Enter MPW!** In August 2019, **MPW invested ~$1.55 billion into PMH**. PMH used the proceeds to repay balance sheet debt, effectively swapping interest payments for escalating rent payments. **MPW transferred PMH's credit risk onto its own balance sheet.**
- Finally in October 2019, **LGP sold its ~60% stake in PMH to Lee/Topper for just ~$12 million cash**, plus assumption of the leases. This **valued the OpCo equity at roughly ~$20 million in late-2019**. The **~$12 million was paid by PMH**, not Lee/Topper.
- **Questions:** In reviewing this basic timeline of events**, how could any REIT responsibly invest into such a situation? Why would MPW make this investment? Why would MPW want any involvement with PMH?**

[B] MPW'S 2019 INVESTMENT IN PMH

PROSPECT MEDICAL HOLDINGS, INC.

[8][B] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[8][B] | MPW FIRST INVESTED IN REAL ESTATE...

HEDGEYE

Acquired the CA/CT/PA hospitals via ~$1.4 billion SLB + originated ~$51.3 million mortgage loan on Foothill Regional hospital in CA. The ~$112.9 million TL was intended to be converted into ownership of the RI hospitals.

2019 Activity

Prospect Transaction

On August 23, 2019, we invested in a portfolio of 14 acute care hospitals and two behavioral health facilities operated by Prospect Medical Holdings, Inc. ("Prospect") for a combined purchase price of approximately $1.55 billion. Our investment includes the acquisition of the real estate of 11 acute care hospitals and two behavioral health facilities for $1.4 billion. We are accounting for these properties as a financing receivable (as presented in the Investment in sale leaseback transactions line of the condensed consolidated balance sheet) under the new lease accounting rules due to certain lessee end-of-term purchase options. In addition, we originated a $51.3 million mortgage loan, secured by a first mortgage on an acute care hospital, and a $112.9 million term loan which we expect will be converted into the acquisition of two additional acute care hospitals upon the satisfaction of certain conditions. The master leases, mortgage loan and term loan are cross-defaulted and cross-collateralized. The master leases and mortgage loan have substantially similar terms, with a 15-year fixed term subject to three extension options, plus annual increases based on inflation.

The agreements provide for the potential for a future purchase price adjustment of up to an additional $250.0 million, based on achievement of certain performance thresholds over a three-year period; any such adjustment will be added to the lease base upon which we will earn a return in accordance with the master leases.

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[8][B] | … AND AGAIN DEMONSTRABLY OVERPAID

HEDGEYE

Similar to what we saw with the Steward MA hospitals, MPW paid multiples of prior prices paid by PMH. In this case **MPW paid >3x the price paid by PMH just ~3 years earlier for the CT real estate assets**.

		Prospect Acquisition		MPW Acquisition		MPW Price /
Hospital	MPW Entity	Date	Price	Date	Price	PMH
Manchester Memorial Hospital	MPT of Manchester PMH LLC	04-Oct-16	56,400,000	04-Sep-19	161,238,793	285.9%
Rockville General Hospital	MPT of Rockville PMH LLC	01-Oct-16	18,925,000	04-Sep-19	66,049,603	349.0%
Waterbury Hospital	MPT of Waterbury PMH LLC	04-Oct-16	63,840,000	13-Nov-19	230,043,624	360.3%
			139,165,000		457,332,020	328.6%

Data Source: Company Reports, CT Property Records, Hedgeye Estimates

[8][B] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

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- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[8][B] | INVESTMENT APPEARED TARGETED TO REPAY EXISTING PMH DEBT VS. BASED ON MARKET VALUE

HEDGEYE

2Q19 Earnings Call – held on 8.1.19

Analyst: "Hi. Thanks for taking my question. Just a quick one on the Prospect acquisition. So saw an article that Moody's downgraded their credit to negative a few months ago. Could you talk about how you underwrote that credit?

CEO Ed Aldag: Sure. And when you read the Moody's report, you see that it primarily **had to do with what their outstanding debt load was at that time. And 100% of that debt is being paid off with the proceeds from our transaction**. So we underwrote literally each individual hospital and are very comfortable with the operations of those hospitals and where the company is from a financial standpoint post this transaction from a balance sheet

ProPublica Article – published on 9.30.20

The situation grew dire. By January 2019, Prospect had so little cash that it needed an emergency $41 million loan from Leonard Green, Lee and Topper to assuage auditor fears that the company might not remain "a going concern" and to avoid violating loan covenants, according to Aleman. In March, Moody's downgraded Prospect's debt a notch deeper into junk territory, citing the company's "very high financial leverage, shareholder-friendly financial policies, and a history of failing to meet projections."

Eager to raise capital, Prospect sold its land and buildings last fall in a sale-leaseback transaction that allowed the operations to remain in the facilities. The company raised $1.55 billion. Prospect used much of the cash to pay off its loans. It had effectively replaced its debt payments with rent payments.

[8][B] | REMEMBER THAT ~$457 MILLION DIVIDEND?

HEDGEYE

We believe that MPW may have effectively refinanced the debt taken out by PMH for LGP's leveraged dividend recap. We do not believe in coincidences.

($ in 000s)

MPW's Initial Investment in PMH		
MPW's Investments in Prospect	Gross Investment	% of Total
Description:		
CA Hospital Real Estate SLB (1)	513,000	33.0%
CT Hospital Real Estate SLB (2)	457,332	29.4%
PA Hospital Real Estate SLB (3)	421,000	27.1%
Term Loan	112,900	7.3%
Foothill Regional Mortgage	51,300	3.3%
Total	**1,555,532**	**100.0%**

Notes:

(1) Lease base/gross investment disclosed in 5.23.23 PMH restructuring press release.

(2) Lease base/gross investment disclosed by MPW in 10.6.22 press release. Hedgeye uses totals from CT property records.

(3) MPW disclosed carrying value of ~$250 million, following ~$171 million impairment taken in 4Q22.

Fees and Dividends paid to Leonard Green and Prospect's Minority Owners

Type	Date	Amount
Annual $1 Mil Management Fee[12]	2011-2019	$9,000,000
Ivy Holdings Merger Transaction Fee[13]	2010	$4,441,000
Dividend	2012	$188,000,000
Dividend	2018	$457,000,000
Total[14]		**$658,441,000**

Sources: Prospect Medical Holdings, Inc. Consolidated Annual Financial Statements.[15]

Prospect was eventually able to pay off the existing $1.1 billion in debt it had accrued in part to fund dividends, but only by selling off the bulk of Prospect's real estate to a real estate investment trust (REIT) through a sale-leaseback transaction (described below).[16] The transaction replaced debt with lease liabilities and left Prospect with fewer assets.[17]

Data Source: https://pestakeholder.org/wp-content/uploads/2022/11/Prospect_Primer_Nov-2022.pdf, https://riag.ri.gov/press-releases/court-unseals-attorney-generals-lawsuit-against-owners-fatima-and-roger-williams, Hedgeye Estimates

[8][B] | MPW’S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[8][B] | MPW'S SHAREHOLDERS AGAIN PUT UP NEARLY ALL CAPITAL

HEDGEYE

Similar to Ernest, Capella, Steward, etc., MPW funded nearly ~100% of the total system capitalization in 2019. The implied OpCo valuation was de minimis after the real estate was separated.

Eager to raise capital, Prospect sold its land and buildings last fall in a sale-leaseback transaction that allowed the operations to remain in the facilities. The company raised $1.55 billion. Prospect used much of the cash to pay off its loans. It had effectively replaced its debt payments with rent payments.

The sale of the land and buildings brought in much needed cash and stabilized the company. But it also meant that Prospect had shed by far its biggest asset, sharply reducing the value of the company. When Leonard Green made its third attempt to exit, the nominal price was a pittance.

In October, the private equity firm agreed to sell the firm's 60% stake to Lee and Topper for $12 million in cash plus the assumption of $1.3 billion in lease obligations. The $12 million was to be paid by Prospect, not the two executives. As Prospect and Lee put it in their statement for this article, "In effect, the company's money is their money."

($ in 000s)

Total PMH System Capitalization			
Description		($)	% of Total
Equity:			
LGP Equity	60.0%	12,000	0.8%
Lee/Topper/Other Equity	40.0%	8,000	0.5%
Total Equity	100.0%	20,000	1.3%
MPW SLBs		1,391,000	88.3%
MPW Term Loan		112,900	7.2%
Foothills Mortgage		51,300	3.3%
Total Capitalization		**1,575,200**	**100.0%**
Providers of Capital:			
From MPW		1,555,200	98.7%
From 3rd Parties		20,000	1.3%
Total Capitalization		**1,575,200**	**100.0%**

[8][B] | APPEARS MPW ALSO INFUSED PMH WITH CASH UPFRONT FOR WORKING CAPITAL

HEDGEYE

Assuming PMH's 2018 year-end capital structure, it appears that MPW infused PMH with approx. ~$170-180 million of cash = ~1.5 years of MPW rent + interest at the initial lease rate. This was also multiples the size of the OpCo.

($ in 000s)

MPW's Initial 2019 Investment in PMH		
MPW's Individual Investments	Gross Investment	% of Total
Description:		
CA Hospital Real Estate SLB (1)	513,000	33.0%
CT Hospital Real Estate SLB (2)	457,000	29.4%
PA Hospital Real Estate SLB (3)	421,000	27.1%
Term Loan	112,900	7.3%
Foothill Regional Mortgage	51,300	3.3%
Total	**1,555,200**	**100.0%**
(x) Initial Lease Rate	7.50%	
Year 1 Ann. Rent + Interest	**116,640**	
Years of Rent + Interest Funded	**1.5**	

Notes:

(1) Lease base/gross investment disclosed in 5.23.23 PMH restructuring press release.

(2) Lease base/gross investment disclosed by MPW in 10.6.22 press release. Hedgeye also sourced from CT property records.

(3) MPW disclosed carrying value of ~$250 million, following ~$171 million impairment taken in 4Q22.

($ in 000s)

Sources & Uses of Funds - 2019 MPW Transaction		
	($)	% of Total
Sources:		
MPW SLBs	1,391,000	89.4%
MPW Term Loan	112,900	7.3%
Foothills Mortgage	51,300	3.3%
Total	**1,555,200**	**100.0%**
	2018A Balances ($)	% of Total
Uses:		
Term B-1 Loan	921,614	59.3%
Amended ABL Agreement (1)	209,000	13.4%
Other Debt	39,769	2.6%
RCF	207,645	13.4%
Capital Leases (2)	-	-
Implied Net Cash Infusion	**177,172**	**11.4%**
Total	**1,555,200**	**100.0%**

Notes:

(1) ~$250 million facility had ~$41 million of availability, per PMH's 2018 audited financial statements.

(2) Assumes capital leases remained outstanding.

Data Source: Company Reports, www.propublica.org, PMH audited 2018 financial statements, Hedgeye Estimates

[C] FINANCIAL "RED FLAGS" EVERYWHERE

PROSPECT MEDICAL
HOLDINGS, INC.

[8][C] | MPW’S BUSINESS MODEL TEMPLATE

HEDGEYE

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- Continue recording tenant rent as “earnings,” even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - “financial engineering gone wrong.”
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[8][C] | WARNING SIGNS EVERYWHERE…

HEDGEYE

Although PMH is private and MPW did not start providing PMH rent coverage metrics (to the extent they can be relied upon) until 1Q22, there were clear signs of financial distress well-before 2022.

- ProPublica reported in 2021 that, going back to as early as the Alta days, "the company **regularly 'changed vendors to avoid payment'** and "**bounced checks** as part of its regular cash management process." Former employees recalled "**having to switch vendors** sometimes because we would get cut off." **Sound familiar?**
- The **2018 dividend to LGP**:
  - 100% debt financed via a leveraged recapitalization.
  - Within months, PMH essentially **ran out of liquidity**. LGP/Lee/Topper had to make an **emergency ~$41 million cash injection** in early-2019.
  - **Indicated PMH on the verge of failure immediately prior to MPW transaction**. **MPW funded anyway**.
- Per the Rhode Island AG investigation HERE, after the MPW/PMH transaction was announced Moody's noted in a July 2019 report that "the sale-leaseback transaction **does not address the company's continuing operating challenges** and **lease-adjusted leverage will likely remain high**."
- Of PMH's ~$387 million cash as of 9.30.20, ~$276 million was associated with MAAP payments due to be repaid within ~17 months. The non-MAAP portion of cash represented just **~15 days of operating expenses**.
- In mid-to-late 2021, PMH began a marketing process to **sell assets and raise cash**. This process included the CT and PA markets, which remain the most problematic for PMH to this day. **This roughly corresponds to when the ~1.5 years of cash infused upfront would have been fully spent, if used for rent + interest**.
- In our view, nothing is more egregious and telling than **PMH's financial performance and position through year-end 2018** leading up to the MPW transaction in mid-2019.

Data Source: Company Reports, www.moodys.com, https://riag.ri.gov/sites/g/files/xkgbur496/files/documents/Prospect_Chamber_Ivy_AG_HCA_Decision.pdf, Hedgeye Estimates

[8][C] | PMH LEVERED UP VIA 2018 DIVIDEND RECAPITALZATION

HEDGEYE

Late-2018 dividend recapitalization transaction significantly weakened PMH's balance sheet ahead of MPW 2019 transaction. PMH appeared on verge of failure and potential bankruptcy in early-2019.

On February 22, 2018, the Company refinanced and replaced both the Original Term Loan and the Original ABL Facility, and entered into an Amended and Restated Term Loan Credit Agreement (the "Amended TL Agreement"), by and among the Company (as the borrower), the lenders party thereto and JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent and collateral agent. The Amended TL Agreement replaced the Original Term Loan with a new Term B-1 Loan ("Term B-1 Loan"). The principal amount of the Term B-1 Loan is $1,120 million and such loan bears interest at LIBOR (subject to a 1.0% floor) plus 5.5%, which as of September 30, 2018 was 7.625%. The Term B-1 Loan was issued with an original discount of 2% and matures on February 22, 2024.

Additionally, on February 22, 2018, the Company entered into an Amended and Restated ABL Credit Agreement (the "Amended ABL Agreement"), by and among the Company (as the borrower), the lenders party thereto and JPMorgan, as administrative agent and collateral agent. The Amended ABL Agreement replaced the Original ABL Facility. Under the Amended ABL Agreement, the maximum revolving

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Prospect Medical Holdings, Inc.

Notes to Consolidated Financial Statements

commitment is $250.0 million with ability to expand the facility to $325.0 million, and the new ABL facility (the "New ABL Facility") bears interest at a variable base rate plus an applicable spread that is based on excess availability under the New ABL Facility, as further described in the Amended ABL Agreement, which was 3.875% as of September 30, 2018. The New ABL Facility matures on February 22, 2023. As of September 30, 2018, the available balance on the new ABL facility was $41.0 million.

The proceeds of the Term B-1 Loans and the New ABL Facility (the "New Senior Secured Credit Facilities") were used to refinance the Original Term Loan and the Original ABL Facility, to pay a dividend of $457.0 million to the Company's stockholders, to pay certain expenses associated with the refinancing, to prefund approximately $40 million of pension liabilities of the Company's subsidiaries, to make payments to certain option holders as a result of the Dividend Recapitalization, and to finance certain working capital and other operational needs of the Company and its subsidiaries.

Dividends

The Company distributed approximately $457.0 million in connection with the issuance of "New Senior Secured Credit Facilities" during the year ended September 30, 2018 which was recorded against retained earnings, and was ultimately paid to the common stockholders of Ivy Holdings Inc (see Note 9).

On February 22, 2018, the Board of Directors of Ivy Holdings, Inc. ("the Board") approved special cash in the amount of approximately $33 million in bonus payments were made ("the Bonuses") to Option Holders in connection with the dividend provided that any Bonus with respect to an unvested portion of an option shall be payable upon the date such unvested portion becomes vested and exercisable, subject to the Optionee's continued employment with Prospect through such date. At September 30, 2018 approximately $2.3 million was accrued for bonuses in connection with this. To reflect the Dividend and pursuant to the terms of the Option Plan, the Board further resolved to equitably adjust the Options by reducing the per-share exercise price of the Options to an amount determined with reference to the Bonus amount payable by Prospect Medical with respect to such Option (the "Adjusted Exercise Price").

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[8][C] | MPW FUNDED INTO OVERLEVERAGED SITUATION REGARDLESS

HEDGEYE

($ in 000s)

PMH Pro Forma Capital Structure - 2019 MPW Transaction [1]

	Historical		2019 MPW Tx Pro Forma Adj. [2]		Pro Forma
	2017A	2018A	(+)	(-)	2018A
Secured TLB - "Original Term Loan"	627,093	-			-
Original ABL Facility	-	-			
Secured TLB-1	-	921,614		(921,614)	-
Amended ABL Facility	-	209,000		(209,000)	-
Other Debt	38,321	39,769		(39,769)	-
RCF	113,061	207,645		(207,645)	-
RI Term Loan - MPW	-	-	112,900		112,900
Foothills Mortgage - MPW	-	-	51,300		51,300
Capital Leases	48,927	50,201			50,201
Total Debt (A)	**827,402**	**1,428,229**			**214,401**
Pre-MPW Rent Expense [3]	49,965	47,190			
Capitalization Factor [3]	8.0x	8.0x			
Capitalized Operating Leases (B) [4]	**399,720**	**377,520**	**1,391,000**		**1,768,520**
Adj. Total Debt incl. Lease (A + B)	**1,227,122**	**1,805,749**			**1,982,921**
(-) Cash & Cash Equivalents	(27,109)	(7,694)	(177,172)		(184,866)
(-) Restricted Cash	(30,761)	(1,742)			(1,742)
Adj. Total Debt incl. Lease (A + B)	**1,169,252**	**1,796,313**			**1,796,313**
EBITDAR	221,145	96,547			96,547
Adj. Total Debt / EBITDAR [5]	**5.5x**	**18.7x**			**20.5x**

Notes:

(1) When "underwritten" in early-to-mid-2019, MPW would/should have relied on PMH 2018 audited results.

(2) Assumes all prior PMH debt retired with MPW transaction proceeds + excess cash funded to balance sheet.

(3) Assumes existing operating leases remain outstanding, capitalizes prior rent expense using 8x multiple.

(4) Adds SLB portion of 2019 MPW transaction.

(5) We use Adj. Total Debt / EBITDAR, not "net," as cash burn was accelerated per the next slide.

- **We estimate that PMH was leveraged ~18.7x Adj. Net Debt-to-EBITDAR (incl. leases) at the end of 2018.**
- Financial performance was declining. PMH was burning cash and not covering rent + interest (see next slide).
- Regardless of this hopelessly overleveraged state, MPW engaged in its mid-2019 transaction.
- The leases and loans were crossed, contained substantially the same terms, and were **parent-guaranteed obligations**. The corporate credit is what mattered.
- **Following this transaction**, which would/should have been underwritten by MPW using PMH's year-end 2018 numbers, **we estimate that lease-adjusted leverage increased to >20x**.
- We use "gross" rather than "net debt," as the MPW transaction would have increased cash burn.

[8][C] | HOW COULD MPW FUND INTO PMH IN MID-2019? LOOK AT THESE NUMBERS...

HEDGEYE

This is either gross incompetence or was driven by some other intent, such as: (1) buying up "NFFO" earnings, (2) hitting acquisition volume targets under the comp plan, or (3) buying anything and everything to dilute down Steward exposure.

($ in 000s)

PMH Pro Forma 2018 Coverages - 2019 MPW Transaction

	Historical		2019 MPW Tx Pro Forma Adj.		Pro Forma
	2017A	2018A	(+)	(-)	2018A
Total Net Revenues	2,914,497	3,069,634			3,069,634
Operating Expenses:					
Hospital Operating Expenses	2,003,706	2,203,277			
Medical Group Cost of Revenues	274,639	267,376			
Global Risk Management Cost of Revenues	10,396	20,430			
G&A Expenses	454,576	529,194			
Depreciation & Amortization	104,348	97,814			
Total Operating Expenses	2,847,665	3,118,091			
GAAP Operating Income	66,832	(48,457)			
(+) Depreciation & Amortization	104,348	97,814			
(+) Rent Expense (1)	49,965	47,190			
EBITDAR	221,145	96,547			96,547
Rent (1)(2)	49,965	47,190	104,325		151,515
Cash Interest (2)(3)	71,100	99,187	12,315	(99,187)	12,315
Total Capex	56,807	98,580			98,580
Capex % of Revenues	1.9%	3.2%			3.2%
Est. FCF = EBITDAR - Rent - Int. - Capex	43,273	(148,410)			(165,863)
Coverage Ratios:					
EBITDAR / Rent	4.43x	2.05x			0.64x
EBITDAR / (Rent + Interest)	1.83x	0.66x			0.59x
(EBITDAR - Capex) / (Rent + Interest)	1.36x	-0.01x			-0.01x

Notes:

(1) Assumes existing rent remains in place. Also assumes existing GAAP rent expense approximates cash rent.

(2) Addition reflects Year 1 rent + interest from MPW transaction.

(3) Assumes in-place interest eliminated via debt paydown from MPW proceeds.

Benefits of Transactions

- **Achieves Immediate Accretion:** Immediately accretive to Normalized Funds from Operations ("NFFO") per share; increases run rate guidance for net income to $1.08 to $1.12 and NFFO to $1.54 to $1.58 per diluted share.
- **Improves Portfolio Diversification:** Reduces exposure to MPT's largest tenant, Steward Healthcare, to 30.3%, a 23% reduction from 39.5% as of December 31, 2018, and its two largest tenants combined to 42.6%, down from 51.1%. Expands MPT's geographical presence to 30 U.S. states and increases acute care hospitals to 79.0% as a percentage of MPT's total portfolio, up from 70.5% as of December 31, 2018, and 86.8% as a percentage of MPT's U.S. portfolio, up from 84.2%.
- **Achieves Greater Scale:** Increases the number of properties in MPT's portfolio to 326 and the number of licensed beds to over 37,500; raises the Company's total gross assets to approximately $12.6 billion on a pro forma basis, up 30% from $9.7 billion as of December 31, 2018.

Those of you who have followed us know that when we are doing our underwriting, the first questions we ask are these hospitals needed in the community, and what happens to the patients they serve if they were to close. The answer to those questions for the Prospect hospitals is that they are truly needed in their communities and the patients they serve would not have other places to get their healthcare needs met should these hospitals close. These are important hospitals for payers and the patients in their communities. The management team of Prospect is an experienced award-winning team with extensive healthcare background in operating these types of facilities. In addition to their hospitals, they have approximately 160 outpatient facilities, 750 employed physicians, and 500,000 members managed. On a consolidated basis, their payer mix is comprised approximately of 31% Medicare, 33% Medicaid, 23% commercial insurance, and the remainder self-pay. We expect the first year's rent coverage should be 2.25 times.

[8][C] | MPW BEGINS ALLUDING TO (PREDICTABLE) ISSUES

HEDGEYE

1Q22 Supplemental – 4.28.22 (worse incl. CT + PA)

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

(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.

Early-2022 Earnings Call Commentary

CEO Ed Aldag : "Prospect, which represents 7% of our portfolio, is doing well in California and **showing some softness in Pennsylvania and Connecticut**. They are seeing some rising labor costs, as the rest of the country has, but rebounding surgical volumes are helping to offset those costs with growing revenues. **Most of the labor issues Prospect are occurring at their Pennsylvania hospitals**." - **4Q21 Call held on 2.3.22**

CEO Ed Aldag: "Prospect. As you've seen in various news reports, Prospect is entered into an agreement with two separate entities to acquire their Pennsylvania and Connecticut facilities. At this point, MPT has not agreed to any changes in our status as the landlord. In the meantime, **Prospect has made a number of operational changes to those facilities, particularly at Crozer, which have resulted in some improvements to their operations there. MPT continues to monitor the situation in these two states** to see how any potential sale may affect us." **- 4Q21 Call held on 2.3.22**

[8][C] | MPW "UPSIZES" FOOTHILL MORTGAGE IN MAY 2022 TO SUPPORT OPCO

HEDGEYE

3. Real Estate and Other Activities

New Investments

We acquired or invested in the following net assets (in thousands):

	For the Six Months Ended June 30, 2022	2021
Land and land improvements	$ 34,204	$ 345,039
Buildings	290,256	825,322
Intangible lease assets — subject to amortization (weighted-average useful life of 20.1 years for 2022 and 45.0 years for 2021)	16,949	96,455
Mortgage loans(1)(2)	100,000	1,090,400
Investments in unconsolidated real estate joint ventures	399,456	—
Investments in unconsolidated operating entities	131,105	845,646
Liabilities assumed	(25,727)	(65,411)
	946,243	3,137,451
Loans repaid(1)	—	(1,090,400)
Total net assets acquired	$ 946,243	$ 2,047,051

(1) The 2021 column includes an £800 million mortgage loan advanced to the Priory Group ("Priory") in the first quarter of 2021 and converted to fee simple ownership of 35 properties in the second quarter of 2021 as described below.

(2) In the 2022 second quarter, we increased our mortgage loan to Prospect Medical Holdings, Inc. ("Prospect") that was originated in 2019 and that is secured by a first lien on a California hospital. The loan bears interest at a current market rate plus a component of additional interest upon repayment, which is anticipated during the fourth quarter.

Let's review MPT's reliable, sustainable and inflation-protected, cash-based business model. Year-to-date, as of September 30, MPT had collected 99% of contractual rent. In the interest of accuracy and transparency, however, I will point out the following definitional considerations. First, as we reported last quarter, MPT supported Steward and Prospect with loan facilities and I will review these momentarily. Second, in earlier quarters of 2022, we allowed one non-US tenant relationship to defer $7 million of rent over four months. That tenant is now back to paying 100% of rent and will repay the amounts deferred with interest over 12 months starting in January.

- MPW disclosed for the first time in the 2Q22 10-Q filed on 8.9.22 that it had funded an incremental ~$100 million "mortgage loan" on Foothill Regional in California.
- These proceeds flowed to PMH. At the then lease rate, this incremental ~$100 million equaled roughly ~3 quarters of rent + interest.
- Once again, and similar to Steward, MPW used an existing mortgage loan to channel funds for working capital to the operator.
- MPW would later cancel the mortgage, but this time not acquire the fee simple interest/foreclose on the asset.
- CFO Steve Hamner denied on the 2Q22 earnings call making any "bridge" loan to PMH. The mortgage was not disclosed on the call.
- More on this later. It is part of one of the most remarkable parts of this story.

[8][C] | PMH FAILS, MPW KEEPS LENDING TO PMH OPCO

HEDGEYE

In early-2023, MPW announced that PMH had become an out-of-court restructuring. The deal include a ~$75 million DD TL facility, which essentially refinanced PMH's prior ABL. PMH would continue drawing on this facility throughout 2023.

Medical Properties Trust Announces Prospect ~~Recapitalization~~ Transactions

"Restructuring"

Download PDF

Third-Party Lenders Invest $375 Million in Prospect

Proceeds Fully Repay Prospect's ABL Facility

BIRMINGHAM, Ala.--(BUSINESS WIRE)--May 23, 2023-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that affiliates of Prospect Medical Holdings ("Prospect") have completed $375 million in new financings from third-party lenders, the proceeds of which will be used to provide Prospect's hospital operations with liquidity and capitalize its managed care business for continued growth and value creation in a vibrant market for such businesses.

Prospect's $250 million asset-backed revolving credit facility has been repaid in full and as a result, the unencumbered borrowing base of government and commercial insurance accounts receivable will provide first lien security for the previously announced MPT delayed draw term loan of up to $75 million. Prospect is expected to be substantially free of material debt or lease obligations outside of those to MPT and this new third-party financing.

MPT continues to have strong conviction in the embedded value of the Prospect platform and has structured its master leases and security agreements to provide collateral value in addition to its real estate interests, including interests in the equity of Prospect's managed care business. As of the end of the first quarter of 2023, MPT holds $1.6 billion in total assets related to Prospect that are expected to be reconstituted as follows:

- "c) provide up to $75 million in a loan secured by a first lien on Prospect's accounts receivable and certain other assets, **of which we funded $25 million on May 23, 2023**,…" **– 2Q23 10-Q**

- "c) providing up to $75 million in a loan secured by a first lien on Prospect's accounts receivable and certain other assets, **of which we had funded** $25 million on May 23, 2023 and **an additional $20 million in both the third quarter of 2023 and in October 2023**,…" **– 3Q23 10-Q**

- "c) providing up to $75 million in a loan secured by a first lien on Prospect's accounts receivable and certain other assets, **of which we have funded in full as of December 31, 2023**,…" – 2023 10-K

[8][C] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[8][C] | MPW KEPT RECORDING "EARNINGS" FROM PMH

HEDGEYE

Despite receiving ~$100 million of working capital support in 2Q22, which represented ~3 quarters of rent + interest (~$35-36 million per quarter), and PMH not covering rent, MPW continued recording PMH results to "NFFO" and "AFFO."

TOTAL PORTFOLIO TTM EBITDARM AND EBITDAR RENT COVERAGE INCLUSIVE OF ALL CARES ACT GRANTS

EBITDARM AND EBITDAR RENT COVERAGE: OPERATORS WITH PROPERTY-LEVEL REPORTING

Tenant	Investment (in thousands) (A)	Primary Property Type	TTM EBITDARM Rent Coverage	T
Steward Health Care	$ 4,324,870	General Acute	2.6x	
Prospect Medical Holdings (B)	1,153,791	General Acute	-0.2x	
MEDIAN	1,019,318	IRF	1.8x	
Springstone	801,650	Behavioral	1.4x	
Priory Group	798,586	Behavioral	2.0x	
Prime Healthcare	629,251	General Acute	4.4x	
Ernest Health	570,936	IRF/LTACH	2.5x	
Vibra Healthcare	276,395	IRF/LTACH	2.4x	
Aspris Children's Services	224,684	Behavioral	2.2x	
Pipeline Health System	218,318	General Acute	1.4x	
Surgery Partners	196,253	General Acute	7.3x	
HM Hospitales	153,073	General Acute	3.2x	
Other Reporting Tenants	672,404	Various	3.1x	
Total	**$ 11,039,529**		**2.4x**	

(B) Prospect Medical Holdings's coverage excludes Connecticut as Prospect Medical Holdings has entered into a binding letter of intent for its Connecticut operations.

TOTAL ADJUSTED GROSS ASSETS AND ADJUSTED REVENUES BY OPERATOR

(September 30, 2022)

($ amounts in thousands)

Operators	Properties	Total Gross Assets (A)	Percentage of Total Gross Assets	Q3 2022 Revenues (B)	Percentage of Q3 2022 Revenues
Steward Health Care	41				
Florida market		$ 1,379,515	6.5%	$ 26,079	6.6%
Utah market		1,311,322	6.2%	34,192	8.6%
Massachusetts market		1,166,357	5.5%	22,688	5.7%
Texas/Arkansas/Louisiana market		1,143,074	5.4%	22,027	5.5%
Arizona market		354,681	1.7%	8,826	2.2%
Ohio/Pennsylvania market		138,345	0.7%	3,589	0.9%
Circle Health	36	2,044,259	9.7%	45,531	11.5%
LifePoint Health	27	1,405,194	6.7%	13,887	3.5%
Prospect Medical Holdings	11	1,266,565	6.0%	44,505	11.2%
Swiss Medical Network	17	1,215,813	5.8%	11,246	2.8%
49 operators	302	8,049,413	38.1%	164,766	41.5%
Other	-	1,615,504	7.7%	-	-
Total	**434**	**$ 21,090,042**	**100.0%**	**$ 397,336**	**100.0%**

(A) Includes gross real estate assets, other loans, equity investments, and pro rata portion of gross assets in joint venture arrangements, assuming material real estate commitments on new investments are fully funded. See press release dated October 27, 2022 for reconciliation of total assets to total adjusted gross assets at September 30, 2022.

(B) Reflects actual revenues on our consolidated statement of income along with revenue from properties owned through our unconsolidated joint venture arrangements. See press release dated October 27, 2022 for a reconciliation of actual revenues to total adjusted revenues.

MEDICAL PROPERTIES TRUST | SUPPLEMENTAL INFORMATION | Q3 2022

[8][C] | 4Q22 RESULTS INCLUDED UNPAID PMH RENT IN "NORMALIZED" RESULTS

HEDGEYE

FINANCIAL INFORMATION

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
FFO INFORMATION:				
Net (loss) income attributable to MPT common stockholders	$ (140,474)	$ 206,536	$ 902,597	$ 656,021
Participating securities' share in earnings	(567)	(1,073)	(1,602)	(2,161)
Net (loss) income, less participating securities' share in earnings	$ (141,041)	$ 205,463	$ 900,995	$ 653,860
Depreciation and amortization	98,891	97,510	399,622	374,599
Gain on sale of real estate	(99)	(43,575)	(536,887)	(52,471)
Real estate impairment charges	170,582	-	170,582	-
Funds from operations	$ 128,333	$ 259,398	$ 934,312	$ 975,988
Write-off of unbilled rent and other	3,390	8,814	37,682	7,213
Gain on sale of equity investments	-	(40,945)	-	(40,945)
Other impairment charges, net	112,368	39,411	97,793	39,411
Non-cash fair value adjustments	10,230	(5,430)	(2,333)	(8,193)
Tax rate changes and other	3,795	(7,950)	10,697	34,796
Debt refinancing and unutilized financing costs	-	25,311	9,452	27,650
Normalized funds from operations	$ 258,116	$ 278,609	$ 1,087,603	$ 1,035,920
Share-based compensation	12,377	13,520	46,345	52,110
Debt costs amortization	5,023	4,968	19,739	17,661
Rent deferral, net	514	557	(5,980)	2,755
Straight-line rent revenue and other	(72,494)	(81,909)	(297,645)	(297,078)
Adjusted funds from operations	$ 203,536	$ 215,745	$ 850,062	$ 811,368

- In 4Q22, MPW recorded all PMH + interest in actual results in the income statement.
- In the 2022 10-K, MPW noted PMH was "… current until the 2022 fourth quarter…"
- It noted in the earning release that 4Q22 results "include a real estate impairment of approximately $171 million related to four properties leased to Prospect Medical Holdings ("Prospect") in Pennsylvania as well as a write-off of roughly $112 million in unbilled Prospect rent also included in Funds from Operations ("FFO") but excluded from normalized results." → MPW wrote off future straight-line rent, but left rent in the quarter.
- ~$44 million of 4Q22 PMH GAAP revenue was roughly ~$0.07/share.
- This contributed towards MPW hitting ~$1.82/share of "NFFO" vis-a-vis the comp plan, despite PMH not paying.

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/05032118-620e-4f31-be6b-25ec995469c9, https://medicalpropertiestrust.gcs-web.com/node/15131/pdf, Hedgeye Estimates

[8][C] | SECULAR CASH RENT + INTEREST A/R BUILDS

HEDGEYE

Throughout 2022, as MPW was recording "earnings" from PMH, it was at the same time showing large accrued unpaid A/R balances. **We believe this was primarily due to PMH not paying contractual cash rent + interest**. We believe that 2023 was due primarily to Steward.

Medical Properties Trust, Inc. (MPW)

Earnings Model

Amounts in 000s, Except per Share Data

	FY 2021A	1Q22	2Q22	3Q22	4Q22	FY 2022A	1Q23	2Q23	3Q23	4Q23
Consolidated Statements of Cash Flows										
Operating Activities:										
Net Income	656,940	631,947	190,064	222,020	(140,212)	903,819	33,030	(42,433)	116,895	(663,584)
Adjustments:										
Depreciation & Amortization	333,781	88,760	87,317	84,640	84,860	345,577	87,586	367,968	80,646	79,927
Amortization of Deferred Financing Costs & Debt Discount	-	5,285	3,934	3,904	3,922	17,045	4,014	4,082	3,882	3,797
Straight-Line Rent Revenue	(288,717)	(75,385)	(70,340)	(68,710)	(68,069)	(282,504)	(58,566)	(57,900)	(57,736)	(59,501)
Direct Financing Lease Interest Accretion		-	-	-	-	-	-	-	-	-
Share-Based Compensation	52,110	11,804	10,108	11,089	16,420	49,421	11,829	6,437	11,453	3,531
Gain From Sale of Real Estate	(52,471)	(451,638)	(16,355)	(68,795)	33	(536,755)	(62)	(167)	20	2,024
Write-off of Unbilled Rent & Other		-	-	-	-	-	-	-	-	-
Provision for Uncollectible Receivables & Loans	-	-	-	-						
Impairment Charges	-	-	-	-	268,375	268,375	89,538	-	3,750	283,619
Straight-Line Rent & Other (Recovery) Write-Off	(2,271)	2,604	1,944	23,863	6,194	34,605	2,192	95,642	52,742	499,335
Debt Refinancing & Unutilized Financing Costs	44,506	8,816	619	17	-	9,452	-	816	(862)	(239)
Premium Paid on Debt Extinguishment	-	-	-	-	-	-	-	-	-	-
Tax Rate & Other Changes		-	-	-	10,697	10,697	(7,305)	(157,230)	-	(2,797)
Non-Cash Revenue from Debt / Equity Securities Received							-	(68,557)	(13,14[illegible])	-
Pre-Acquisition Rent Collected - Circle Transaction	-	-	-	-	-	-	-	-	-	-
Other Adjustments	50,284	(1,040)	(12,956)	11,034	9,070	6,108	(8,505)	209	([illegible],204)	3,630
Changes In:										
Interest & Rent Receivables	(23,867)	(12,431)	(31,793)	(24,705)	(47,491)	(116,420)	(514)	(61,618)	(38,252)	(41,345)
Other Assets	-	(41)	(6,302)	(1,208)	3,522	(4,029)	(2,493)	(7,021)	2,813	20,451
Accounts Payable & Accrued Expenses	54,058	(21,648)	6,090	23,588	25,546	33,576	(15,696)	(9,913)	19,330	1,680
Deferred Revenue	(12,697)	(7,646)	2,299	(2,838)	8,228	43	600	6,214	(4,137)	4,890
Net Cash from Operating Activities	**811,656**	**179,387**	**164,629**	**213,899**	**181,095**	**739,010**	**135,648**	**76,529**	**158,191**	**135,418**
Unlevered NNN Cash Flow	**1,179,049**	**270,570**	**252,359**	**301,975**	**273,142**	**1,098,046**	**233,302**	**180,999**	**264,900**	**237,756**

[8][C] | HUGE DIVERGENCE BETWEEN OCF AND REPORTED "AFFO"

HEDGEYE

Hedgeye also observed a noticeable divergence between reported "AFFO" and OCF beginning in 2022. These metrics had been tightly correlated historically. Cash flow was deteriorating, and we believed "AFFO" was likely being manipulated.

MPW Historical Reported "AFFO" vs. Cash from Operations (OCF) (1)

(1) OCF excludes dividends received from unconsolidated real estate UJVs, totaling ~$69 million in 2022 and ~$67 million in 2023.

[8][C] | SIMILAR TO STEWARD, MPW RECORDED ALL OF THIS PMH RENT + INTEREST AS "EARNINGS"

HEDGEYE

($ in 000s)

Hedgeye-Estimated "Net" Cash Rent + Interest Collection

	Gross Investment	Est. Lease Rate	Est. Cash Rent + Interest (A)	Loans (+)	"Capex" & "Other" (2) (+)	Repayment (-)	Net Support (B)	Est. "Net" Rent + Int. Paid (A-B) (3)	% of Net Rent Paid to MPW
3Q19 (1)	1,550,000	7.50%	11,688	177,172	-	-	177,172	(165,484)	
4Q19	1,563,642	7.50%	29,318	-	13,642	-	13,642	15,676	
Subtotal - 2019			**41,006**	**177,172**	**13,642**	**-**	**190,814**	**(149,808)**	**NM**
1Q20	1,569,594	7.50%	29,430	-	5,952	-	5,952	23,478	
2Q20	1,577,552	7.50%	29,579	-	7,958	-	7,958	21,621	
3Q20	1,588,936	7.65%	30,388	-	11,384	-	11,384	19,004	
4Q20	1,597,950	7.65%	30,561	-	9,014	-	9,014	21,547	
Subtotal - 2020			**119,958**	**-**	**34,308**	**-**	**34,308**	**85,650**	**71.4%**
Cumulative - 2020			**160,965**	**177,172**	**47,950**	**-**	**225,122**	**(64,157)**	**NM**
1Q21	1,606,433	7.65%	30,723	-	8,483	-	8,483	22,240	
2Q21	1,615,047	7.65%	30,888	-	8,614	-	8,614	22,274	
3Q21	1,623,254	7.80%	31,666	-	8,207	-	8,207	23,459	
4Q21	1,631,691	7.80%	31,830	-	8,437	-	8,437	23,393	
Subtotal - 2021			**125,107**	**-**	**33,741**	**-**	**33,741**	**91,366**	**73.0%**
Cumulative - 2021			**286,071**	**177,172**	**81,691**	**-**	**258,863**	**27,208**	**9.5%**
1Q22	1,639,588	7.80%	31,984	-	7,897	-	7,897	24,087	
2Q22	1,751,440	7.80%	34,166	100,000	11,852	-	111,852	(77,686)	
3Q22 (4)	1,723,565	8.04%	34,631	-	(27,875)	-	(27,875)	62,506	
4Q22 (5)(6)(7)(8)	1,812,772	8.04%	36,424	-	89,207	-	89,207	(52,783)	
Subtotal - 2022			**137,205**	**100,000**	**81,081**	**-**	**181,081**	**(43,876)**	**NM**
Cumulative - 2022			**423,276**	**277,172**	**162,772**	**-**	**439,944**	**(16,668)**	**NM**

Notes:

(1) PMH transaction closed on 8.23.19. Reflects partial quarter.
(2) Equals change in gross assets for PMH, less known loan funding. Represents "catch all" for incremental investment "capex," rent + interest accruals, etc.
(3) Hedgeye estimate of periodic "net cash flow" to MPW from PMH investment.
(4) Gross investment adjusted to include CT assets at ~$457 million, which were announced to be sold to Yale in October 2022 and removed by MPW.
(5) Adjusted to include CT assets + ~$171 million impairment taken on PA assets in 4Q22.
(6) MPW disclosed PMH "current until 2022 fourth quarter."
(7) We believe large 4Q22 gross asset balance increase includes both "capex" + a large accrual for recorded but deferred/unpaid rent + interest.
(8) Unclear if 4Q22 gross assets include ~$50 million convertible loan, which was funded by MPW to PMH in 1Q23 but may have been "committed."

- We performed the same analysis for PMH over 2019-2022 as we did for Steward.
- We aggregated all of the known cash inflows/outflows to/from MPW, including our estimate for the initial 2019 cash infusion into PMH and the ~$100 million Foothill "mortgage upsize."
- We treated the changes in gross asset balances as "capex" and "other" forms of tenant support.
- Based on this work, we believe that PMH effectively paid MPW no rent over the life of the investment between 2019-2022. In fact, we estimate that MPW funded a *known* net outflow of ~$15-20 million to PMH over that time.
- All of this rent + interest was recorded to reported "NFFO" and "AFFO."
- We believe the 3Q/4Q22 net increase in gross assets of ~$61 million is important. More on that later...

[8][C] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[8][C] | MPW RECORDED PHPH TRANSACTION IN 2Q23...

HEDGEYE

On May 23, 2023, Prospect completed its recapitalization plan, which included receiving $375 million in new financing from several lenders. Along with this new debt capital from third-party lenders, we agreed to the following restructuring of our $1.7 billion investment in Prospect including: a) maintaining the master lease covering six California hospitals with no changes in rental rates or escalator provisions, and with the expectation that Prospect will begin making cash payments for a substantial portion of the contractual monthly rent due on these California properties starting in September 2023, b) transition the Pennsylvania properties back to Prospect in return for a first lien mortgage on the facilities, c) provide up to $75 million in a loan secured by a first lien on Prospect's accounts receivable and certain other assets, of which we funded $25 million on May 23, 2023, d) complete the previously disclosed sale of the Connecticut properties to Yale New Haven ("Yale"), as more fully described in Note 9 to the condensed consolidated financial statements, and e) obtain a non-controlling ownership interest in PHP Holdings of approximately $654 million, after applying a discount for lack of marketability, consisting of an approximate $68 million equity investment and $586 million loan convertible into equity of PHP Holdings (collectively, the "Prospect Transaction"). This non-controlling ownership interest was received in exchange for unpaid rent and interest through December 2022, previously unrecorded rent and interest revenue in 2023 totaling approximately $68 million, our $151 million mortgage loan on a California property, our $112.9 million term loan, and other obligations at the time of such investment.

- Income from financing leases – up $16.6 million primarily due to recording $55.3 million of rent revenue on Prospect in the second quarter of 2023 from the Prospect Transaction as described in Note 3 to the condensed consolidated financial statements, compared to $35.4 million in the second quarter of 2022, and the increase in CPI above the lease contractual minimum escalations by approximately $0.5 million. This increase was partially offset by $3.8 million of lower revenues from the disposal of two Prime financing leases in the third quarter of 2022.
- Interest and other income – up $12.1 million from the prior year due to the following:
    - Interest from loans – up $9.4 million due to approximately $4 million of incremental revenue earned on new investments, along with approximately $1 million of interest revenue on the CHF 60 million mortgage loan from Infracore (which was repaid in the second quarter of 2023), and approximately $0.5 million of higher income from annual escalations due to increases in CPI. We also recorded approximately $13.5 million of interest income related to Prospect in the first six months of 2023 (compared to $4.3 million in the first half of 2022) as a result of the Prospect Transaction as described in Note 3 to the condensed consolidated financial statements. This increase is partially offset by a decrease of approximately $5 million from loan payoffs (including $3.8 million due to the repayment of the initial acquisition loan as part of the Lifepoint Transaction described in Note 3 to the condensed consolidated financial statements) and $0.3 million of unfavorable foreign currency fluctuations.

- During 2Q23, as part of the PMH restructuring process, MPW began recording PHPH equity through consolidated revenues as "received" and "earned." This was disclosed in the 2Q23 10-Q filed on 8.9.23.
- MPW recorded ~$68 million, or ~$0.11/share, in 2Q23 between "Income from financing leases" and "Interest and other income."
- Additionally, MPW recorded a ~$586 million convertible loan into equity of PHPH onto its balance sheet.
- These amounts were intended to provide recovery for shortfall amounts on the CT and PA asset, recorded/accrued but unpaid rent and interest in 2022, unrecorded rent and interest in 2023, cancellation of the upsized Foothill mortgage and the ~$112.9 million TL secured by the RI assets.
- More on this later...

[8][C] | … BUT TRANSACTION NOT APPROVED!

RESTATEMENT REQUIRED?

HEDGEYE

As the WSJ reported HERE, a 7.2023 order HERE from the CA DMHC put the minority interest transfer transaction on hold. I.e., was not approved during 2Q23, so how could it be "earned" or received" by MPW in 2Q23? MPW also did not disclose the order.

By *Jonathan Weil* Follow

Aug. 18, 2023 10:00 am ET

Resize 89 Gift unlocked article Listen (11 min)

The nation's largest hospital landlord said an unusual transaction that provided crucial financial support for one of its biggest tenants was a done deal. It wasn't.

The deal was good news for both companies, and for communities across the country concerned that their local hospitals could go broke. The landlord, Medical Properties Trust MPW -4.26% ▼, announced the transaction in May. When it reported quarterly results on Aug. 8, it said the arrangement boosted its own revenue.

But a California state regulator on July 20 ordered that the transaction between MPT and Prospect Medical Holdings be put on hold, according to the order that the regulator sent to Prospect. MPT didn't disclose the regulator's order when it reported second-quarter results, or in its quarterly report filed the next day with the Securities and Exchange Commission.

An MPT spokesman, Drew Babin, said: "Information is being provided to the relevant agencies, and MPT continues to expect to complete the transactions."

STATE OF CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF MANAGED HEALTH CARE

File No. 933 0500
Material Modification No. 20232846
Order No. 20232846

Licensee: Prospect Health Plan, Inc.

ORDER
POSTPONING NOTICE OF MATERIAL MODIFICATION

Pursuant to Health and Safety Code section 1352(b), the terms of the Notice of Material Modification filed on June 23, 2023, proposing a change of control resulting from a Minority Interest Transaction are postponed as of the date set forth below for the reasons stated in the letter attached hereto and incorporated herein by reference.

This Order shall remain in effect until revoked or superseded by further Order of the Director.

Dated: July 20, 2023
Sacramento, California

DEPARTMENT OF MANAGED HEALTH CARE · DIRECTOR · THE GREAT SEAL OF THE STATE OF CALIFORNIA

MARY WATANABE
Director
Department of Managed Health Care

Jenny Phillips

By_______________________
JENNY MAE PHILLIPS
Deputy Director, Office of Plan Licensing

[D] IS THIS FRAUD? AN UNBELIEVABLE SEQUENCE OF EVENTS...

PROSPECT MEDICAL HOLDINGS, INC.

[8][D] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[8][D] | INTRODUCTION TO SITUATION

HEDGEYE

- We have referred to this as the **"PMH 2022 unpaid rent + interest issue."**

- Hedgeye believes that it observed over 2022-2023 **a deliberate and carefully constructed scheme** on the part of MPW's management team, **intended to hide the extent of financial stress at PMH** and **deceive investors.**

- This included **misrepresenting "true" cash flow**, **outright misrepresentation** on earnings calls, **poor disclosure** around a material tenant exposure, **10-K disclosure issues**, more **non-commercial transactions**, **attempted analyst intimidation** and a **"backdoor earnings restatement."**

- We believe that **these efforts began immediately after Hedgeye's first presentation on 4.21.22**.

- This process played out over the course of two years. It is complex and was very difficult to decipher. We believe it is important to leave a record for present and future market constituencies.

- We believe that investors, analysts, credit rating agencies, banks, bondholders, policymakers, etc. **all relied upon this information** in making their decisions, and as a result **were misled as to MPW's financial condition.**

[8][D] | STEP 1: "GASLIGHT" INVESTORS ON REPORTED "AFFO" EARNINGS QUALITY

HEDGEYE

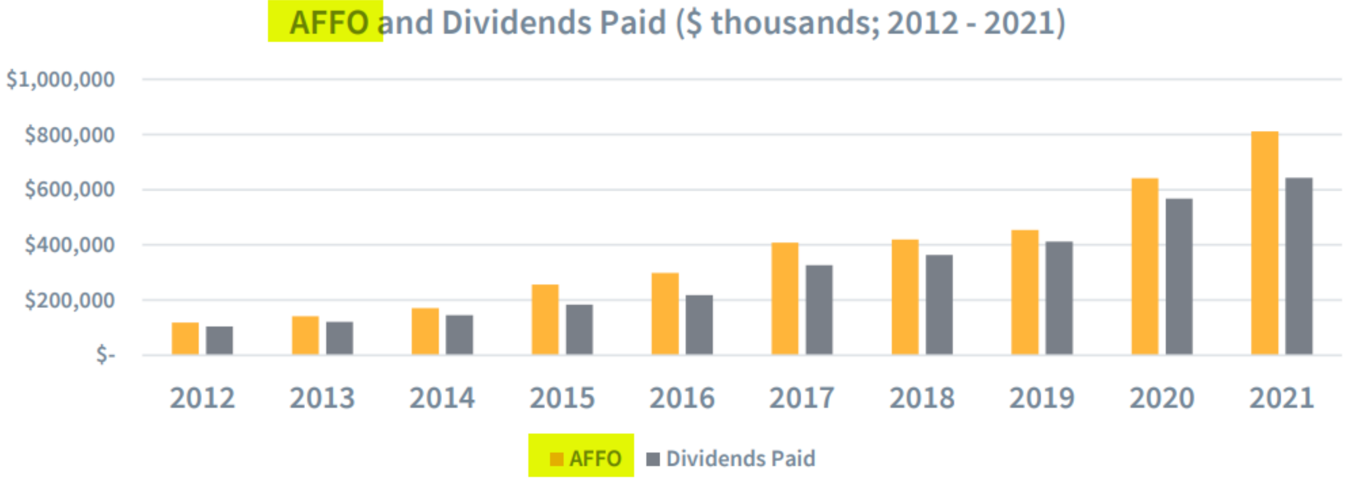
LONG-TERM OUTPERFORMANCE:
WELL-COVERED DIVIDEND AND SUSTAINED AFFO PER SHARE GROWTH

CASH CANNOT BE ENGINEERED OR MANIPULATED

Since 2012:

$8.3 BILLION IN SHAREHOLDER VALUE CREATION[1]

- $3.2 billion in cash dividends paid
- $5.1 billion equity capital appreciation



"We presented these to correct what may have been misinterpreted based on recent third-party commentary. First, we present a summary of **adjusted FFO** over the past 10 years compared to dividends paid… As the slide says, **cash cannot be engineered or manipulated**." - **CFO Steve Hamner, 1Q22 Earnings Call on 4.28.22**

[8][D] | STEP 2: MISREPESENTED THE CONDITION OF TENANTS

HEDGEYE

- **CEO Ed Aldag**: "In the meantime, **PMH** has made a number of operational changes to those facilities, particularly at Crozer, **which have resulted in some improvements to their operations there**." - **1Q22 Earnings Call held on 4.28.22**

- **CEO Ed Aldag**: "**I've spent the last five weeks on the road visiting with most of our tenants** for the first time since COVID. It is good to see everyone face to face, and I couldn't be happier with the relationships we built with our customers which are central to our success." - **1Q22 Earnings Call held on 4.28.22**

- **CEO Ed Aldag**: "Steve, as I mentioned earlier, **I've met with most of our operators over the last five weeks**. Obviously, this was on the list of agenda in my discussions with them. **None of them are overly concerned.**" - **1Q22 Earnings Call held on 4.28.22**

But then, months later in 2022…

- **CEO Ed Aldag**: "Remember that these coverages that we present are on a trailing 12-month basis. So they're a look back and on top of that, we report a quarter in arrears. So this is really second quarter trailing 12-month information. **So it includes one of the worst quarters that hospitals have had in a very long time, the first quarter of this year**." - **3Q22 Earnings Call held on 10.27.22**

[8][D] | STEP 3: IMMEDIATELY MADE WORKING CAPITAL ADVANCES TO PMH

HEDGEYE

Foothill Regional Medical Center
Orange County, California

TAX PARCEL ID: 432-141-15

AMENDMENT TO
DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

THIS AMENDMENT TO DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING (this "Amendment") is made as of July 26, 2022 with reference to following:

A. In connection with a mortgage loan in the original principal amount of Fifty-One Million Two Hundred Sixty-Six Thousand Seven Hundred and No/100 Dollars $51,266,700.00 (the "Original Loan") made by MPT of Tustin PMH, L.P., a Delaware limited partnership ("Lender"), to Alta Newport Hospital, Inc., a California corporation (the "Borrower"), on August 23, 2019, the Borrower, as Trustor, executed and delivered that certain Deed of Trust, Security Agreement and Fixture Filing, dated as of August 23, 2019 (the "Deed of Trust"), to Stewart Title Guaranty Company, as Trustee, in favor and for the benefit of Lender, as Beneficiary, relating to certain real property located in the City of Tustin, County of Orange, California, commonly known and numbered as "Foothill Regional Medical Center", located at 14662 Newport Ave., Tustin, California 92780, which lots, pieces or parcels of land are more particularly bounded and described as set forth on ***Exhibit A*** attached hereto and made a part hereof, which Deed of Trust was recorded on August 29, 2019 under **Document Number 2019000324068** in the official records of Orange County, California.

B. Pursuant to that certain Real Estate Loan Agreement, dated August 23, 2019, between Borrower and Lender (as the same has been or may be amended, modified, supplemented, or restated from time to time, the "Loan Agreement"), Lender advanced to Borrower (i) an additional Fifty Million and No/100 Dollars ($50,000,000.00) on May 2, 2022 and (ii) an additional Fifty Million and No/100 Dollars ($50,000,000.00) on May 31, 2022 (such additional advances being referred to collectively as the "Tranche 2 Advances"), thereby increasing the principal amount of the Original Loan to One Hundred and Fifty-One Million Two Hundred Sixty-Six Thousand Seven Hundred and No/100 Dollars ($151,266,700.00), as

LENDER:

MPT OF TUSTIN PMH, L.P.

By: MPT of Tustin PMH GP, LLC
Its: General Partner

By: MPT Operating Partnership, L.P
Its: Sole Member

By: ____________________
Name: R. Steven Hamner
Its: Executive Vice President & CFO

- On 5.2.22, just three days after the above comments on the 1Q22 earnings call, MPW made a ~$50 million unsecured advance to Prospect.
- Later on 5.31.22, MPW made another ~$50 million advance to PMH.
- Hedgeye believes that these advances were made to provide PMH with working capital.
- CFO Steve Hamner signed an executed deed amendment on 7.26.22, "papering" these advances onto the existing mortgage loan on Foothill Regional Medical Center ("FRMC").
- This brought total secured debt on FRMC to ~$151.3 million.
- First ~$51.3 million went to prior owners including LGP, next ~$100 million went to PMH itself.
- Clearly another case of MPW setting up to later capitalize the operator.

[8][D] | STEP 3: IMMEDIATELY MADE WORKING CAPITAL ADVANCES TO PMH (CONT'D)

HEDGEYE

As of July 2022, MPW had lent ~$151 million secured by FRMC. But Prospect had acquired FRMC for just ~$15 million in May 2014! This implies a >10x value increase. MPW would later forgive mortgage on FRMC entirely, rather than taking the collateral.

Prospect Medical Holdings, Inc.

Notes to Consolidated Financial Statements

4. Acquisitions

Newport Specialty Hospital

Effective May 6, 2014, Prospect acquired substantially all of the assets of Newport Specialty Hospital ("NSH") for cash consideration of $15 million. NSH, located in Tustin, California was substantially closed prior to acquisition, operating only its pediatric subacute unit as of the acquisition date.

The acquisition of NSH was accounted for as a business combination using purchase accounting. Under the purchase accounting method, assets acquired and liabilities assumed are recorded based on their estimated fair values. This transaction resulted in a bargain gain of approximately $523,000, which is included in other income in the accompanying consolidated statements of income. The Company incurred $556,000 and $37,000 of transaction costs during the years ended September 30, 2014 and 2013, respectively, which are included in General and Administrative expenses in the accompanying consolidated statements of income.

The following table summarizes the assets acquired and liabilities assumed in connection with the NSH acquisition, as of May 6, 2014 (in thousands):

	Purchase Price Allocation (Preliminary)
Property, improvements and equipment	$ 15,523
Bargain purchase gain	(523)
Net cash consideration	$ 15,000

[8][D] | STEP 4: INCREMENTALLY CHANGED AFFO DEFINITION OVER 2022

HEDGEYE

1 1Q22 Supplemental (HERE) – Deducts all "non-cash revenue."

We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to normalized FFO (i) non-cash revenue, (ii) non-cash share-based compensation expense, and (iii) amortization of deferred financing costs. AFFO is an operating measurement that we use to analyze our results of operations based on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is an important measurement because our leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods, and costs that are deferred or are non-cash charges. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (calculated pursuant to GAAP) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to GAAP) as an indicator of our liquidity.

2 2Q22 Supplemental (HERE) – Deducts "non-cash revenue *such as straight-line rent.*"

We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to normalized FFO (i) non-cash revenue such as straight-line rent, (ii) non-cash share-based compensation expense, and (iii) amortization of deferred financing costs. AFFO is an operating measurement that we use to analyze our results of operations based more on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is an important measurement because our infrastructure-type assets generally require longer term leases with annual contractual escalations of base rents, resulting in the recognition of a significant amount of rental income that is not collected until future periods. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (calculated pursuant to GAAP) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to GAAP) as an indicator of our liquidity.

3 3Q22 Supplemental (HERE) – Deducts only *"straight-line rent."*

We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to normalized FFO (i) straight-line rent, (ii) non-cash share-based compensation expense, and (iii) amortization of deferred financing costs. AFFO is an operating measurement that we use to analyze our results of operations based more on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is an important measurement because our infrastructure-type assets generally require longer term leases with annual contractual escalations of base rents, resulting in the recognition of a significant amount of rental income that is not billable/collected until future periods. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (calculated pursuant to GAAP) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to GAAP) as an indicator of our liquidity.

[8][D] | STEP 4: INCREMENTALLY CHANGED AFFO DEFINITION OVER 2022 (CONT'D)

HEDGEYE

- The quarterly supplemental is typically reviewed for approval by FP&A staff, investor relations, management, the CAO, the CFO, the Audit Committee of the BoD, legal, etc.

- In gradually changing the definition of reported AFFO to deduct only straight-line rent, **MPW's management team opened up the following non-cash items for potential inclusion in a representation of "cash flow" – PIK interest on loans, unpaid cash rent from financing leases (such as with Prospect), extraordinary rent deferrals and other non-cash revenue items (such as PHPH equity).**

- On 8.3.22, MPW reported "AFFO" of $0.35/share which met FactSet consensus.

- On 10.27.22, MPW reported "AFFO" of $0.36/share, or +$0.01/share (+) above FactSet consensus.

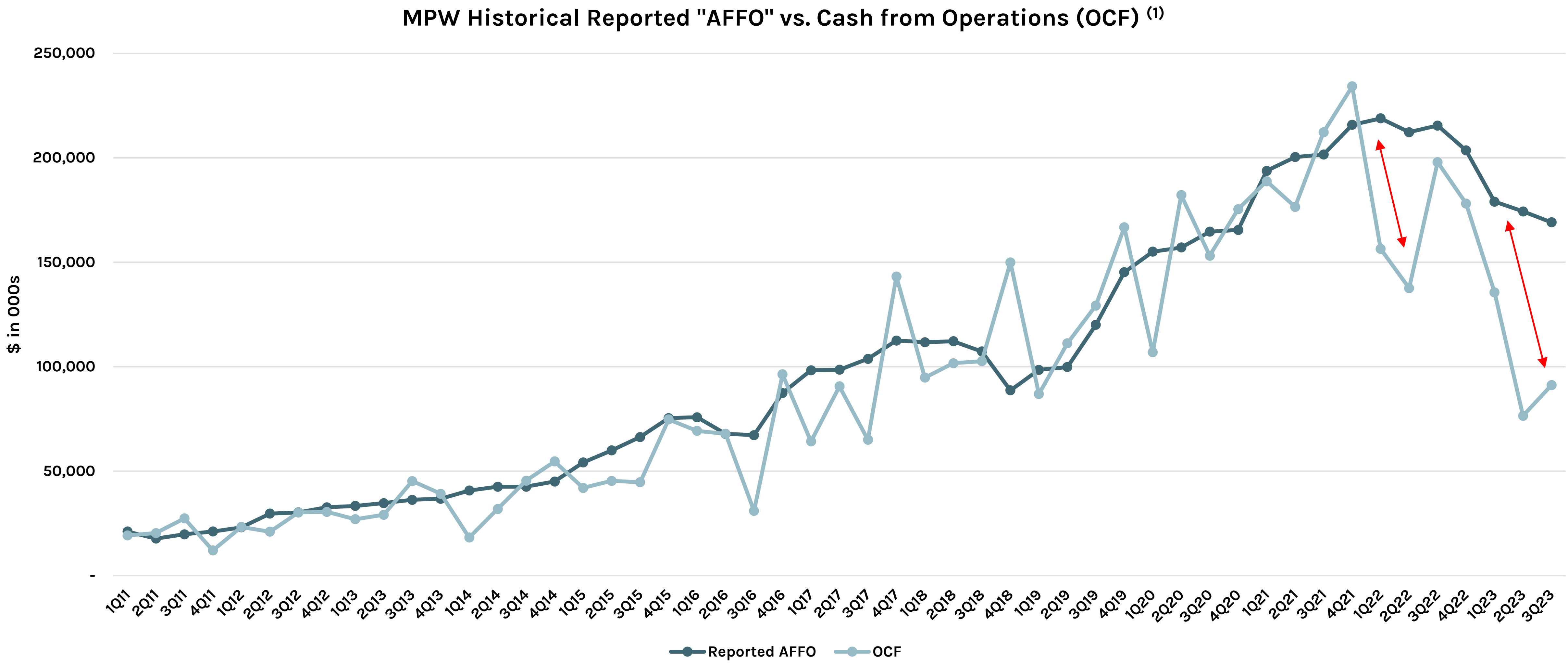
- On 2.23.23, MPW reported "AFFO" of $0.34/share, or +$0.02/share (+) above FactSet consensus.

- **But were these truly "beats?" We believed at the time these contained significant unpaid rent + interest amounts.**

[8][D] | STEP 4: INCREMENTALLY CHANGED AFFO DEFINITION OVER 2022 (CONT'D)

HEDGEYE

Again, Hedgeye observed a noticeable divergence between reported "AFFO" and OCF beginning 2022. These metrics had been tightly correlated historically. Cash flow was deteriorating, and we believed that "AFFO" was likely being manipulated.



(1) OCF excludes dividends received from unconsolidated real estate UJVs, totaling ~$69 million in 2022 and ~$67 million in 2023.

[8][D] | STEP 5: EXPLICITLY DENIED MAKING "BRIDGE" LOAN TO PMH

HEDGEYE

On a date that will likely live in REIT infamy, on 8.3.22 MPW reported 2Q22 results. On the earnings call **CFO Steve Hamner three times denied making a "bridge" loan to PMH**. The loan had already been made ~3 months earlier, and not previously disclosed by the company.

2Q22 Earnings Call - held on 8.3.22

Analyst: Okay. I guess my point is there's no excess value on the West Coast, because you're a sub 1 times. But maybe the final question would be, **do you plan to extend incremental debt financing to Prospect to bridge them similar to Steward**?

CFO Steve Hamner: **No. We don't expect that will be necessary. We don't expect that will be necessary. We don't expect that to be necessary**. And we are aware of conversations and potential transactions that we can't speak to in a public environment. But we have reason to think that Prospect is not going to result in any material impairment or loss to MPT.

- The ~$100 million advanced in May 2022 had not yet been disclosed anywhere, including the earnings release, earnings calls or as a subsequent event in the 1Q22 10-Q.
- Foothill deed revealed advances "papered" to Foothill mortgage on 7.26.22, ~8 days before 2Q22 earnings.
- **Hamner signed the deed amendment on 7.18.22, ~16 days before 2Q22 earnings. He knew, or should have known.**

[8][D] | STEP 5: EXPLICITLY DENIED MAKING "BRIDGE" LOAN TO PMH (CONT'D)

HEDGEYE

We also now know from HERE that, on the exact same day that the advances were "papered," MPW was involved in restructuring discussions. Note the referenced to a "Master Restructuring Agreement," which clearly existed as of 7.26.22.

Additionally, we received the Second Amendment to Promissory Note, dated July 26, 2022 between Prospect Medical Holdings, Inc., as borrower, and MPT TRS Lender PMH, LLC, as lender, Section 2. (a) of the amendment states, "Section 6(b) of the Original Note is hereby amended and restated as follows: As used herein "Maturity Date" shall mean the earlier of (i) April 30, 2026 and (ii) the date of consummation of any Managed Care Transaction, other than an Excluded Transaction (as each such term is defined in the Master Restructuring Agreement)."

The maturity date of the note was initially extended to April 30, 2026 prior to the closing of the Proposed Transaction, and the Amendment dated May 27. 2021 specified that no PCC assets shall be used to satisfy the note during the 5-year period of April 30, 2021, to April 30, 2026. Per the Second Amendment dated July 26, 2022, the maturity date was extended to the earlier of (i) April 30, 2026 and (ii) the date of consummation of any Managed Care Transaction. As the date of consummation of any Managed Care Transaction could occur before April 30, 2026, Prospect is not in compliance with the Condition.

[8][D] | STEP 6: CURIOUS LANGUAGE AROUND PROSPECT CT SALE

HEDGEYE

Note the use and placement of the word “required” here. Implied some contractual rent may not have been paid.

Medical Properties Trust Announces Agreement to Sell Connecticut Hospitals

Download PDF

Total Expected Consideration of Approximately $457 Million

BIRMINGHAM, AL--(BUSINESS WIRE)--Oct. 6, 2022-- Medical Properties Trust, Inc. (the “Company” or “MPT”) (NYSE: MPW) today announced that it has entered into definitive agreements for the sale of three Connecticut hospitals to Prospect Medical Holdings (“Prospect”), the current lessee. Separately, Yale New Haven Health (“Yale”) has agreed to acquire the hospital operations from Prospect in a contemporaneous transaction.

Terms of the agreements establish an aggregate sale price of approximately $457 million, the approximate amount MPT paid for the hospitals in August 2019; the Prospect lessees have since made timely payments of all rent required under the leases to MPT totaling approximately $104 million. The strong interest of Yale in the Connecticut facilities further validates MPT’s underwriting of these properties as essential hospital infrastructure due to their physical quality, local demographics, reimbursement sources and other key underwriting criteria. The transaction is expected to close in 2023 subject to certain regulatory approvals and is further conditioned upon the completion of Yale’s acquisition from Prospect of the hospital operations.

MPT presently plans to utilize proceeds from the transaction to reduce debt and to fund select acquisition and other investment opportunities. In combination with nearly $400 million in recent asset sale and loan repayment proceeds, which the Company used to reduce short-term debt during the third quarter, and roughly $200 million in anticipated loan repayment proceeds related to LifePoint’s planned acquisition of a majority interest in Springstone, MPT will have sourced in excess of $1 billion of immediately available liquidity.

- Why include this sentence here? MPW was selling the asset.
- “Required” implied that some portion of that ~$104 million was not “required” to be paid in cash.
- This was another indication to us in early-October 2022 that something was off.

[8][D] | STEP 7: PMH FAILED IN 4Q22, MPW MOVED TO CASH ACCOUTING BEGINNING 1.1.23

This part and the timing is critical, as it would assist us later in figuring out the math. While we believed that PMH failed earlier, MPW did not officially announce this until February 2023.

CFO Steve Hamner: **During this transaction period**, and Ed earlier mentioned that it is likely to extend beyond calendar 2023, we are considering providing rent and interest deferral options to Prospect and **expect to account for rental income** from our non-California Prospect investment along with **any interest** from our $115 million non-real estate loan **on a cash basis**. And our 2023 guidance estimates take into account the range of our expectations about rent and interest that may not be paid during that period. **– Earnings Call held on 2.23.23**.

2022 10-K - filed on 3.1.23: "Until the 2022 fourth quarter, Prospect was current on its rent and interest obligations under the various agreements. However, with rent and interest now past due and certain of Prospect's restructuring plans yet to be finalized, we recorded an approximate $280 million impairment charge in the 2022 fourth quarter, as shown in "Real estate and other impairment charges, net" on the consolidated statements of net income. As part of this charge, we reduced the carrying value of the underperforming Pennsylvania properties by approximately $170 million (to approximately $250 million) and reserved all noncash rent for a total of $112 million. **We expect to record rent on our Prospect leases on a cash basis for the foreseeable future.** At December 31, 2022, we believe our remaining investment in the Prospect real estate and other assets are fully recoverable, but no assurances can be given that we will not have any further impairments in future periods."

[8][D] | STEP 8: MPW MADE KEY 10-K DISCLOSURE

HEDGEYE

($ in 000s)

Hedgeye-Estimated "Net" Cash Rent + Interest Collection

	Gross Investment	Est. Lease Rate	Est. Cash Rent + Interest (A)	Loans (+)	"Capex" & "Other" [2] (+)	Repayment (-)	Net Support (B)	Est. "Net" Rent + Int. Paid (A-B) [3]	% of Net Rent Paid to MPW
3Q19 [1]	1,550,000	7.50%	11,688	177,172	-	-	177,172	(165,484)	
4Q19	1,563,642	7.50%	29,318	-	13,642	-	13,642	15,676	
Subtotal - 2019			**41,006**	**177,172**	**13,642**	**-**	**190,814**	**(149,808)**	**NM**
1Q20	1,569,594	7.50%	29,430	-	5,952	-	5,952	23,478	
2Q20	1,577,552	7.50%	29,579	-	7,958	-	7,958	21,621	
3Q20	1,588,936	7.65%	30,388	-	11,384	-	11,384	19,004	
4Q20	1,597,950	7.65%	30,561	-	9,014	-	9,014	21,547	
Subtotal - 2020			**119,958**	**-**	**34,308**	**-**	**34,308**	**85,650**	**71.4%**
Cumulative - 2020			**160,965**	**177,172**	**47,950**	**-**	**225,122**	**(64,157)**	**NM**
1Q21	1,606,433	7.65%	30,723	-	8,483	-	8,483	22,240	
2Q21	1,615,047	7.65%	30,888	-	8,614	-	8,614	22,274	
3Q21	1,623,254	7.80%	31,666	-	8,207	-	8,207	23,459	
4Q21	1,631,691	7.80%	31,830	-	8,437	-	8,437	23,393	
Subtotal - 2021			**125,107**	**-**	**33,741**	**-**	**33,741**	**91,366**	**73.0%**
Cumulative - 2021			**286,071**	**177,172**	**81,691**	**-**	**258,863**	**27,208**	**9.5%**
1Q22	1,639,588	7.80%	31,984	-	7,897	-	7,897	24,087	
2Q22	1,751,440	7.80%	34,166	100,000	11,852	-	111,852	(77,686)	
3Q22 [4]	1,723,565	8.04%	34,631	-	(27,875)	-	(27,875)	62,506	
4Q22 [5][6][7][8]	1,812,772	8.04%	36,424	-	89,207	-	89,207	(52,783)	
Subtotal - 2022			**137,205**	**100,000**	**81,081**	**-**	**181,081**	**(43,876)**	**NM**
Cumulative - 2022			**423,276**	**277,172**	**162,772**	**-**	**439,944**	**(16,668)**	**NM**

Notes:

(1) PMH transaction closed on 8.23.19. Reflects partial quarter.
(2) Equals change in gross assets for PMH, less known loan funding. Represents "catch all" for incremental investment "capex," rent + interest accruals, etc.
(3) Hedgeye estimate of periodic "net cash flow" to MPW from PMH investment.
(4) Gross investment adjusted to include CT assets at ~$457 million, which were announced to be sold to Yale in October 2022 and removed by MPW.
(5) Adjusted to include CT assets + ~$171 million impairment taken on PA assets in 4Q22.
(6) MPW disclosed PMH "current until 2022 fourth quarter."
(7) We believe large 4Q22 gross asset balance increase includes both "capex" + a large accrual for recorded but deferred/unpaid rent + interest.
(8) Unclear if 4Q22 gross assets include ~$50 million convertible loan, which was funded by MPW to PMH in 1Q23 but may have been "committed."

- In the 2022 10-K filing with the SEC HERE on 3.1.23, MPW noted that PMH was **"current on its rent and interest obligations"** under the various lease and loan agreements **"until the 2022 fourth quarter."**
- This is VERY specific language: **"current" implies "paying cash,"** while "compliant" would indicate not in default.
- Moreover, based on simple math, **this implies the *recorded/accrued but unpaid* cash rent + interest would be no more ~$34-36 million**, as this was the estimated contractual quarterly amount owed by PMH at this time.
- MPW moved PMH to cash accounting beginning 1.1.23, immediately after 4Q22.
- **By definition, to be consistent with this 10-K disclosure language, the unpaid amounts MUST be no more than ~$34-36 million.**

[8][D] | STEP 9: PMH RESTRUCTURING ANNOUNCEMENT INDICATED SOMETHING DIFFERENT...

HEDGEYE

- On 5.23.23, MPW announced the PMH restructuring HERE.
- The language around accrued but unpaid rent and interest, which would have had to come from 2022 given cash accounting beginning in 2023, was very different than that math.
- MPW noted in the release "... accrued rent and interest of approximately $56 million,..."
- This was clearly and observably not consistent with the math of ~$34-36 million implied by the 2022 10-K language. It indicated >1 quarter.
- This was our first indication that something was off, and led us to investigate the issue further.
- In addition MPW laid out how it expected to recover different aspects of its investment in PMH, including its PA and CT real estate shortfalls, the ~$50 million convertible from 1Q23, Foothill and the RI TL.

Third-Party Lenders Invest $375 Million in Prospect

Proceeds Fully Repay Prospect's ABL Facility

BIRMINGHAM, Ala.--(BUSINESS WIRE)--May 23, 2023-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that affiliates of Prospect Medical Holdings ("Prospect") have completed $375 million in new financings from third-party lenders, the proceeds of which will be used to provide Prospect's hospital operations with liquidity and capitalize its managed care business for continued growth and value creation in a vibrant market for such businesses.

Prospect's $250 million asset-backed revolving credit facility has been repaid in full and as a result, the unencumbered borrowing base of government and commercial insurance accounts receivable will provide first lien security for the previously announced MPT delayed draw term loan of up to $75 million. Prospect is expected to be substantially free of material debt or lease obligations outside of those to MPT and this new third-party financing.

MPT continues to have strong conviction in the embedded value of the Prospect platform and has structured its master leases and security agreements to provide collateral value in addition to its real estate interests, including interests in the equity of Prospect's managed care business. As of the end of the first quarter of 2023, MPT holds $1.6 billion in total assets related to Prospect that are expected to be reconstituted as follows:

- An approximately $513 million investment in six leased California hospitals, subject to a master lease scheduled to resume partial rent payments in September and full rent payments at an 8.44% cash yield in March of 2024;
- A $457 million investment in MPT's Connecticut real estate which, as previously announced, Yale New Haven Health is expected to acquire in a transaction that is expected to close during 2023's third quarter. MPT's investment is expected to be fully recovered through cash proceeds of $355 million at closing and equity interests in Prospect's managed care business valued at $103 million;
- A first lien mortgage loan of $150 million and equity interests in the managed care business valued at $100 million, resulting from the transfer to Prospect of Pennsylvania real estate with a book value of $250 million;
- Loans aggregating approximately $264 million and accrued rent and interest of approximately $56 million, along with the previously announced $50 million convertible loan to the managed care entities are expected to be recovered through equity interests in the managed care business.

[8][D] | STEP 10: 2Q23 10-Q FILING MADE CLEAR TO US SOMETHING WAS OFF

HEDGEYE

Following disastrous 2Q23 results, MPW filed its 10-Q report HERE on 8.9.23. Why quantify the 2023 *unrecorded* amount under cash accounting, but not the accrued/*recorded but unpaid* amount from 2022 literally right next to it?

On May 23, 2023, Prospect completed its recapitalization plan, which included receiving $375 million in new financing from several lenders. Along with this new debt capital from third-party lenders, we agreed to the following restructuring of our $1.7 billion investment in Prospect including: a) maintaining the master lease covering six California hospitals with no changes in rental rates or escalator provisions, and with the expectation that Prospect will begin making cash payments for a substantial portion of the contractual monthly rent due on these California properties starting in September 2023, b) transition the Pennsylvania properties back to Prospect in return for a first lien mortgage on the facilities, c) provide up to $75 million in a loan secured by a first lien on Prospect's accounts receivable and certain other assets, of which we funded $25 million on May 23, 2023, d) complete the previously disclosed sale of the Connecticut properties to Yale New Haven ("Yale"), as more fully described in Note 9 to the condensed consolidated financial statements, and e) obtain a non-controlling ownership interest in PHP Holdings of approximately $654 million, after applying a discount for lack of marketability, consisting of an approximate $68 million equity investment and $586 million loan convertible into equity of PHP Holdings (collectively, the "Prospect Transaction"). This non-controlling ownership interest was received in exchange for unpaid rent and interest through December 2022, previously unrecorded rent and interest revenue in 2023 totaling approximately $68 million, our $151 million mortgage loan on a California property, our $112.9 million term loan, and other obligations at the time of such investment.

At June 30, 2023, we believe our remaining investment in the Prospect real estate and other assets are fully recoverable, but no assurances can be given that we will not have any further impairments in future periods.

- **Very suspicious, and drew our attention to it.** The ~$56 million accrued number from the 5.23.23 release was gone.
- This did not make any sense to us, was a "red flag," and appeared like an effort to obfuscate.
- Notice the catch-all "other obligations." "Other" is the hardest-working word in finance...

[8][D] | STEP 10: 2Q23 10-Q FILING MADE CLEAR TO US SOMETHING WAS OFF (CONT'D)

HEDGEYE

($ in 000s)

PMH Restructuring as Described in 2Q23 10-Q Filing [1]

Description of Interests/Claims	2Q23 10-Q Amounts	Notes
Sources of Recovery:		
PHPH Preferred Equity	68,000	Described as PHPH "non-controlling interest."
Convertible Note in PHPH Equity	586,000	Described as PHPH "non-controlling interest."
Total Sources	**654,000**	
Uses in Recovery:		
Previously Unrecorded 2023 Rent + Interest - Preferred Equity [2]	68,000	MPW explicitly attributed this amount to 2023 previously unrecorded rent + interest. This amount was not previously accrued. Hedgeye believes this amount corresponds to the ~$68 million (~$0.11/share) recognized in 2Q23 results. Consists of ~$55.3 million of rent revenue recorded in "Income from Financing Leases" and ~$13.5 million of interest interest income recorded in "Interest and Other Income." Prospect was moved to cash accounting for 2023. These amounts were non-cash revenue amounts. They were recorded in 2Q23 despite the PHPH non-controlling interest transaction being put on hold by the CA DMHC as of July 2023. The transaction remains on hold today.
1Q23 Convertible Loan to PMH - Convertible [1]	50,000	$50 million convertible loan originated and funded by MPW in 1Q23. Loan principal cancelled.
Foothill Mortgage - Convertible	151,300	~$151.3 million mortgage loan on Foothill Regional in CA. MPW upsized the mortgage by ~$100 million during 2022. Loan principal cancelled.
RI Term Loan - Convertible	112,900	~$112.9 million TL secured by RI hospitals. Loan principal cancelled.
CT Shortfall Amount - Convertible [1]	103,000	MPW claimed ~$355 million cash + equity interest to recover 100% of gross investment at ~$457 million. At the time, MPW guided Yale transaction to close during 3Q23.
PA Shortfall Amount - Convertible [1]	100,000	~$150 million 1L mortgage + PHPH equity interest to recover MPW's book value of ~$250 million. MPW had already recorded a ~$170 million impairment in 4Q22, implying gross investment of ~$420million.
Unattributed Amounts / "Other Obligations" [3]	**68,800**	**This amount was unattributed to any discreet claim. At the same time, recorded/accrued but unpaid rent and interest from 2022 was not quantified in the 10-Q. Was this amount for unpaid rent and interest? If so, why was this amount now larger than ~$56 million of accrued amounts from the 5.23.23 release? Reminder: PMH moved to cash accounting in 2023.**
Total Uses	**654,000**	

Notes:
(1) Certain discreet amounts taken from 5.23.23 PMH restructuring press release.
(2) This is the ~$68 million amount recorded/accrued in 2Q23 and highlighted by the WSJ article on 8.18.23.
(3) This amount represents the delta between the ~$68 million equity + ~$586 million convertible loan, and the total PHPH equity consideration implied by the 5.23.23 restructuring press release. MPW did not attribute this amount to a discreet claim in the 2Q23 10-Q filing.

- This is what we *thought* the PMH restructuring situation looked like at the time when MPW filed its 2Q23 10-Q on 8.9.23.
- Previously *recorded/accrued* but unpaid rent and interest from 2022 was no longer discreetly listed as a claim, as it had been in the 5.23.23 restructuring press release.
- After listing out the other claims, **the implied delta representing unattributed amounts or "other obligations" widened to ~$68.8 million**.
- The *recorded/accrued* but unpaid rent and interest from 2022 **was previously disclosed at ~$56 million in the 5.23.23 press release**.
- Given that PMH was on accrual accounting until 12.31.22 and then moved to cash accounting 1.1.23, **this amount should not have changed**. Only the 2023 *non-accrued* contractual amounts should have increased.
- **~$68.8 million > ~$56 million = SOMETHING WAS OFF.**

[8][D] | STEP 11: MPW CAUGHT RECORDING PHPH EARLY, HALTED OWN STOCK TO "DECLARE WAR" ON WSJ

HEDGEYE

The WSJ reported HERE on Friday, 8.18.23 that MPW recorded PHPH equity into 2Q23 revenues as "earned," despite the transaction not being approved by the CA DMHC as of 7.20.23. MPW responded by halting its own stock intraday and alleging WSJ part of a conspiracy.

By *Jonathan Weil* Follow

Aug. 18, 2023 10:00 am ET

Resize 89 Gift unlocked article Listen (11 min)

The nation's largest hospital landlord said an unusual transaction that provided crucial financial support for one of its biggest tenants was a done deal. It wasn't.

The deal was good news for both companies, and for communities across the country concerned that their local hospitals could go broke. The landlord, Medical Properties Trust MPW -4.26% ▼, announced the transaction in May. When it reported quarterly results on Aug. 8, it said the arrangement boosted its own revenue.

But a California state regulator on July 20 ordered that the transaction between MPT and Prospect Medical Holdings be put on hold, according to the order that the regulator sent to Prospect. MPT didn't disclose the regulator's order when it reported second-quarter results, or in its quarterly report filed the next day with the Securities and Exchange Commission.

An MPT spokesman, Drew Babin, said: "Information is being provided to the relevant agencies, and MPT continues to expect to complete the transactions."

Medical Properties Trust Responds to Latest WSJ Article

August 18, 2023

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Aug. 18, 2023-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today responded to the most recent of several false and misleading articles published by the *Wall Street Journal* in this case related to the Company's May 23, 2023 transaction with Prospect Medical Holdings ("Prospect") .

While MPT engaged with the author, Jonathan Weil, to ensure full awareness of all the facts surrounding this transaction and the Company's investment in PHP Holdings LLC ("PHP"), Mr. Weil decided to wholly disregard this information in the article that was published. Importantly, the *Wall Street Journal* proceeded with publication before Prospect was able to provide necessary clarifications, even though Prospect indicated it intended to do so and the article itself acknowledging the extraordinary disruption and distraction that Prospect is currently dealing with following a ransomware attack.

As such, MPT believes it is important to clarify the following facts for the investment community:

- The California Department of Managed Health Care's ("DMHC") hold sent to Prospect on July 20, 2023 is a **standard, expected, and non-controversial part of the approval process** for this transaction.
- This hold indicates that certain additional information is required prior to the issuance of final approval from the DMHC, which the Company **fully expects to obtain in due course** as it has been advised it is highly unlikely the regulators would not approve a transaction following receipt of all required information.
- In the unlikely event that the regulator does not grant approval for the transaction, MPT's investment in PHP would remain a **convertible note with identical economics to equity ownership**.
- As a result, DMHC's **request was deemed immaterial** to MPT's financials and thus did not require disclosure.
- The Company's recording of its $68 million equity investment as revenue in the second quarter was **fully consistent with accounting requirements** and was entirely unrelated to the DMHC approval process. Mr. Weil's attempt to conflate the two matters has no basis in fact.

Amid a continued chorus of intentionally deceptive claims being perpetuated by individuals with a clear financial incentive to do so MPT also believes it is notable that the publication of this article coincides with both market hours and the expiration of equity put options which settle on the third Friday of every month. MPT remains focused on creating long-term value for shareholders through its investments in hospital real estate and refuses to be distracted by the continued spread of misinformation.

[8][D] | STEP 12: HEDGEYE WROTE ABOUT THE ISSUE

HEDGEYE

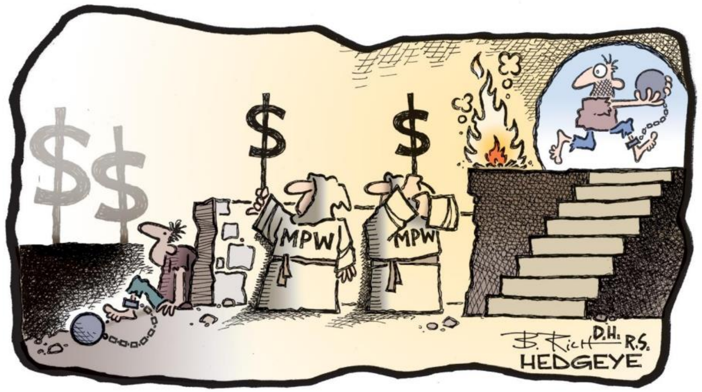
On 9.9.23, after investigating and checking/re-checking the numbers, we wrote about all of this HERE for the first time. We posited that PMH stopped paying earlier than 4Q22. The following Tuesday, 9.12.23, we also tweeted our thoughts HERE.

HEDGEYE

Active Short Medical Properties (Dis)Trust (MPW)

Did Prospect Medical Holdings ("Prospect") Pay All of It's Rent in 3Q22?

September 9, 2023



Medical Properties Trust

HEDGEYE REITs

ROB SIMONE, CFA Managing Director rsimone@hedgeye.com

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"CREF IS EINHORN" REITRob
@HedgeyeREITs
Promote

Hey @SECGov @SEC_Enforcement are you watching this? A summary of the facts as we understand them:

- Early-2023 $MPW moves 2nd largest U.S. tenant Prospect Medical to cash accounting and will only book revenue as received, as noted with 4Q22 earnings.
- 2Q23 books receipt of ~$68 million of equity in PHP as revenue for *previously unrecorded* 2023 rent + interest; directly states its for the 2023 amounts. This is a non-cash amount! Cash accounting?
- Additionally, according to @WSJ reporting, the PHP equity wasn't or shouldn't have been earned as transaction not approved by CA regulator. So neither cash nor received! Restatement required?
- In 2Q23 10-Q report lists 2023 *unrecorded* rent + interest contractually owed at ~$68 million, but not *recorded/accrued* amount from 2022 (!!!). Why?
- In 2022 10-K report says Prospect was current "until" 4Q22, implying 1 quarter or less of unpaid rent + interest from Prospect. 1 quarter of contractual rent and interest was roughly ~$33 million.
- In 5.23.23 press release $MPW noted ~$56 million of recorded rent + interest, implying this was 2022 amount as Prospect was still on accrual accounting.
- $56 million obviously > ~$33 million, so implies MORE THAN 1 quarter of rent + interest unpaid and that Prospect stopped paying earlier than 4Q22.
- Directly conflicts with 10-K disclosure for an 11-12% tenant at the time.

What a mess. But the sequencing is all here! Some investors no doubt relied upon this information in making their decisions. @retheauditors @Hedgeye @BigRiverCapita1

9:36 AM Sep 12, 2023 · 373.6K

[8][D] | STEP 13: MPW RESPONDED LIKE A TYPICAL FRAUD

HEDGEYE

AO 88B (Rev. 12/13) Subpoena to Produce Documents, Information, or Objects or to Permit Inspection of Premises in a Civil Action

UNITED STATES DISTRICT COURT
for the
NORTHERN DISTRICT OF ALABAMA

MEDICAL PROPERTIES TRUST, INC.
Plaintiff
v.
VICEROY RESEARCH LLC; FRASER JOHN PERRING; GABRIEL BERNARDE; and AIDAN LAU
Defendants

Civil Action No. 2:23-CV-00408-RDP

SUBPOENA TO PRODUCE DOCUMENTS, INFORMATION, OR OBJECTS OR TO PERMIT INSPECTION OF PREMISES IN A CIVIL ACTION

To: ROBERT SIMONE

(Name of person to whom this subpoena is directed)

☒ *Production:* **YOU ARE COMMANDED** to produce at the time, date, and place set forth below the following documents, electronically stored information, or objects, and to permit inspection, copying, testing, or sampling of the material: as instructed in Schedule A attached hereto.

Place: Wachtell, Lipton, Rosen & Katz 51 W. 52nd St. New York, New York 10019	Date and Time: October 12, 2023 5:00 PM

☐ *Inspection of Premises:* **YOU ARE COMMANDED** to permit entry onto the designated premises, land, or other property possessed or controlled by you at the time, date, and location set forth below, so that the requesting party may inspect, measure, survey, photograph, test, or sample the property or any designated object or operation on it.

Place:	Date and Time:

The following provisions of Fed. R. Civ. P. 45 are attached – Rule 45(c), relating to the place of compliance; Rule 45(d), relating to your protection as a person subject to a subpoena; and Rule 45(e) and (g), relating to your duty to respond to this subpoena and the potential consequences of not doing so.

Date: September 12, 2023

CLERK OF COURT

OR

Signature of Clerk or Deputy Clerk

[redacted]

Attorney's signature

The name, address, e-mail address, and telephone number of the attorney representing *(name of party)* Medical Properties Trust, Inc., who issues or requests this subpoena, are: [redacted] Wachtell, Lipton, Rosen & Katz, 51 W. 52nd St., New York, New York 10019 [redacted]

- On 9.14.23, in our view the company clearly responded to our work.
- Rather than attempting to engage with us at some point over the last ~2 years, issuing a call for retraction or officially responding to the work as any normal company would, management resorted instead to intimidation tactics against an analyst doing his job.
- MPW sent us a subpoena related to a case in which we are not named, dated the same day that we tweeted our thoughts on PMH.
- It was sent to our home, not our place of work. Despicable, desperate behavior, in our view.
- In the process, they also told us that we were "over the target" and 100% on to some important/sensitive issue. We would keep looking, and we are glad that we did (see below).

[8][D] | STEP 14: HEDGEYE OBTAINED PMH RESTRUCTURING AGREEMENT ON 11.1.23

HEDGEYE

Agreement indicated MASSIVE “Deferred Amounts” totaling nearly ~$194 million, much larger than we expected. We believe it is very possible that PMH paid no cash rent + interest over 2022. The full agreement is HERE. We wrote about it HERE.

Execution Version

AMENDED AND RESTATED
MASTER RESTRUCTURING AGREEMENT
(Vista Investment)

THIS AMENDED AND RESTATED MASTER RESTRUCTURING AGREEMENT (this “Agreement”) is made and entered into effective as of this 23rd day of May, 2023, by and among **PROSPECT MEDICAL HOLDINGS, INC.**, a Delaware corporation (“Prospect Medical”), **PHP HOLDINGS, LLC**, a Delaware limited liability company (“PHP Holdings”), **PROSPECT HEALTHCARE FACILITIES MANAGEMENT, LLC** f/k/a PHC HoldCo, Inc., a Delaware limited liability company (“ManageCo”), and each of their respective undersigned Affiliates (such Affiliates, together with Prospect Medical, PHP Holdings, and ManageCo, collectively, the “Prospect Parties”) on the one hand, and **MPT PICASSO INVESTORS TRS, LLC**, a Delaware limited liability company (“MPT Picasso TRS”), and its undersigned Affiliates (such Affiliates, together with MPT Picasso TRS, collectively, the “MPT Parties”) on the other hand. The Prospect Parties and the MPT Parties are herein sometimes referred to individually as a “Party” and collectively, as the “Parties”.

EXHIBIT A

OUTSTANDING OBLIGATIONS

Phase I Obligations	Amount
Tranche 1 Advance (Foothill Mortgage Loan)	$ 51,266,700.00
Tranche 2 Advance (Foothill Mortgage Loan)	$ 100,000,000.00
Tranche 2 Additional Interest (Foothill Mortgage Loan)	$9,137,500.00
Accrued Base Interest -- Foothill Mortgage	$6,433,187.69
TRS Note – Principal	$ 112,937,204.00
Accrued Base Interest – TRS Note	$4,936,603.11
MPT Advance Convertible Note - Principal	$50,000,000.00
Accrued Base Interest – MPT Advance Convertible Note	$588,888.89
Deferred Amounts	$182,605,385.16
Agreed Pennsylvania Shortfall Amount	$100,000,000.00
Agreed Connecticut Shortfall Amount	$102,942,998.00
2020/2021 & 2021/2022 Outstanding Property Insurance Premium	$783,708.00
TOTAL:	**$721,632,174.85**

[8][D] | STEP 14: HEDGEYE OBTAINED PMH RESTRUCTURING AGREEMENT ON 11.1.23 (CONT'D)

HEDGEYE

Here are some key points to understand from the agreement.

- <u>Consideration to be issued to MPW</u>:
  - MPW (via "MPT Picasso TRS") to receive **Series A-1 Preferred Units** (herein the "PHPH preferred equity" or "PHPH equity") for a **~49% non-controlling equity interest in PHPH,** at an **agreed upon value of ~$75.3 million**. Implies total PHPH equity valuation of ~$153.7 million.
    - This is the portion MPW ran through the income statement, and which was questioned by the WSJ.
  - MPW also to receive **Convertible Notes** in the principal amount of **~$646.3 million**.
    - Equals "Phase 1 Obligations," less the agreed upon value of the Series A-1 Preferred Units.
  - **Total Gross Consideration to MPW** before any "marketability discount:" **~$721.6 million**.
  - **MPW's "marketability discount" in the 10-Q was key, as it "hid" the size of the total gross consideration.**

- <u>Phase 1 Obligations</u>:
  - **MPT Advance Convertible Note**, as described in **Section 3.3** = **~$50 million principal** + **~$588.9k unpaid interest**
  - **"Deferred Amounts,"** as described in **Section 3.4** = "Deferred Base Rent," as set forth in the Master Leases + "Deferred Interest," as set forth in the Foothill Mortgage Loan Note and TRS Note + unpaid base interest under Foothill mortgage and TRS Note through 5.23.23 + any future Deferred Base Rent and Deferred Interest per the **3.30.23 Term Sheet**.
  - **Outstanding Property Insurance** of **~$783.7k**
  - **Foothill Mortgage Loan Note**, as described in **Section 3.5(a)** = Tranche 1 Advance + Tranche 2 Advances + Tranche 2 Additional Interest
  - **TRS Note**, as described in **Section 3.6** = **~$112.9 million**
  - **Agreed PA Shortfall Amount**, as described in **Section 3.7** = **~$100 million**
  - **Agreed PA Shortfall Amount**, as described in **Section 5.1** = **~$102.9 million**

[8][D] | STEP 14: HEDGEYE OBTAINED PMH RESTRUCTURING AGREEMENT ON 11.1.23 (CONT'D)

HEDGEYE

($ in 000s)

Outstanding Obligations - Per Exhibit A

Exhibit A Description	5.23.23 Agreement Amount	Obligation Classification
MPT Advance Convertible Note - Principal	50,000	"MPT Advance Convertible Note"
Accrued Base Interest – MPT Advance Convertible Note	589	"MPT Advance Convertible Note"
Tranche 1 Advance (Foothill Mortgage Loan)	51,267	"Foothill Mortgage Loan Note"
Tranche 2 Advance (Foothill Mortgage Loan)	100,000	"Foothill Mortgage Loan Note"
Tranche 2 Additional Interest (Foothill Mortgage Loan)	9,138	"Foothill Mortgage Loan Note"
TRS Note – Principal	112,937	"TRS Note"
Outstanding Property Insurance	784	"Outstanding Property Insurance"
Agreed Pennsylvania Shortfall Amount [1]	100,000	"Agreed PA Shortfall Amount"
Agreed Connecticut Shortfall Amount [2]	102,943	"Agreed CT Shortfall Amount"
Accrued Base Interest -- Foothill Mortgage [3]	6,433	"Deferred Amounts"
Accrued Base Interest – TRS Note [3]	4,937	"Deferred Amounts"
Other Deferred Amounts (A) [4]	182,605	"Deferred Amounts"
Total	721,632	

Estimated Nov. 2022 - 5.23.23 Unpaid Real Estate Rent

	Gross Investment	Assumed Days [5]	Lease Rate [6]	Estimated Unpaid Rent
Market:				
CA Real Estate	457,000	204	7.96%	20,331
CT Real Estate	421,000	204	7.96%	18,730
PA Real Estate	513,000	204	7.96%	22,823
Total (B)				61,884

Estimated Other Deferred Rent + Interest (A - B)	120,722

Notes:

(1) PMH agreement notes new PA mortgage does not begin accruing PIK interest until 3.1.24.
(2) Agreement contemplated CT real estate to be sold "no later than 9.30.23."
(3) Accrued interest amounts roughly approximate ~204 days over 11.1.22 to 5.23.23.
(4) We are trying to solve for the "unallocated" portion of this bucket.
(5) Assumes 204 days, as per period noted in note #3.
(6) MPW disclosed year-end Foothill mortgage rate in 2022 10-K; has same terms as leases.

- Here we are trying to isolate for "deferred base rent" + "deferred interest" unaccounted for in discreet line items within Exhibit A of the restructuring agreement. MPW disclosed DQ for two months in 2022, so we use the period of Nov. 2022 to the 5.23.23 restructuring date.
- We do this to (1) test the idea that PMH was "current" until 4Q22, and then (2) to gauge the size of the rent + interest deferrals.
- Keep in mind the following:
  - TRS Note + Foothill mortgage cancelled as of 5.23.23,
  - CT real estate was expected to be sold by 9.30.23, per the agreement,
  - MPW no longer owned the PA real estate, and
  - The new PA mortgage would not begin PIK'ing until 3.1.24.
- **We estimate ~$120.7 million of rent + interest deferrals unaccounted for,** within "Deferred Amounts" of ~$182.6 million.
- **NOTE: ROUGHLY EQUALS NON-CASH REVENUE AMOUNT FOR 2022 BELOW!**
- **This equals ~3.5 quarters of unpaid rent + interest**, outside the period of Nov. 2022 to 5.23.23. **Implies PMH not paying much earlier than 4Q22.**

[8][D] | STEP 14: HEDGEYE OBTAINED PMH RESTRUCTURING AGREEMENT ON 11.1.23 (CONT'D)

HEDGEYE

Hedgeye's Estimate of "Unallocated" Deferred Amounts

($ in 000s)

Outstanding Obligations - Per Exhibit A

Exhibit A Description	5.23.23 Agreement Amount	Obligation Classification
MPT Advance Convertible Note - Principal	50,000	"MPT Advance Convertible Note"
Accrued Base Interest – MPT Advance Convertible Note	589	"MPT Advance Convertible Note"
Tranche 1 Advance (Foothill Mortgage Loan)	51,267	"Foothill Mortgage Loan Note"
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TRS Note – Principal	112,937	"TRS Note"
Outstanding Property Insurance	784	"Outstanding Property Insurance"
Agreed Pennsylvania Shortfall Amount (1)	100,000	"Agreed PA Shortfall Amount"
Agreed Connecticut Shortfall Amount (2)	102,943	"Agreed CT Shortfall Amount"
Accrued Base Interest -- Foothill Mortgage (3)	6,433	"Deferred Amounts"
Accrued Base Interest – TRS Note (3)	4,937	"Deferred Amounts"
Other Deferred Amounts (A) (4)	182,605	"Deferred Amounts"
Total	721,632	

Estimated Nov. 2022 - 5.23.23 Unpaid Real Estate Rent

	Gross Investment	Assumed Days (5)	Lease Rate (6)	Estimated Unpaid Rent
Market:				
CA Real Estate	457,000	204	7.96%	20,331
CT Real Estate	421,000	204	7.96%	18,730
PA Real Estate	513,000	204	7.96%	22,823
Total (B)				61,884

Estimated Other Deferred Rent + Interest (A - B) 120,722

Notes:
(1) PMH agreement notes new PA mortgage does not begin accruing PIK interest until 3.1.24.
(2) Agreement contemplated CT real estate to be sold "no later than 9.30.23."
(3) Accrued interest amounts roughly approximate ~204 days over 11.1.22 to 5.23.23.
(4) We are trying to solve for the "unallocated" portion of this bucket.
(5) Assumes 204 days, as per period noted in note #3.
(6) MPW disclosed year-end Foothill mortgage rate in 2022 10-K; has same terms as leases.

4Q23 Supplemental – filed on 2.21.24

FINANCIAL INFORMATION

RECONCILIATION OF NET (LOSS) INCOME TO FUNDS FROM OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
FFO INFORMATION:				
Net (loss) income attributable to MPT common stockholders	$ (663,943)	$ (140,474)	$ (556,476)	$ 902,597
Participating securities' share in earnings	(349)	(567)	(1,644)	(1,602)
Net (loss) income, less participating securities' share in earnings	$ (664,292)	$ (141,041)	$ (558,120)	$ 900,995
Depreciation and amortization	95,648	98,891	676,132	399,622
Loss (gain) on sale of real estate	2,024	(99)	1,815	(536,887)
Real estate impairment charges	112,112	170,582	167,966	170,582
Funds from operations	$ (454,508)	$ 128,333	$ 287,793	$ 934,312
Write-off of billed and unbilled rent and other	499,335	111	649,911	35,370
Other impairment charges	171,507	112,368	208,941	97,793
Litigation and other	2,899	-	15,886	-
Share-based compensation adjustments	(6,571)	4,042	(9,691)	3,076
Non-cash fair value adjustments	8,405	9,466	(34,157)	(3,097)
Tax rate changes and other	(2,797)	3,796	(167,332)	10,697
Debt refinancing and unutilized financing (benefit) costs	(239)	-	(285)	9,452
Normalized funds from operations	$ 218,031	$ 258,116	$ 951,066	$ 1,087,603
Certain non-cash and related recovery information:				
Share-based compensation	$ 10,102	$ 12,377	$ 42,941	$ 46,345
Debt costs amortization	$ 4,933	$ 5,023	$ 20,273	$ 19,739
Non-cash rent and interest revenue (C)	$ (57,920)	$ (47,216)	$ (239,599)	$ (120,573)
Cash recoveries of non-cash rent and interest revenue (D)	$ 2,364	$ 514	$ 38,451	$ 1,445
Straight-line rent revenue from operating and finance leases	$ (63,282)	$ (72,494)	$ (247,699)	$ (297,[illegible]45)

[8][D] | STEP 14: HEDGEYE OBTAINED PMH RESTRUCTURING AGREEMENT (CONT'D)

HEDGEYE

- Without the 3.30.23 Restructuring Term Sheet, how to test PMH stopped paying earlier? **Here is some mathematical proof.**
- Schedule IV in the 2022 10-K indicated PMH was "delinquent for two months of interest" on the Prospect Foothill mortgage.
- Exhibit E "Released Defaults" on page 124 of the restructuring agreement **clearly states $9,137,500 of defaulted interest under the Foothill "Mortgage Loan Tranche 2** Interest Balance through 05/23/2023."
- Using the known dates and disclosed interest rates, **we calculate ~$4.7 million of accrued interest over that time**, or ~50% of the default interest under this tranche from the restructuring agreement.
- **There may not have been ANY payments under Tranche 2 over 2022-2023.**
- This is mathematical proof that PMH was not "current" on contractual cash payments until "the 2022 fourth quarter." It may have been "compliant."

Accrued Interest on Foothill Tranche 2 - Assuming 2 Months DQ

	Principal	Beginning Date	Interest Rate (1)(2)	Days	Calculated Accrued Int. (3)
Year 1 - 2022:					
1st Advance	50,000,000	11/1/22	7.96%	60	663,333
2nd Advance	50,000,000	11/1/22	7.96%	60	663,333
Subtotal (A)					**1,326,667**
Year 1 - 2023(4):					
1st Advance	50,000,000	1/1/23	8.44%	142	1,664,556
2nd Advance	50,000,000	1/1/23	8.44%	142	1,664,556
Subtotal (B)					**3,329,111**
Total (A+B)					**4,655,778**

Notes:

(1) MPW disclosed a 7.96% interest rate at year-end 2022 per Schedule IV.
(2) MPW disclosed a 8.44% lease/interest rate for 2023 in the 5.23.23 PMH restructuring agreement.
(3) Uses 360-day convention.
(4) Assumed accrued through restructuring date of 5.23.23.

[8][D] | STEP 15: FINALLY, MPW ADMITTED NON-CASH AMOUNTS WITH 4Q23 RESULTS

HEDGEYE

FINANCIAL INFORMATION

RECONCILIATION OF NET (LOSS) INCOME TO FUNDS FROM OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
FFO INFORMATION:				
Net (loss) income attributable to MPT common stockholders	**$ (663,943)**	**$ (140,474)**	**$ (556,476)**	**$ 902,597**
Participating securities' share in earnings	(349)	(567)	(1,644)	(1,602)
Net (loss) income, less participating securities' share in earnings	**$ (664,292)**	**$ (141,041)**	**$ (558,120)**	**$ 900,995**
Depreciation and amortization	95,648	98,891	676,132	399,622
Loss (gain) on sale of real estate	2,024	(99)	1,815	(536,887)
Real estate impairment charges	112,112	170,582	167,966	170,582
Funds from operations	**$ (454,508)**	**$ 128,333**	**$ 287,793**	**$ 934,312**
Write-off of billed and unbilled rent and other	499,335	111	649,911	35,370
Other impairment charges	171,507	112,368	208,941	97,793
Litigation and other	2,899	-	15,886	-
Share-based compensation adjustments	(6,571)	4,042	(9,691)	3,076
Non-cash fair value adjustments	8,405	9,466	(34,157)	(3,097)
Tax rate changes and other	(2,797)	3,796	(167,332)	10,697
Debt refinancing and unutilized financing (benefit) costs	(239)	-	(285)	9,452
Normalized funds from operations	**$ 218,031**	**$ 258,116**	**$ 951,066**	**$ 1,087,603**
Certain non-cash and related recovery information:				
Share-based compensation	$ 10,102	$ 12,377	$ 42,941	$ 46,345
Debt costs amortization	$ 4,933	$ 5,023	$ 20,273	$ 19,739
Non-cash rent and interest revenue (C)	$ (57,920)	$ (47,216)	$ (239,599)	$ (120,573)
Cash recoveries of non-cash rent and interest revenue (D)	$ 2,364	$ 514	$ 38,451	$ 1,445
Straight-line rent revenue from operating and finance leases	$ (63,282)	$ (72,494)	$ (247,699)	$ (297,645)

(C) Includes revenue accrued during the period but not received in cash, such as deferred rent, payment-in-kind ("PIK") interest or other accruals.

- With 4Q23 results MPW essentially restated reported "AFFO," without actually restating it.
- MPW added a new line below "NFFO" called "non-cash rent and interest revenue." This line item had never been included with earnings before.
- It includes revenue accrued in the period "but not received in cash, such as deferred rent, payment-in-kind ("PIK") interest and other accruals."
- We believe this addition was done in direct response to Hedgeye's work around unpaid PMH rent, plus the disclosure of the PMH restructuring agreement.
- This called into question (1) MPW's previous "AFFO" reporting + (2) the "strength" if its agreements.
- MPW also removed "AFFO" reporting.
- Coming full circle, "cash cannot be engineered or manipulated."
- Note ~$120.6 million for all of 2022 very close to our estimation above!

[8][D] | CONCLUSION: "AFFO" EARNINGS WERE OVERSTATED, MANAGEMENT HID UNPAID AMOUNTS

HEDGEYE

4Q22 Supplemental – filed on 2.23.23

(Amounts in thousands, except per share data)

	For the Three Months Ended	
	December 31, 2022	December 31, 2021
FFO INFORMATION:		
Net (loss) income attributable to MPT common stockholders	$ **(140,474)**	$ **206,536**
Participating securities' share in earnings	(567)	(1,073)
Net (loss) income, less participating securities' share in earnings	$ **(141,041)**	$ **205,463**
Depreciation and amortization	98,891	97,510
Gain on sale of real estate	(99)	(43,575)
Real estate impairment charges	170,582	-
Funds from operations	$ **128,333**	$ **259,398**
Write-off of unbilled rent and other	3,390	8,814
Gain on sale of equity investments	-	(40,945)
Other impairment charges, net	112,368	39,411
Non-cash fair value adjustments	10,230	(5,430)
Tax rate changes and other	3,795	(7,950)
Debt refinancing and unutilized financing costs	-	25,311
Normalized funds from operations	$ **258,116**	$ **278,609**
Share-based compensation	12,377	13,520
Debt costs amortization	5,023	4,968
Rent deferral, net	514	557
Straight-line rent revenue and other	(72,494)	(81,909)
Adjusted funds from operations	$ **203,536**	$ **215,745**

4Q23 Supplemental – filed on 2.21.24

(Amounts in thousands, except per share data)

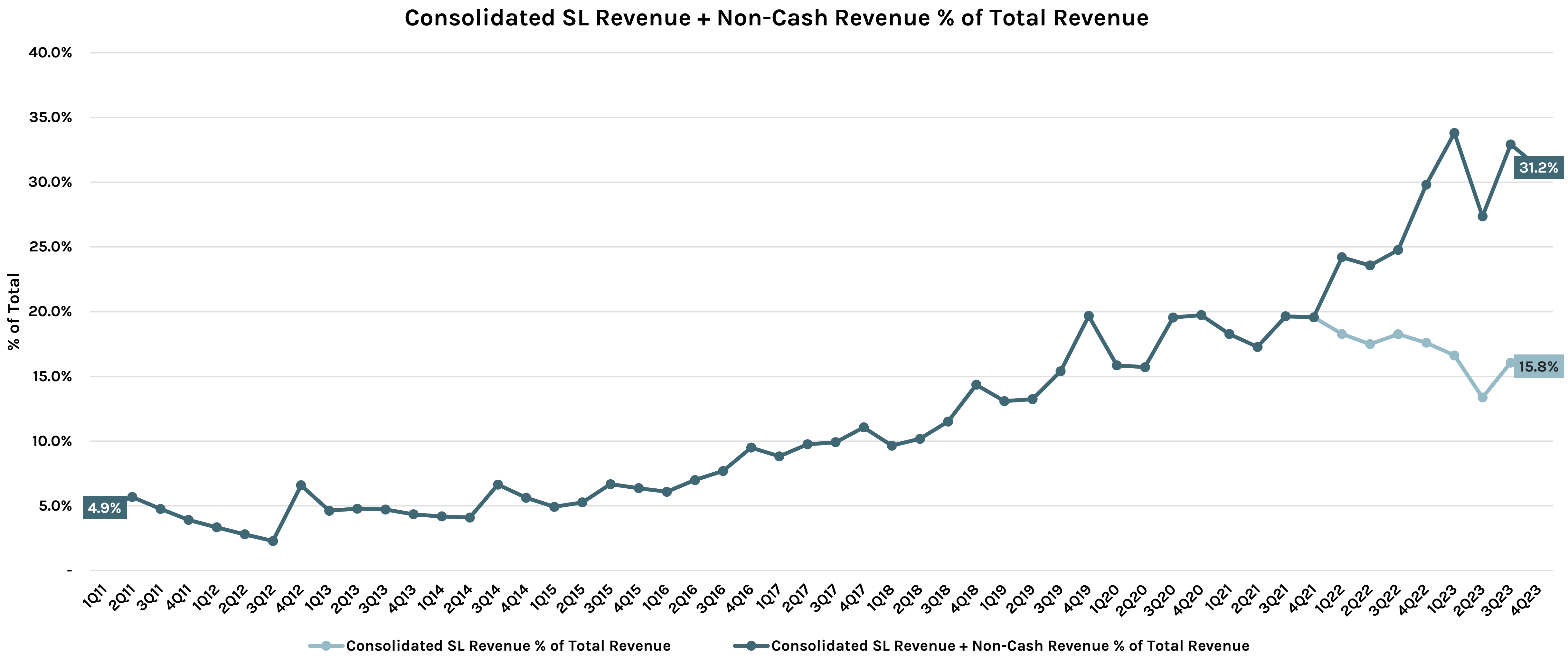
	For the Three Months Ended	
	December 31, 2023	December 31, 2022
FFO INFORMATION:		
Net (loss) income attributable to MPT common stockholders	$ **(663,943)**	$ **(140,474)**
Participating securities' share in earnings	(349)	(567)
Net (loss) income, less participating securities' share in earnings	$ **(664,292)**	$ **(141,041)**
Depreciation and amortization	95,648	98,891
Loss (gain) on sale of real estate	2,024	(99)
Real estate impairment charges	112,112	170,582
Funds from operations	$ **(454,508)**	$ **128,333**
Write-off of billed and unbilled rent and other	499,335	111
Other impairment charges	171,507	112,368
Litigation and other	2,899	-
Share-based compensation adjustments	(6,571)	4,042
Non-cash fair value adjustments	8,405	9,466
Tax rate changes and other	(2,797)	3,796
Debt refinancing and unutilized financing (benefit) costs	(239)	-
Normalized funds from operations	$ **218,031**	$ **258,116**
Certain non-cash and related recovery information:		
Share-based compensation	$ 10,102	$ 12,377
Debt costs amortization	$ 4,933	$ 5,023
Non-cash rent and interest revenue (C)	$ (57,920)	$ (47,216)
Cash recoveries of non-cash rent and interest revenue (D)	$ 2,364	$ 514
Straight-line rent revenue from operating and finance leases	$ (63,282)	$ (72,494)

~$47.2 million non-cash revenue not included when MPW first reported 4Q22 results = ~25% overstatement!

[8][D] | MPW ACTIVELY HID THE DEGREE OF NON-CASH REVENUE OVER MOST OF 2022-2023

HEDGEYE

MPW did not disclose ~$120.5 million and ~$239.6 million of "non-cash rent and interest revenue" in 2022 and 2023, respectively, until 4Q23. This had the impact of massively overstating reported "AFFO."



(1) "Non-cash revenue" allocated ratably across 1Q-3Q22 for both 2022 and 2023.

[9] PRIORY GROUP ("PRIORY")

Note: Hedgeye first explored MPW's Priory transactions on 6.15.22, and then later on 10.23.23.

[9] | PRIORY IS A FASCINATING CASE STUDY

HEDGEYE

- First, we believe that there is an **incorrect perception** among certain investors that **only Steward and Prospect are "problem" tenants** for MPW. This is not true. We would **definitely include Priory on this list**.
- Priory is a significant MPW tenant exposure at roughly ~8% of total assets, and **larger ~10% share of non-Steward rent**.
- Another unusual, **complex transaction utilizing multiple mechanisms** beyond just triple-net leases.
- Most egregious example, in our view, of **targeting proceeds** likely so as to **(1) reduce exposure to Steward**, **(2) "juice" reported "NFFO"** and **(3) increase executive comp**.
- MPW **put up ~100% of the initial capital** for the **WholeCo acquisition**, and most of final capitalization.
- MPW very **clearly overpaid for the real estate** under any objective or reasonable measure.
- The **rent has been unaffordable** from day one of the transaction. This raises further doubts about the usefulness of **MPW's disclosed coverage ratios**.
- **Further capitalized operator** post-initial deal using "creative" mechanisms.
- MPW **utilizes aggressive accounting** practices which have the impact of **inflating MPW's reported "NFFO."**

Data Source: Company Reports, https://medicalpropertiestrust.gcs-web.com/static-files/f061e036-5020-45d1-a597-6df85c4d381e, Hedgeye

[9] | BACKGROUND LEADING UP TO PRIORY DEAL

HEDGEYE

MPW had just finished 2020 with >20% of assets leased to Steward. It would later file a 10-K/A with Steward's audited 2020 financial statements attached. We believe that MPW was again desperate to reduce its Steward concentration to <20%.

PORTFOLIO INFORMATION

TOTAL PRO FORMA GROSS ASSETS AND ACTUAL REVENUE BY OPERATOR

(September 30, 2020)

($ amounts in thousands)

	Pro Forma		Actual	
Operators	Total Gross Assets(A)	Percentage of Total Gross Assets	2020 Revenue(B)	Percentage of 2020 Revenue
Steward Health Care				
Massachusetts market	$ 1,491,782	8.5%	$ 104,152	10.5%
Utah market	1,260,576	7.1%	75,100	7.6%
Texas/Arkansas/Louisiana market	711,911	4.0%	52,821	5.3%
Arizona market	332,239	1.9%	24,722	2.5%
Florida market	221,192	1.3%	11,239	1.1%
Ohio/Pennsylvania market	151,782	0.9%	8,385	0.8%
Circle Health	2,265,174	12.8%	116,175	11.7%
Prospect Medical Holdings	1,588,936	9.0%	115,176	11.6%
MEDIAN	1,206,498	6.8%	66,827	6.7%
LifePoint Health	1,202,434	6.8%	79,794	8.0%
41 operators	6,262,140	35.5%	339,030	34.2%
Other	950,511	5.4%	-	-
Total	**$ 17,645,175**	**100.0%**	**$ 993,421**	**100.0%**

(A) Includes gross real estate assets, other loans, equity investments, and pro rata portion of gross assets in joint venture arrangements, assuming all real estate commitments on new investments and unfunded amounts on development deals and commenced capital improvement projects are fully funded. See press release dated October 29, 2020 for reconciliation of total assets to pro forma total gross assets at September 30, 2020.

(B) Includes revenue from properties owned through joint venture arrangements.

Note: Our largest facility accounts for approximately 3% of total pro forma gross assets.

Explanatory Note

This Amendment No. 1 to the combined Annual Report on Form 10-K for the fiscal year ended December 31, 2020 of Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. is filed for the sole purpose of amending Item 15 of Part IV to include the consolidated financial statements of Steward Health Care System LLC ("Steward"), which were not available at the time the combined Annual Report on Form 10-K was initially filed. At December 31, 2020, our properties leased to Steward constituted more than 20% of our assets and these properties were leased to Steward under long-term, triple-net leases that transfer substantially all operating costs to Steward and Steward's financial statements may thus be material to investors. The audited financial statements of Steward as of, and for the years then ended, December 31, 2020 and 2019 are attached to this report as Exhibit 99.1. These financial statements were provided to us by Steward, and Medical Properties Trust, Inc. did not participate in their preparation or review.

Other than as expressly set forth above, this Amendment does not, and does not purport to, update or restate the information in any other Item of the originally filed annual report. This Amendment consists solely of the preceding cover page, this explanatory note, the information required by Item 15 of Form 10-K as provided in Exhibit 99.1, an updated exhibit index, a signature page, the accountants' consent for Steward's audited financial statements, and the certifications required to be filed as exhibits hereto.

[9] | PRIORY REMAINS AN IMPORTANT TENANT FOR MPW

HEDGEYE

Priory accounts for ~7.6% of MPW's total assets...

TOTAL ASSETS AND REVENUES BY OPERATOR

(December 31, 2023)

($ amounts in thousands)

Operators	Properties	Total Assets[(A)]	Percentage of Total Assets	Q4 2023 Revenues[(B)]	Percentage of Q4 2023 Revenues
Steward Health Care	36				
Florida market		$ 1,348,210	7.4%	$ 26,984	8.0%
Texas/Arkansas/Louisiana market		1,026,315	5.6%	23,444	7.0%
Massachusetts market		727,832	4.0%	5,417	1.6%
Arizona market		288,089	1.6%	8,867	2.6%
Ohio/Pennsylvania market		122,108	0.6%	3,744	1.1%
Utah market		5,983	0.0%	-	0.0%
Circle Health	36	2,119,392	11.6%	49,123	14.6%
Priory Group	37	1,391,005	7.6%	27,551	8.2%
Prospect Medical Holdings	13	1,092,974	6.0%	11,328	3.4%
Lifepoint Behavioral Health[(C)]	19	813,527	4.4%	18,054	5.4%
CommonSpirit Health	5	786,186	4.3%	29,352	8.7%
Swiss Medical Network	19	735,891	4.0%	281	0.1%
MEDIAN	81	660,003	3.6%	7,871	2.3%
Ernest Health	29	619,388	3.4%	18,418	5.5%
Lifepoint Health	8	497,521	2.7%	15,061	4.5%
44 operators	156	4,053,023	22.2%	90,985	27.0%
Other	-	2,017,397	11.0%	-	-
Total	439	$ 18,304,844	100.0%	$ 336,480	100.0%

Note: Investments in operating entities are allocated pro rata based on the gross book value of the real estate. Such pro rata allocations are subject to change from period to period.
(A) Reflects total assets on our consolidated balance sheets.
(B) Reflects actual revenues on our consolidated statements of income, except for $458.9M of reserves for billed rent, straight-line rent, and interest income, primarily related to Steward.
(C) Formerly Springstone.

... and an estimated ~10% of cons. cash rent excl. Steward.

(Amounts in 000s)

Hedgeye-Estimated Priory Annual Cash Rent	
Est. Annual Cash Rent - Original SLB [(1)]	£ 49,553
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (A)	**62,437**
Yield on Cost	6.19%
April 2023 SLB Proceeds	**£ 44,000**
(x) Assumed Yield	6.00%
Est. Annual Cash Rent	**2,640**
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (B)	**3,326**
December 2022 Acquisition	**£ 233,000**
(x) Assumed Yield	6.00%
Est. Annual Cash Rent	**13,980**
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (C)	**17,615**
Total Est. Annual Cash Rent (USD) (= A + B + C)	**83,378**
Est. Qtrly. Cash Rent	20,844
MPW-Reported 4Q23 Cons. Cash Revenue - Accrual Portfolio [(2)]	208,000
Priory Est. % of Cons. Cash Revenue	**10.0%**

Notes:
(1) Rent assumed to grow at 70% of U.K. CPI.
(2) Reported by MPW with 4Q23 results.

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/f061e036-5020-45d1-a597-6df85c4d381e, https://medicalpropertiestrust.gcs-web.com/node/15881/pdf, Hedgeye Estimates

[9] | RENT MATH ROUGHLY "STACKS UP"

HEDGEYE

MPW's SLB + the portfolio acquired by MPW in December 2022 are the leases that existed during 2022. A link to Priory's filings can be found HERE.

Priory Group UK 1 Limited

Notes to the consolidated financial statements

13. Right of use assets and lease liabilities (continued)

Amounts recognised in the statement of cash flows

£'000	**2022**	2021
Operating activities (within operating profit):		
Variable lease payments	**727**	(740)
Payments on short term leases	**267**	399
Payments on leases of low-value assets	**195**	246
Financing activities:		
Repayment of lease liabilities	**10,358**	14,064
Payment of interest on lease liabilities	**49,196**	38,798
	60,743	52,767

The Group leases land and buildings for its operational facilities. Larger facilities typically involve a lease term of between 20 and 30 years, whilst smaller sites, for example adult care facilities, typically involve shorter lease terms of between 3 and 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the initial contractual term. As the exercising of such options are not deemed reasonably certain, such renewal options are generally not taken into account when determining the right of use assets and lease liabilities.

The Group leases motor vehicles with lease terms generally of four years. The Group also leases a number of sundry IT and office equipment with contract terms of up to four years. These leases are for low-value items, and the Group has elected not to recognise right of use assets and lease liabilities for these items.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 6.24%. Lease liabilities in respect of new leases entered into arising from the sale and leaseback transaction were measured using lease payments discounted at the interest rate implicit in the lease, 5.80%. An analysis of undiscounted contractual cash flows is set out in note 24.

(Amounts in 000s)

Hedgeye-Estimated Priory Annual Cash Rent	
Est. Annual Cash Rent - Original SLB [1]	£ 49,553
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (A)	**62,437**
Yield on Cost	6.19%
April 2023 SLB Proceeds	**£ 44,000**
(x) Assumed Yield	6.00%
Est. Annual Cash Rent	**2,640**
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (B)	**3,326**
December 2022 Acquisition	**£ 233,000**
(x) Assumed Yield	6.00%
Est. Annual Cash Rent	**13,980**
(x) GBP/USD	1.26
Est. Annual Cash Rent (USD) (C)	**17,615**
Total Est. Annual Cash Rent (USD) (= A + B + C)	**83,378**
Est. Qtrly. Cash Rent	20,844
MPW-Reported 4Q23 Cons. Cash Revenue - Accrual Portfolio [2]	208,000
Priory Est. % of Cons. Cash Revenue	**10.0%**

Notes:

(1) Rent assumed to grow at 70% of U.K. CPI.

(2) Reported by MPW with 4Q23 results.

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[9] | FIRST ACADIA SOLD PRIORY TO WATERLAND PE ("WATERLAND") FOR ~£1.078 BILLION

HEDGEYE

Acadia Healthcare Press Release HERE

ACADIA
HEALTHCARE

Acadia Healthcare Announces Definitive Agreement to Sell U.K. Operations

December 30, 2020

FRANKLIN, Tenn.--(BUSINESS WIRE)--Dec. 30, 2020-- Acadia Healthcare Company, Inc. (NASDAQ: ACHC) ("Acadia" or the "Company") today announced that it has entered into a definitive agreement to sell its U.K. operations to Waterland Private Equity ("Waterland") for a purchase price of approximately £1,078 million. The Company expects the sale to result in proceeds of approximately $1,350 million, net of transaction costs and the settlement of existing foreign currency hedging liabilities and based on the current GBP/USD exchange rate. The proposed transaction is expected to close in January 2021. The transaction includes the sale of the entirety of Acadia's U.K. business operations, which are operated under the name of The Priory Group (the "Priory Business").

Commenting on the announcement, Debbie Osteen, Chief Executive Officer of Acadia, stated, "We are pleased to announce that we have entered into a definitive agreement to sell the Priory Business to Waterland. Since announcing our decision to explore strategic alternatives with respect to the Priory Business, our primary objective has always been to complete a transaction that would maximize value for our stockholders. Following a comprehensive process, we believe we have achieved this objective. We intend to use the proceeds to pay down debt and for other corporate purposes. We believe we are well positioned to meet the strong demand for mental health and substance use treatment across the U.S. We will continue to focus on delivering the highest level of patient care and advancing our position as a leading behavioral healthcare facilities operator in the U.S."

The Guardian Article HERE

Mergers and acquisitions

This article is more than **2 years old**

Priory rehab clinics sold to private equity firm for £1.1bn

Waterland deal will create one of world's largest private mental health services providers

Rupert Neate *Wealth correspondent*

@RupertNeate

Wed 30 Dec 2020 13.01 EST

The Priory Group's Roehampton clinic, south London, has treated various celebrities. Photograph: Alamy

[9] | DAYS LATER MPW ANNOUNCED FINANCING

HEDGEYE

~£800 million transaction first announced HERE on 1.6.21. Curiously, MPW pre-funded the real estate acquisition via a secured loan to be later converted to SLBs. MPW also funded an acquisition loan to Waterland + acquired a 9.9% equity stake in Priory.

MPT to Own Critical Real Estate of Europe's New Dominant Comprehensive Rehabilitation Provider

Solidifies MPT's Leading Position in UK Healthcare Real Estate Market

BIRMINGHAM, Ala.--(BUSINESS WIRE)--Jan. 6, 2021-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has entered into definitive agreements to acquire a portfolio of select behavioral health facilities located in the United Kingdom for approximately £800 million, plus customary stamp duty tax and other transaction costs. The facilities are currently owned and operated by leading UK behavioral health provider Priory Group ("Priory") and, in a related transaction, affiliates of Waterland Private Equity Investments ("Waterland") will acquire the operations of Priory from Acadia Healthcare ("Acadia") (NASDAQ: ACHC) following a competitive process. Following Waterland's acquisition of Priory, the properties MPT will acquire will be subject to long-term sale-leaseback agreements with Priory. Waterland is the parent of MPT's German post-acute tenant MEDIAN Kliniken ("MEDIAN") and plans to combine the Priory and MEDIAN platforms to create Europe's leading comprehensive medical and behavioral rehabilitation services provider.

The sale-leaseback agreements are expected to provide MPT a GAAP-basis yield of 8.6% and were underwritten based on initial lease payment coverage of approximately 2.0 times EBITDAR. The Company expects coverage to expand as strategic and operating initiatives are executed and as the result of anticipated robust growth in the UK behavioral health marketplace. The portfolio is substantially comprised of Priory's most acute behavioral health facilities and will be subject to a cross-defaulted, master lease structure with a strong-credit parent guaranty. The leases will carry an initial fixed term of 25 years, two 10-year extension options, and annual rent escalators linked to UK inflation and subject to a 2% floor. The sale-leaseback transactions are expected to close during the first half of 2021, subject to customary closing conditions.

Pursuant to the definitive agreements, the Company will pre-fund the £800 million real estate purchase price by way of a secured interim acquisition loan to Waterland in the same amount, which will bear interest at a market rate and will be funded at the closing of Waterland's acquisition of Priory, which is expected in the first quarter of 2021. As the sale-leaseback transactions are completed in the first half of 2021, the outstanding principal of the loan will be reduced and offset against the real estate purchase price payable by the Company. In addition, at the time of closing of Waterland's acquisition of Priory, the Company will provide a separate short-term bridge loan of £250 million to the purchaser at a market rate and also acquire a 9.9% interest in the equity of the operator for a nominal amount.

[9] | MPW CLEARLY SIGNIFICANTLY OVERPAID

HEDGEYE

Priory's 2021 financial statements, which discuss MPW's January 2021 SLB, can be found HERE.

Accumulated depreciation and impairment					
At 1 January 2020	264,421	-	82,829	1,350	348,600
Charge for the year	21,365	-	31,966	79	53,410
Disposals	(3,982)	-	(23,265)	(313)	(27,560)
Impairment	47,959	-	32,742	-	80,701
Transferred to current assets	1,081	-	(9)	-	1,072
At 31 December 2020	330,844	-	124,263	1,116	456,223
Charge for the year	16,914	-	29,953	-	46,867
Disposals	(188,570)	-	(52,054)	(1,116)	(241,740)
Impairment	25,332	-	6,046	-	31,378
At 31 December 2021	**184,520**	**-**	**108,208**	**-**	**292,728**
Net book value					
At 31 December 2021	**382,497**	**998**	**71,105**	**-**	**454,600**
At 31 December 2020	965,834	3,840	110,580	1	1,080,255

Property, plant and equipment was impaired by £31.4m in the year – this related to a number of unprofitable, restructured and/or closed facilities in the Healthcare and Adult Care divisions. Following the impairments, these properties are carried at a value not exceeding the higher of their value in use and fair value less costs to sell.

Fixed assets with a carrying value of £468.8m were disposed of as part of the sale and leaseback transaction. Total proceeds were £801.3m realising a profit on disposal of £41.4m, after accounting for the resulting leases under IFRS16.

The depreciation charge for the year of £46.9m includes £40.9m relating to continuing operations and £6.0m relating to discontinued operations.

At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.4m (2020: £0.4m).

- We believe that lease affordability by the tenant/operator is the ultimate determinant of "value" for long-term, single-tenant triple-net leased assets with no alternative highest-and-best use.
- Clearly MPW paid nearly ~2x Priory's carrying value for the unencumbered assets, and then encumbered those assets with above-market, unaffordable lease obligations.

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[9] | "WORKING IN REVERSE?" THE MOST EGREGIOUS EXAMPLE OF "TARGETING PROCEEDS"

HEDGEYE

MPW (1) started with a funding amount via the secured loan, and then (2) "backfilled" that amount by choosing locations. It did not reduce the price when it acquired the low-end of 35 hospitals. Targeting amount for comp + reducing Steward?

- **CEO Ed Aldag**: So, _____, it is approximately, **it's somewhere between 35 and 40 hospitals**. And you remember that. As I've said earlier, Priory has a total of 300-plus facilities, but many of those are very small facilities that don't fit our model. So if you look at their overall EBITDARM numbers, the vast majority of that comes from these 35, 40 facilities that we acquired. – **4Q20 Earnings Call held on 2.4.21**

- **CFO Steve Hamner**: Well, that will start – the straight-line will start as we close each facility as Ed mentioned. And just by way of a little background, we **agreed with Waterland to provide £800 million of real estate financing** and it is **our discretion as to which of the hundreds of facilities** that the Priory owns and operates, **we choose and that's why, Ed, comes up with a 35 to 40 facilities. We're in the process of selecting our facilities.** That process then will lead to periodic closings of those facilities and as each facility is closed, we'll start recognizing the straight-line component of the master lease agreement. – **4Q20 Earnings Call held on 2.4.21**

- **On January 19, 2021, we completed the first of two phases in the Priory transaction in which we funded an £800 million interim mortgage loan** on an identified portfolio of Priory real estate assets in the United Kingdom. **On June 25, 2021, we completed the second phase** of the transaction in which **we converted this mortgage loan to fee simple ownership in a portfolio of 35 select real estate assets** from Priory (which is currently owned by Waterland Private Equity Fund VII C.V. ("Waterland VII")) in individual sale-and-leaseback transactions. The applicable purchase price for the assets was paid by us by proportionally converting and reducing the principal balance of the interim mortgage loan we made to Waterland VII in phase one. Therefore, **the net aggregate purchase price for the real estate assets we acquired from Priory was approximately £800 million**, plus customary stamp duty, tax, and other transaction costs. As part of the real estate acquisition (for which some of the assets were acquired by the share purchase of real estate holding entities), we incurred deferred income tax liabilities and other liabilities of approximately £47.1 million. **– 2021 10-K**

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

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- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[9] | MPW FINANCED 100% OF INITIAL ACQUISITION, LARGE PORTION OF FINAL CAPITALIZATION

HEDGEYE

As we have seen time and time again with MPW, **management used shareholder capital to finance entire initial acquisition of the WholeCo via a mortgage + "bridge" loan.** It later **participated in term loan refinancing + bought ~9.9% equity stake in the OpCo.**

__Timeline of Key Events:__

- **1.6.21** – MPW announced Priory ~£1.1 billion transaction.
- **1.7.21** – MPW priced ~$711 million follow-on equity offering, with portion of proceeds to partially fund Priory transaction.
- **1.15.21** – MPW entered into ~$900 million interim credit facility and borrowed ~£500 million (~$700 million) to partially fund Priory transaction.
- **1.19.21** – MPW completed first step of transaction, in which MPW funded an ~£800 million mortgage loan + a ~£250 million acquisition loan to Waterland (~$1.4 billion total) to acquire Priory.
- **3.26.21** – Interim credit facility repaid with proceeds from 2026 and 2030 unsecured note issuance by MPW.
- **6.25.21** – Second step completed, during which MPW gradually converted the mortgage balance to a SLB on the 35 initial assets.
- **10.13.21** – **MPW funded ~£27 million to Priory to "maintain" ~9.9% equity stake in Priory**.
- **10.22.21** – Original MPW acquisition loan repaid.
- **2.16.22** – As disclosed in the 1Q22 10-Q filed on 5.10.22, **MPW funded ~£96.5 million toward a ~£100 million participation (estimated ~40%) in a syndicated Priory TL**. This funding was **NOT disclosed as a subsequent event in the 2021 10-K filed on 3.1.22**, despite Priory representing an estimated ~6% of MPW's pro forma gross assets at the time (excl. HCA, which never closed on the contemplated Steward Utah acquisition).

[9] | THIS IS NOT A REAL ESTATE DEAL!

HEDGEYE

We estimate that **MPW financed roughly ~85% of the total Priory PropCo + OpCo capitalization.** Unclear how much, if any, equity capital was contributed by Waterland for its ~90.1% equity stake. MPW participated in ~40% of TL refinancing **= Asymmetric risk!**

GBP Amounts in 000s

Uses of Funds	Amount	%
Purchase Price	£ 1,073,000	99.6%
Est. Fees / Expenses (1)	4,000	0.4%
Total Uses	**£ 1,077,000**	**100.0%**

Sources of Funds	Amount	%
Waterland Equity Contribution	-	-
MPW Equity Contribution	27,000	2.5%
MPW Initial Mortgage / SLB	800,000	74.3%
MPW TL Participation	96,500	9.0%
3rd-Party TL Participation (2)	153,500	14.3%
Total Sources	**£ 1,077,000**	**100.0%**

Total Capital Contributed	Amount	%
MPW	**£ 923,500**	**85.7%**
Others	153,500	14.3%
Total	**£ 1,077,000**	**100.0%**

Implied Equity Ownership	Amount	%
Waterland	£ 245,727	90.1%
MPW (3)	27,000	9.9%
Total	**£ 272,727**	**100.0%**

Notes:

(1) Plug to solve for excess of Sources of Funds over the stated purchase price for Priory.

(2) Estimated 3rd-party debt capital to refinance ~GBP 250 million acquisition loan.

(3) MPW disclosed investment to "maintain" 9.9% equity stake in Priory.

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[9] | PRIORY HAS BEEN BURNING CASH SINCE MPW'S SLB

HEDGEYE

Despite reporting positive "Adj. EBITDA," Priory's cash flow has been negative and the company has burned ~£40 million of cash since the beginning of 2021. Note that "Operating Profit" and "Adj. EBITDA" appear to include net gains and impairments.

Priory Group UK 1 Limited

Consolidated statement of cash flows for the year ended 31 December 2022

£'000	Note	Year ended 31 December 2022	Year ended 31 December 2021 (restated*)
Operating activities			
Operating profit		41,203	74,696
Profit on disposal of property, plant and equipment		(23,390)	(44,409)
Depreciation of property, plant and equipment and right of use assets	12	61,014	71,775
Amortisation of intangible assets	4	-	-
Net impairment of non-current assets	7	18,283	39,326
Non-cash exceptional items		-	1,403
(Increase)/decrease in inventories		(29)	71
Decrease/(increase) in trade and other receivables		9,302	(16,553)
(Decrease)/increase in trade and other payables		(28,994)	25,209
Post-employment benefits		(2,250)	(1,780)
		75,139	149,738
Taxation		881	(67,425)
Net cash generated from operating activities		76,020	82,313
Investing activities			
Interest income	8	92	56
Proceeds from disposal of property, plant and equipment		12,262	13,360
Purchases of property, plant and equipment		(38,359)	(44,301)
Proceeds from sale and leaseback transaction		-	801,252
Proceeds from sale of Education division (less divested cash)		-	138,292
Net cash (used in)/generated from investing activities		(26,005)	908,659
Financing activities			
Repayment of obligations under lease liabilities		(10,358)	(14,064)
Proceeds from borrowings		-	19,137
Repayment of borrowings		-	(875,056)
Interest paid on lease liabilities		(49,196)	(38,798)
Interest paid on borrowings		-	(117,104)
Net cash used in from financing activities		(59,554)	(1,025,885)
Net decrease in cash		(9,539)	(34,913)
Cash at the beginning of the year	16	20,058	54,971
Cash at the end of the year	16	10,519	20,058

Priory Group UK 1 Limited

Consolidated income statement for the year ended 31 December 2022

£'000	Note	Year ended 31 December 2022	Year ended 31 December 2021 (restated*)
Continuing operations			
Revenue	3	712,182	721,010
Operating costs	4	(671,089)	(656,705)
Exceptional items	7	(167)	(12,621)
Other operating income	13	277	277
Operating profit	3	41,203	51,961
Analysed as:			
Adjusted EBITDA		102,384	127,483
Depreciation	4	(61,014)	(62,901)
Amortisation	4	-	-
Exceptional items	7	(167)	(12,621)
Operating profit		41,203	51,961
Finance costs	8	(69,297)	(89,461)
Finance income	8	171	56
Loss before tax		(27,923)	(37,444)
Income tax	9	12,015	(39,491)
Loss from continuing operations		(15,908)	(76,935)
Profit from discontinued operations	10	-	170,954
(Loss)/profit for the year		(15,908)	94,019

*See Note 2(v) for details of restatement.

Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items. All are 'non-GAAP measures' as they are not measures defined within IFRS and are discussed in more detail in note 2.

[9] | PRIORY'S CASH FLOW COVERAGE HAS BEEN <1x

HEDGEYE

GBP Amounts in 000s

Rent Coverage - EBITDAR	Dec-21	Dec-22
Revenue	721,010	712,182
(-) Operating Costs [1]	(593,804)	(610,075)
(-) Depreciation	(62,901)	(61,014)
(-) Amortization	-	-
(-) Exceptional Items	(12,621)	(167)
(-) Other Operating Income	277	277
Operating Income	**51,961**	**41,203**
(+) Depreciation	62,901	61,014
(+) Amortization	-	-
(+) Exceptional Items	12,621	167
Reported EBITDA	**127,483**	**102,384**
(+) Rent Expenses [2]	(95)	1,189
EBITDAR	**127,388**	**103,573**
Margin %	17.7%	14.5%
Y/Y Chg. - %		-18.7%
(+) Impact of Disc. Operations [3]	22,735	-
(-) Gain on Sale of PP&E [4]	(44,409)	(23,390)
(-) Net Impairment [4]	39,326	18,283
Hedgeye Adj. EBITDAR	**145,040**	**98,466**
(-) Capital Expenditures [5]	(44,301)	(38,359)
Hedgeye Adj. EBITDAR - Capex	**100,739**	**60,107**
Cash Rent - Financing Activities [6]	52,767	60,743
Non-Lease Finance Costs	54,314	20,151
Capex % of Revenues	6.1%	5.4%

Hedgeye Coverage Metrics:

	Dec-21	Dec-22
EBITDAR / Rent Coverage	2.41x	1.71x
Adj. EBITDAR / Rent Coverage	2.75x	1.62x
Adj. EBITDAR / (Rent + Int.) Coverage	1.35x	1.22x
(Adj. EBITDAR - Capex) / Rent Coverage	1.91x	0.99x
(Adj. EBITDAR - Capex) / (Rent + Int.) Coverage	0.94x	0.74x

GBP Amounts in 000s

Rent Coverage - Cash Flow	Dec-21	Dec-22
Net Cash from Operating Activities (OCF)	82,313	76,020
(-) Capital Expenditures [5]	(44,301)	(38,359)
Unlevered FCF (FCF)	**38,012**	**37,661**

Hedgeye Coverage Metrics:

	Dec-21	Dec-22
OCF / Rent Coverage	1.56x	1.25x
FCF / Rent Coverage	0.72x	0.62x
FCF / (Rent + Interest) Coverage	0.35x	0.47x

Notes:

(1) Adjusted to exclude reported D&A.
(2) Majority included within "Finance Costs" on the P&L.
(3) Priory disposed of the Education segment in 2021.
(4) Based on Priory IFRS reporting of Statement of Cash Flows, it appears that Operating Profit includes gains on sale + net impairments.
(5) Capex as reported on Priory's Statement of Cash Flows.
(6) Rent expenses + cash flows reported in "Financing Activities" of Statement of Cash Flows.

- Again, the Priory MLA is cross-defaulted and parent-guaranteed. It is a corporate obligation.
- MPW's "EBITDARM" coverage appears to us both overstated + does not give credit to corporate overhead or capex.
- Our calculation of 2022 Adj. EBITDAR, adjusted for one-time gains and net impairments, barely covers cash rent + non-lease interest.
- Adj. EBITDAR – Capex does not cover cash rent + interest.
- **Moreover, our calculation of Unlevered FCF does not cover cash rent, which are recorded as items in the "Financing" section of the CF Statement.**
- The Priory OpCo generates FCF of ~GBP 38 million per year.
- **Priory has NOT covered MPW's rent with true cash flow since the original deal in 2021.**

[9] | HOPELESSLY OVER-LEVERAGED, APRIL 2023 TRANSACTION MADE COVERAG WORSE

HEDGEYE

- **We estimate that Priory was leveraged at >11x Adj. Net Debt/EBITDAR coming out of 2022 when giving effect to capitalized operating leases.**
- We estimate that the April 2023 SLB transaction with MPW added an incremental ~GBP 2.6 million in annual cash rent.
- This definitionally makes pro forma coverage metrics worse.
- April 2023 SLB proceeds represent roughly ½ year of Priory's estimated annual cash rent obligations.
- **A subtle point here, but if the OpCo is "worth" ~6-8x EBITDA/EBITDAR, the structure is underwater and MPW's OpCo stake has no value.**
- This looks a lot like Steward from our first deck in April 2022, just smaller and outside the U.S.
- **The rent is not affordable and Priory is likely insolvent = MORE OF THE SAME!**

GBP Amounts in 000s

Priory PF Debt Stack	Dec-21	Dec-22	+	Apr-23 MPW SLB [1]	=	Pro Forma Dec-22
Balances:						
Total Borrowings	280,431	300,514				300,514
Capitalized Operating Leases [2]	831,770	826,586		44,000		870,586
Adj. Total Debt	**1,112,201**	**1,127,100**				**1,171,100**
Cash	(20,058)	(10,519)		(44,000)		(54,519)
Adj. Net Debt	**1,092,143**	**1,116,581**				**1,116,581**
Hedgeye Adj. EBITDA	145,135	97,277				
Hedgeye Adj. EBITDAR	145,040	98,466				98,466
Hedgeye Adj. EBITDAR - Capex	100,739	60,107				60,107
Cash Rent	52,767	60,743		2,640		63,383
Non-Lease Financing Costs	54,314	20,151				20,151
Unlevered FCF (FCF)	38,012	37,661				37,661
Adj. Total Debt / EBITDAR	**7.7x**	**11.4x**				**11.9x**
Adj. Net Debt / EBITDAR	**7.5x**	**11.3x**				**11.3x**
Adj. EBITDAR / (Rent + Int.) Coverage	**1.35x**	**1.22x**				**1.18x**
(Adj. EBITDAR - Capex) / (Rent + Int.) Coverage	**0.94x**	**0.74x**				**0.72x**
FCF / (Rent + Interest) Coverage	**0.35x**	**0.47x**				**0.45x**

Notes:

(1) Reflects April 2023 SLB only. December 2022 acquisition was executed with a non-Priory third-party.

(2) Assumes values recorded on Priory's reported 2021/2022 balance sheets + value of April 2023 SLB excl. any taxes.

PRIORY | … AND THEN "CAME OVER THE TOP" FOR MORE LATER

HEDGEYE

In 2Q23, MPW acquired five additional facilities in a SLB from Priory (35 + 5 = original 40!) for an additional ~£44 million → additional capital injected into OpCo.

- On April 14, 2023, **we acquired five behavioral health hospitals located in the United Kingdom for approximately £44 million**. These hospitals are leased to Priory Group ("Priory") pursuant to five separate lease agreements with annual inflation-based escalators. – **2Q23 10-Q**

Summary:

- For the initial transaction, MPW "worked in reverse." It acquired the low-end of its targeted facility range and took no downward purchase price adjustment. Simultaneously, it capitalized the WholeCo.
- Later in 2023, MPW acquired additional facilities for additional capital.
- In our view, this was a clear **"red flag"** in early-2023 that something was seriously wrong at MPW.
- At the time **MPW's unsecured bonds** were trading at significant discounts to par and **yielding nearly ~10%.** Rather than tendering for those bonds at a discount, **MPW instead acquired mid-single-digit yielding U.K. hospital real estate**.
- We believe that this **was done to further capitalize the operator** + potentially **hit acquisition targets under comp plan**. We cannot come up with another logical reason as to why MPW would make this capital allocation decision.
- We estimate this **capital injection represented just under ~1 year of rent** under the **initial 2021 SLB transaction**.

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[9] | JUST LIKE STEWARD, DISCLOSED GAAP YIELD DOESN'T MAKE SENSE...

HEDGEYE

Amounts in 000s

Assumptions	
Purchase Price (GBP 000s)	800,000
Calculated Annual GAAP Yield	6.9%
Initial Lease Term	25 Years
Minimum Annual Escalator	2.0%
Implied Initial Cash Yield - Year 1	5.4%

Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Minimum Rent Δ	Unlevered GAAP Yield	Unlevered Cash Yield
1	-	800,000	800,000	55,476	43,300		6.9%	5.4%
2	800,000	-	800,000	55,476	44,166	2.0%	6.9%	5.5%
3	800,000	-	800,000	55,476	45,049	2.0%	6.9%	5.6%
4	800,000	-	800,000	55,476	45,950	2.0%	6.9%	5.7%
5	800,000	-	800,000	55,476	46,869	2.0%	6.9%	5.9%
6	800,000	-	800,000	55,476	47,807	2.0%	6.9%	6.0%
7	800,000	-	800,000	55,476	48,763	2.0%	6.9%	6.1%
8	800,000	-	800,000	55,476	49,738	2.0%	6.9%	6.2%
9	800,000	-	800,000	55,476	50,733	2.0%	6.9%	6.3%
10	800,000	-	800,000	55,476	51,748	2.0%	6.9%	6.5%
11	800,000	-	800,000	55,476	52,782	2.0%	6.9%	6.6%
12	800,000	-	800,000	55,476	53,838	2.0%	6.9%	6.7%
13	800,000	-	800,000	55,476	54,915	2.0%	6.9%	6.9%
14	800,000	-	800,000	55,476	56,013	2.0%	6.9%	7.0%
15	800,000	-	800,000	55,476	57,133	2.0%	6.9%	7.1%
16	800,000	-	800,000	55,476	58,276	2.0%	6.9%	7.3%
17	800,000	-	800,000	55,476	59,442	2.0%	6.9%	7.4%
18	800,000	-	800,000	55,476	60,630	2.0%	6.9%	7.6%
19	800,000	-	800,000	55,476	61,843	2.0%	6.9%	7.7%
20	800,000	-	800,000	55,476	63,080	2.0%	6.9%	7.9%
21	800,000	-	800,000	55,476	64,342	2.0%	6.9%	8.0%
22	800,000	-	800,000	55,476	65,628	2.0%	6.9%	8.2%
23	800,000	-	800,000	55,476	66,941	2.0%	6.9%	8.4%
24	800,000	-	800,000	55,476	68,280	2.0%	6.9%	8.5%
25	800,000	-	800,000	55,476	69,645	2.0%	6.9%	8.7%
					1,386,912			

- MPW disclosed a GAAP yield of ~8.6% for the initial Priory SLB.
- The Times disclosed initial annual cash rent of ~£43.3 million under SLB.
- When applying a +2% annual escalator floor over the initial 25-year lease term, this implies a GAAP yield of ~6.9% and an initial cash yield of ~5.4%.
- Analysis compares annual forecasted cash rent and implied GAAP rent to initial ~£800 million purchase price for the real estate paid by MPW by converting mortgage into SLB.
- ~6.9% does not equal the disclosed ~8.6% GAAP yield.
- Illustrates massive delta between GAAP/cash economics over long lease terms used across MPW's portfolio. Lease does not deliver 8%+ cash yield until year 20 using escalator floor.
- However...

[9] | ... UNLESS YOU ASSUME TENANT EXTENSIONS EXERCISED!

HEDGEYE

- We ran the analysis again, but this time assumed exercise of 2 10-year tenant extension options for a fully-extended 45-year term.
- In this scenario, **the aggregate cash rent payments equated to the disclosed GAAP yield of ~8.6%.**
- **= HIGHLY AGGRESSIVE ACCOUNTING.**
- MPW is now in year 3 of the initial 25-year term, and the tenant is already showing signs of financial stress. MPW's "NFFO" and EBITDA calculations inclusive of straight-line rent, which are used as comp plan modifiers, appear to reflect ~45 years of term from this one lease.
- **We estimate this adds roughly ~$0.02/share to "NFFO" to MPW's annual run-rate from just this one lease.**
- Separately, MPW in 3Q22 wrote off future Prime straight-line rent despite end of the initial lease term, implying same practice used elsewhere.
- **= More evidence of POOR EARNINGS QUALITY.**

Assumptions	
Purchase Price (GBP 000s)	800,000
Calculated Annual GAAP Yield	8.6%
Initial Lease Term	45 Years
Minimum Annual Escalator	2.0%
Implied Initial Cash Yield - Year 1	**5.4%**

Incremental "NFFO" From Extension Options	
Implied GAAP Rent - 45 Years	69,177
(-) Implied GAAP Rent - 25 Years	(55,476)
Incremental Rent	**13,700**
(/) Wtd. Avg. Shares O/S	598,344
Incremental NFFO / Share	**0.02**

Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Minimum Rent Δ	Unlevered GAAP Yield	Unlevered Cash Yield
1	-	800,000	800,000	69,177	43,300		8.6%	5.4%
2	800,000	-	800,000	69,177	44,166	2.0%	8.6%	5.5%
3	800,000	-	800,000	69,177	45,049	2.0%	8.6%	5.6%
4	800,000	-	800,000	69,177	45,950	2.0%	8.6%	5.7%
5	800,000	-	800,000	69,177	46,869	2.0%	8.6%	5.9%
6	800,000	-	800,000	69,177	47,807	2.0%	8.6%	6.0%
7	800,000	-	800,000	69,177	48,763	2.0%	8.6%	6.1%
8	800,000	-	800,000	69,177	49,738	2.0%	8.6%	6.2%
9	800,000	-	800,000	69,177	50,733	2.0%	8.6%	6.3%
10	800,000	-	800,000	69,177	51,748	2.0%	8.6%	6.5%
11	800,000	-	800,000	69,177	52,782	2.0%	8.6%	6.6%
12	800,000	-	800,000	69,177	53,838	2.0%	8.6%	6.7%
13	800,000	-	800,000	69,177	54,915	2.0%	8.6%	6.9%
14	800,000	-	800,000	69,177	56,013	2.0%	8.6%	7.0%
15	800,000	-	800,000	69,177	57,133	2.0%	8.6%	7.1%
16	800,000	-	800,000	69,177	58,276	2.0%	8.6%	7.3%
17	800,000	-	800,000	69,177	59,442	2.0%	8.6%	7.4%
18	800,000	-	800,000	69,177	60,630	2.0%	8.6%	7.6%
19	800,000	-	800,000	69,177	61,843	2.0%	8.6%	7.7%
20	800,000	-	800,000	69,177	63,080	2.0%	8.6%	7.9%
21	800,000	-	800,000	69,177	64,342	2.0%	8.6%	8.0%
22	800,000	-	800,000	69,177	65,628	2.0%	8.6%	8.2%
23	800,000	-	800,000	69,177	66,941	2.0%	8.6%	8.4%
24	800,000	-	800,000	69,177	68,280	2.0%	8.6%	8.5%
25	800,000	-	800,000	69,177	69,645	2.0%	8.6%	8.7%
26	800,000	-	800,000	69,177	71,038	2.0%	8.6%	8.9%
27	800,000	-	800,000	69,177	72,459	2.0%	8.6%	9.1%
28	800,000	-	800,000	69,177	73,908	2.0%	8.6%	9.2%
29	800,000	-	800,000	69,177	75,386	2.0%	8.6%	9.4%
30	800,000	-	800,000	69,177	76,894	2.0%	8.6%	9.6%
31	800,000	-	800,000	69,177	78,432	2.0%	8.6%	9.8%
32	800,000	-	800,000	69,177	80,001	2.0%	8.6%	10.0%
33	800,000	-	800,000	69,177	81,601	2.0%	8.6%	10.2%
34	800,000	-	800,000	69,177	83,233	2.0%	8.6%	10.4%
35	800,000	-	800,000	69,177	84,897	2.0%	8.6%	10.6%
36	800,000	-	800,000	69,177	86,595	2.0%	8.6%	10.8%
37	800,000	-	800,000	69,177	88,327	2.0%	8.6%	11.0%
38	800,000	-	800,000	69,177	90,094	2.0%	8.6%	11.3%
39	800,000	-	800,000	69,177	91,896	2.0%	8.6%	11.5%
40	800,000	-	800,000	69,177	93,733	2.0%	8.6%	11.7%
41	800,000	-	800,000	69,177	95,608	2.0%	8.6%	12.0%
42	800,000	-	800,000	69,177	97,520	2.0%	8.6%	12.2%
43	800,000	-	800,000	69,177	99,471	2.0%	8.6%	12.4%
44	800,000	-	800,000	69,177	101,460	2.0%	8.6%	12.7%
45	800,000	-	800,000	69,177	103,489	2.0%	8.6%	12.9%
					3,112,954			

[9] | HERE'S THE KICKER – PRIORY DOES NOT ASSUME OPTION EXERCISE!

HEDGEYE

"... Exercising of such options are not deemed reasonably certain,..." So, either MPW is overstating recorded income from its asset, or Priory is understating the lease liability on its balance sheet. You just cannot make it up!

Priory Group UK 1 Limited

Notes to the consolidated financial statements

13. Right of use assets and lease liabilities (continued)

Amounts recognised in the statement of cash flows

£'000	2022	2021
Operating activities (within operating profit):		
Variable lease payments	727	(740)
Payments on short term leases	267	399
Payments on leases of low-value assets	195	246
Financing activities:		
Repayment of lease liabilities	10,358	14,064
Payment of interest on lease liabilities	49,196	38,798
	60,743	52,767

The Group leases land and buildings for its operational facilities. Larger facilities typically involve a lease term of between 20 and 30 years, whilst smaller sites, for example adult care facilities, typically involve shorter lease terms of between 3 and 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the initial contractual term. As the exercising of such options are not deemed reasonably certain, such renewal options are generally not taken into account when determining the right of use assets and lease liabilities.

[9] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- **Go to extraordinary lengths to hide efforts and obfuscate operator performance.**

[9] | MORE REPORTED COVERAGE METRIC ISSUES? WHAT DO THESE NUMBERS ACTUALLY MEAN?

HEDGEYE

PORTFOLIO INFORMATION

Represents that the rent is "covered" or affordable.

TOTAL PORTFOLIO TTM EBITDARM RENT COVERAGE INCLUSIVE OF ALL CARES ACT GRANTS

EBITDARM RENT COVERAGE: OPERATORS WITH PROPERTY-LEVEL REPORTING

Tenant	Net Investment (in thousands)[(A)]	Primary Property Type	TTM EBITDARM Rent Coverage
Steward Health Care	$ 3,530,257	General Acute	2.6x
Priory Group	850,574	Behavioral	2.2x
Prospect Medical Holdings[(B)]	663,256	General Acute	1.0x
MEDIAN	592,249	IRF	1.6x
Prime Healthcare	570,537	General Acute	3.0x
Ernest Health	544,629	IRF/LTACH	2.4x
Vibra Healthcare	244,682	IRF/LTACH	2.1x
Aspris Children's Services	240,032	Behavioral	2.3x
Surgery Partners	162,785	General Acute	7.3x
Ardent Health Services	87,909	General Acute	6.6x
Other Reporting Tenants	632,396	Various	2.7x
Total	**$ 8,119,306**		**2.5x**

- **MPW's EBITDARM Definition: EBITDARM is facility-level earnings before** interest, taxes, depreciation, amortization, rent and **management fees**. EBITDARM includes normal GAAP expensed maintenance and repair costs. **EBITDARM does not give effect for capitalized expenditures that extend the life or improve the facility and equipment in a way to drive more future revenues**. The majority of these types of capital expenditures are financed and do not have an immediate cash impact. MPT's rent is not subordinate to capitalized expenses. 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…
- **Key Points**: Parent-guaranteed MLA (corporate obligation), yet **no impact reflected from corporate overhead, capex or actual cash burn**.

[10] SWISS MEDICAL NETWORK ("SMN") & INFRACORE

Note: Transactions first examined by third-party research firm Viceroy Research. We wrote our first note on SMN/Infracore on 9.28.23.

[10] | SMN IS A TOP CURRENT TENANT EXPOSURE

HEDGEYE

SMN represented ~4% of MPW's total assets…

TOTAL ASSETS AND REVENUES BY OPERATOR

(December 31, 2023)

($ amounts in thousands)

Operators	Properties	Total Assets[A]	Percentage of Total Assets
Steward Health Care	36		
Florida market		$ 1,348,210	7.4%
Texas/Arkansas/Louisiana market		1,026,315	5.6%
Massachusetts market		727,832	4.0%
Arizona market		288,089	1.6%
Ohio/Pennsylvania market		122,108	0.6%
Utah market		5,983	0.0%
Circle Health	36	2,119,392	11.6%
Priory Group	37	1,391,005	7.6%
Prospect Medical Holdings	13	1,092,974	6.0%
Lifepoint Behavioral Health[C]	19	813,527	4.4%
CommonSpirit Health	5	786,186	4.3%
Swiss Medical Network	19	735,891	4.0%
MEDIAN	81	660,003	3.6%
Ernest Health	29	619,388	3.4%
Lifepoint Health	8	497,521	2.7%
44 operators	156	4,053,023	22.2%
Other	-	2,017,397	11.0%
Total	439	$ 18,304,844	100.0%

Note: Investments in operating entities are allocated pro rata based on the gross book value of the real estate. Such pro rata allocations
(A) Reflects total assets on our consolidated balance sheets.

… And larger share of gross assets as of 12.31.22 [(1)].

TOTAL ADJUSTED GROSS ASSETS AND ADJUSTED REVENUES BY OPERAT

(December 31, 2022)

($ amounts in thousands)

Operators[C]	Properties	Total Gross Assets[D]	Percentage of Total Gross Assets
Steward Health Care	36		
Florida market		$ 1,410,907	6.7%
Massachusetts market		1,257,283	5.9%
Texas/Arkansas/Louisiana market		1,027,259	4.8%
Arizona market		362,492	1.7%
Ohio/Pennsylvania market		141,600	0.7%
Utah market (F)		-	-
Circle Health	36	2,211,306	10.4%
Lifepoint Health	27	1,407,706	6.6%
Swiss Medical Network	17	1,348,920	6.4%
Priory Group	32	1,317,110	6.2%
Prospect Medical Holdings	11	1,184,772	5.6%
Springstone	-	-	-
48 operators	282	8,290,210	39.0%
Other	-	1,280,972	6.0%
Total	441	$ 21,240,537	100.0%

(1) Represents last period MPW reported gross assets by operator.

[10] | CEO ED ALDAG SITS ON INFRACORE'S BOARD

HEDGEYE

No mention of Guilford Capital here either…

3. BOARD OF DIRECTORS

3.1. Members of the Board of Directors

The Board of Directors of the Company is adapted to the optimal management of its holdings and relations with its shareholders. Its members cover the necessary financial and legal skills and share in-depth knowledge of healthcare-related real estate.

As at 31.12.2022, the Board of Directors was composed of the following four members.

	Function	Year of Birth	Nationality
Martin Gafner	Chairman	1961	Swiss
Antoine Hubert	Vice-chairman	1966	Swiss
Edward K. Aldag, Jr	Member	1963	American
Ruth Metzler-Arnold	Member	1964	Swiss

EDWARD K. ALDAG, JR • Member

Ed Aldag launched Medical Properties Trust, Inc. (NYSE: MPW) in 2003 as the nation's only real estate investment trust (REIT) focusing exclusively on hospitals. Today, Medical Properties Trust is the established leader in the hospital REIT sector, with approximately 450 facilities across the United States, Western Europe, South America and Australia.

Under Ed's leadership, MPT's assets have grown to nearly USD 25 billion and the company has become the second largest U.S.-based owner of hospital beds, with more than 46'000 in its portfolio. A native of Eufaula, Ala., Ed is a graduate of the University of Alabama, where he majored in finance.

Ed Aldag serves on the board of Children's of Alabama, one of the nation's leading hospitals for children, and as a director and member of the investment committee of the Alabama Children's Hospital Foundation. He also serves as a board member for Mitchell's Place, benefitting children with autism; the Birmingham Education Foundation, dedicated to increasing the number of students in Birmingham City Schools that are on the path to college, career and life readiness; the American Sports Medicine Institute, which works to understand, prevent and treat sports-related injuries; and as a member of the executive committee of the Birmingham Business Alliance.

[10] | WE BELIEVE "SMN" ENCOMPASSES MULTIPLE AEVIS GROUP COMPANIES

HEDGEYE

- MPW refers to Infracore's tenant as "Swiss Medical Network."
- Based on Infracore's and Aevis' reporting, however, we believe that SMN encompasses several entities owned/majority-owned by Aevis.
- These include GSMN Suisse SA, Swiss Medical Network Hospitals SA, Clinique Générale-Beaulieu SA and Nescens Genolier SA, which together comprised ~92% of Infracore's rent in 2021 and 2022.
- We will refer to these entities collectively as "SMN" or "Swiss Medical Network."
- We believe that when new investments flow to EITHER Aevis or SMN, they directly benefit SMN's working capital and ability to pay rent back to Infracore.
- And, therefore, MPW's share of earnings from Infracore...

Largest external tenants

The five largest external tenants accounted for 92.2% of the target rental income (2021: 92.0%).

(In %)	2022	2021
GSMN Suisse SA	35.3	35.9
Swiss Medical Network Hospitals SA	38.4	38.1
Clinique Générale-Beaulieu SA	14.2	13.7
Nescens Genolier SA	3.7	3.7
Air Glaciers SA	0.6	0.6

GSMN Suisse SA, Swiss Medical Network Hospitals SA, Clinique Générale-Beaulieu SA and Nescens Genolier SA are subsidiaries of one of the Group's shareholders (AEVIS VICTORIA SA). Together the AEVIS VICTORIA group does account for 92.1% of the target rental income (2021: 92.0%).

35. List of Group companies

SEGMENT/COMPANY NAME	LOCATION	ACTIVITY		IN % ON GROUP LEVEL 31.12.2022	31.12.2021
Corporate					
AEVIS VICTORIA SA	Fribourg	Holding company	a)	100.0%	100.0%
GENERALE BEAULIEU HOLDING SA	Geneva	Holding company	a)	69.5%	69.5%
Hospitals					
Swiss Medical Network SA	Genolier	Holding company	a)	86.5%	86.5%
Swiss Medical Centers Network SA	Fribourg	Holding company	a)	86.5%	86.5%
FOPE HOLDING SA	Lugano	Holding company	d)	–	29.3%
Center Da Sandet SA	Silvaplana	Health Center	a)	45.5%	45.5%
Centre Médical Genolier SA	Genolier	Health Center	a)	86.5%	86.5%
Centre Médico-Chirurgical des Eaux-Vives SA	Geneva	Day clinic	a)	86.5%	86.5%
CLINIQUE GENERALE-BEAULIEU SA	Geneva	Hospital	a)	86.5%	86.5%
CLINICA SANTA CHIARA SA	Lugano	Hospital	d)	–	29.8%
GRGB Santé SA	Geneva	Hospital	b)	43.2%	43.2%
GSMN Suisse SA	Genolier	Hospitals	a)	86.5%	86.5%
Swiss Medical Network GesundheitsZentrum AG	Reinach	Health Centers	a)	69.2%	69.2%
Swiss Medical Network Hospitals SA	Fribourg	Hospitals	a)	86.5%	86.5%
Others					
Nescens					
NESCENS SA	Genolier	Holding company	a)	100.0%	100.0%
Laboratoires Genolier SA	Genolier	Cosmetics	a)	100.0%	100.0%
Nescens Genolier SA	Genolier	Patient hotel	a)	100.0%	100.0%

CONSOLIDATED FINANCIAL STATEMENTS
AEVIS VICTORIA SA – ANNUAL REPORT 2022

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[10] | MPW MADE FIRST INVESTMENT IN 2019

HEDGEYE

In May 2019, MPW acquired a ~46% interest in the Infracore PropCo UJV ("Infracore") from Aevis Victoria ("Aevis") for ~$236.5 million. The hospitals were leased to SMN as operator, with SMN a wholly-owned subsidiary of Aevis.

Medical Properties Trust Acquires 46% Interest in $900 Million Portfolio of Premier Swiss Hospitals

Download PDF

MPT's First Investment in Switzerland Provides Attractive Yieldand Pathway to Additional Growth in Swiss Market

BIRMINGHAM, Ala.--(BUSINESS WIRE)--May 28, 2019-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has acquired for $236.5 million a 46% stake in Swiss healthcare real estate company Infracore SA ("Infracore") from previous majority shareholder, Aevis Victoria SA ("Aevis"). Infracore's real estate is valued at almost $900 million, making MPT's share approximately $410 million and MPT the largest shareholder.

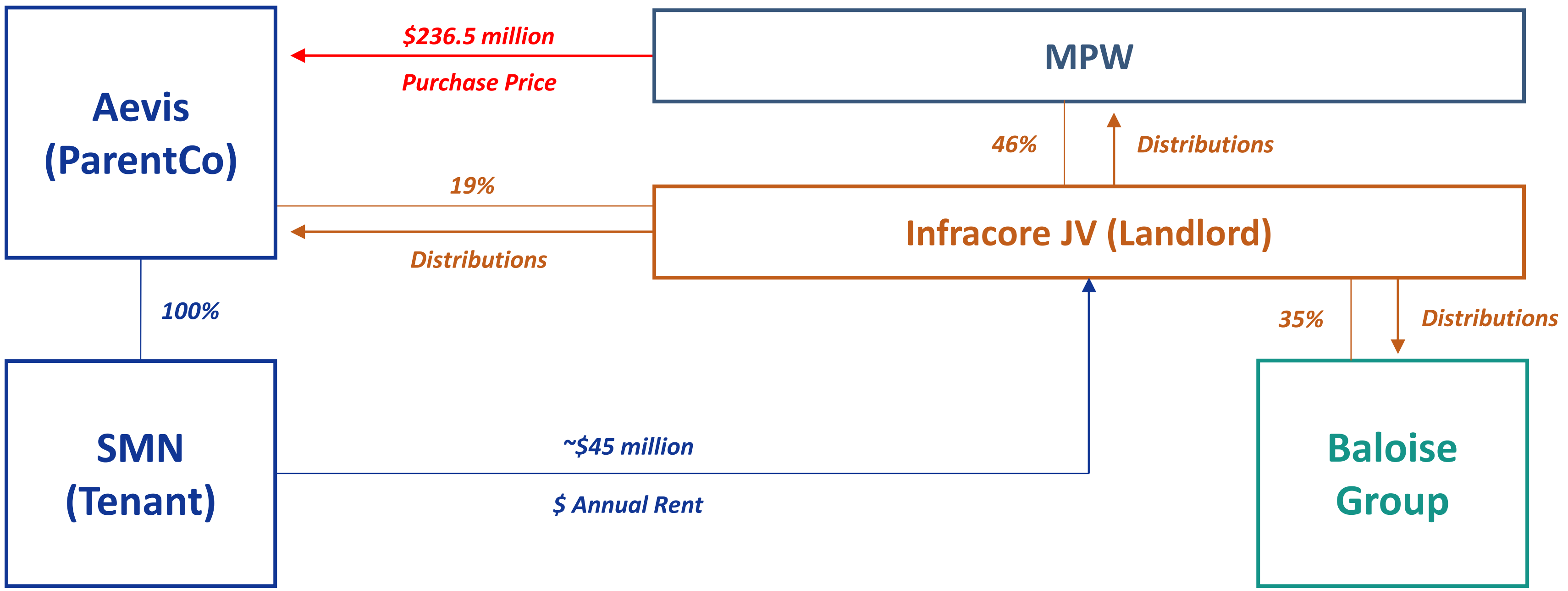
The Infracore portfolio is comprised of 13 state-of-the-art acute care hospital campuses located throughout Switzerland and operated primarily by Swiss Medical Network ("SMN"), a wholly-owned Aevis subsidiary. Aevis and additional existing shareholder Baloise Group will each retain smaller stakes in Infracore. MPT used cash on hand in Europe to fund the investment.

"This investment in Infracore presents MPT a unique opportunity to enter the Swiss healthcare market with the second largest private hospital operator in the country, and we are excited to establish a new long-term relationship with Swiss Medical Network," said Edward K. Aldag, Jr., MPT's Chairman, President, and CEO. "Moreover, the investment provides near-term opportunities for MPT to grow our investment in Infracore as Infracore continues to strengthen its platform in Switzerland."

The hospital campuses total approximately 1.5 million square feet of extremely high-quality assets, with an average 23 year remaining lease term. MPT's investment reflects an initial return of approximately 5.0% and will be adjusted annually by 100% of Swiss inflation. Infracore presently has debt approximating 50% of its real estate value with a weighted average interest rate of 1.7%.

[10] | STRUCTURE OF INITIAL 2019 TRANSACTION

HEDGEYE



- In May 2019, MPW acquired ~46% interest in the Infracore PropCo JV for ~$236.5 million from Aevis. Existing third-party shareholder Baloise Group increased its stake from 20% to 35%.
- See HERE and HERE.
- The 13 hospitals were leased to SMN as operator. At that time Aevis owned 100% of SMN.
- Based on the disclosed initial return of ~5%, which we believe was a cash-based yield, Infracore was due initial annual rent of ~$45 million, subject to Swiss CPI adjustments in future periods.
- MPW would receive distributions from the JV based on its ~46% share, recorded on the CF statement as distributions and returns of capital.
- Again, Aevis retained ownership of SMN. **MPW's initial ~$236.5 million investment represented ~5 years of cash rent due to Infracore.**

Data Source: Company Reports, Hedgeye Estimates

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[10] | IMPORTANT TO CONSIDER BACKDROP FOR CONTEXT

HEDGEYE

MPW was being pressed by the SEC, related to Section 2 Topic 2340, regarding its exposure to Steward and disclosure of Steward's financials. We believe that MPW was likely desperate to dilute down its Steward exposure.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

June 17, 2019

R. Steven Hamner
Executive Vice President and Chief Financial Officer
Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
1000 Urban Center Drive
Suite 501
Birmingham, AL 35242

Re: Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.
Form 10-K for the Fiscal Year Ended December 31, 2018
File No. 001-32559
File No. 333-177186
Filed March 1, 2019

Dear Mr. Hamner:

We have reviewed your filing and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Form 10-K for the Fiscal Year Ended December 31, 2018

Significant Tenants, page 10

1. We note your disclosure on page 10 that Steward operated 39.5% of your gross assets as of December 31, 2018. Given that Steward appears to be a significant lessee, please tell us what consideration you gave to filing audited financial statements of Steward. In that regard, we note your response to comment 3 from our letter dated October 26, 2018, where you stated that you expected to file the financial statements of Steward with your Form 10-K or Form 10-K/A for the year ended December 31, 2018.

We remind you that the company and its management are responsible for the accuracy

R. Steven Hamner
Medical Properties Trust, Inc.
June 17, 2019
Page 2

and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
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- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[10] | THEN MPW BOUGHT AN EQUITY STAKE IN AEVIS...

HEDGEYE

Just one month after the initial transaction, MPW bought a direct ~4.9% stake in Aevis for ~$48 million. Aevis owned and controlled SMN, the OpCo tenant. The ~$48 million investment represented just over ~1 year of initial cash rent owed back to Infracore.

A summary of our 2019 highlights is as follows:

- Acquired real estate assets or commenced development projects totaling more than $4.5 billion, as noted below:
  - Invested in three acute care hospitals and one IRF for an aggregate investment of approximately $135 million. One of the acute care hospitals is located in Big Spring, Texas and leased to Steward pursuant to the existing master lease agreement. The second facility, located in Poole, England, is leased to BMI Healthcare ("BMI"). The third acute care facility is located in Watsonville, California and is leased to Halsen Healthcare. The IRF is located in Germany and leased to affiliates of Median Kliniken S.à r.l. ("MEDIAN");
  - Invested in a portfolio of 13 acute care campuses and two additional properties in Switzerland for a combined purchase price of approximately CHF 236.6 million, effected through our purchase of a 46% stake in a Swiss healthcare real estate company, Infracore SA. These facilities are leased to Swiss Medical Network. Additionally, we purchased a 4.9% stake in Aevis Victoria SA, previous majority shareholder of Infracore, for CHF 47 million;

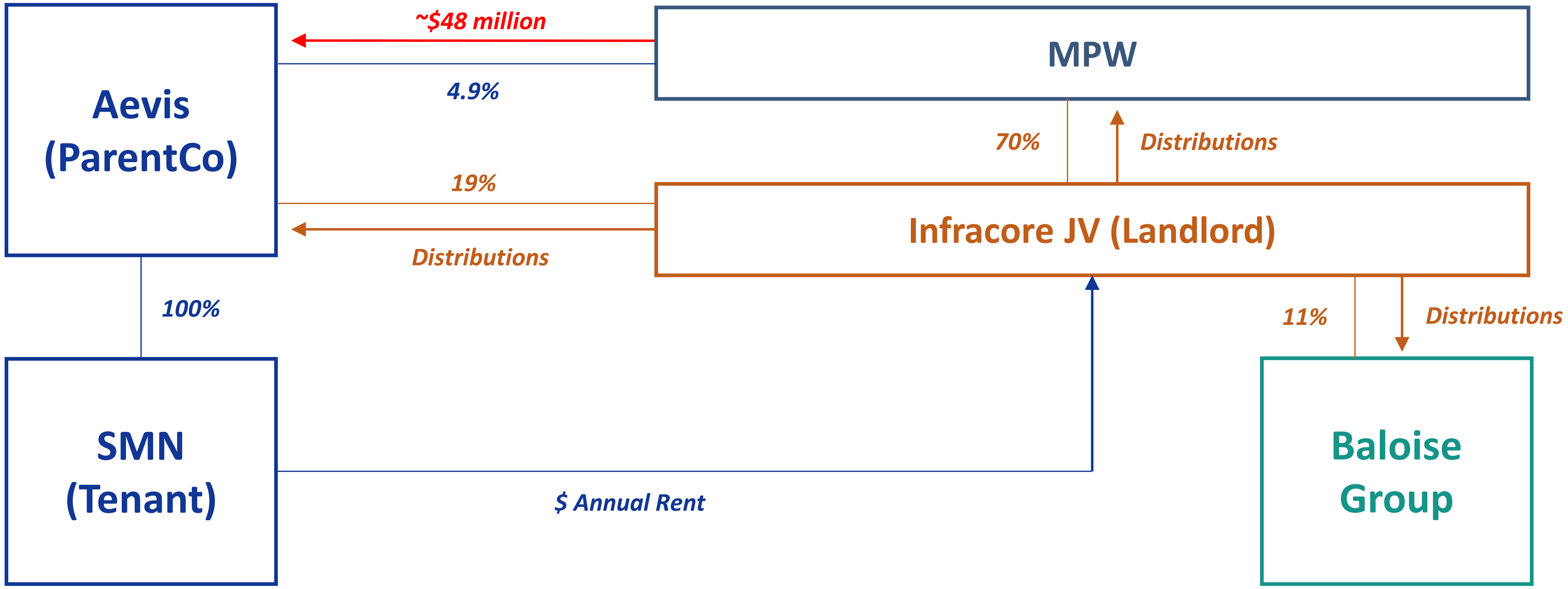
<u>Switzerland Transactions</u>

On May 27, 2019, we invested in a portfolio of 13 acute care campuses and two additional properties in Switzerland for an aggregate purchase price of approximately CHF 236.6 million. The investment was effected through our purchase of a 46% stake in a Swiss healthcare real estate company, Infracore SA, from the previous majority shareholder, Aevis Victoria SA ("Aevis"). The facilities are leased to Swiss Medical Network, a wholly-owned Aevis subsidiary, pursuant to leases with an average 23-year remaining term subject to annual escalation provisions. We are accounting for our 46% interest in this joint venture under the equity method. Additionally, we purchased a 4.9% stake in Aevis for approximately CHF 47 million on June 28, 2019 that we are marking to fair value through income each quarter.

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/5fc3e7d9-9c22-4a65-9e29-65198018735d, Hedgeye Estimated

[10] | MPW DIRECTLY CAPITALIZED OPCO PARENT

HEDGEYE



- On 6.28.19, just one month after the initial acquisition of the JV interest in Infracore, MPW acquired a direct ~4.9% equity stake in Aevis for ~$48 million.
- Aevis owned and controlled SMN, the OpCo tenant to Infracore.
- This effectively capitalized the parent of the operator with an additional ~1 year of rent.
- Between this transaction and the original investment, MPW had now capitalized the OpCo with the equivalent of ~6 years of initial cash rent owed back to Infracore. They were not done.
- In 2019-2020 funded a CHF ~45 million secured loan to Infracore which was later repaid, and also acquired an additional interest in Infracore from Baloise Group. MPW now owned ~70% of Infracore.

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

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- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[10] | … THEN FINALLY INVESTED DIRECTLY INTO SMN

HEDGEYE

On 4.16.21, roughly ~2 years after the initial investment, MPW invested ~$161 million directly into SMN via a ~10% direct equity interest (now ~8.9%) and TL participation. The ~$160 million represented another ~3 years of initial cash rent due to Infracore.

On July 6, 2021, we also acquired an acute care hospital in Stirling, Scotland for £15.6 million. This hospital is leased to Circle Health Ltd. ("Circle") pursuant to a long-term lease with annual inflation-based escalators.

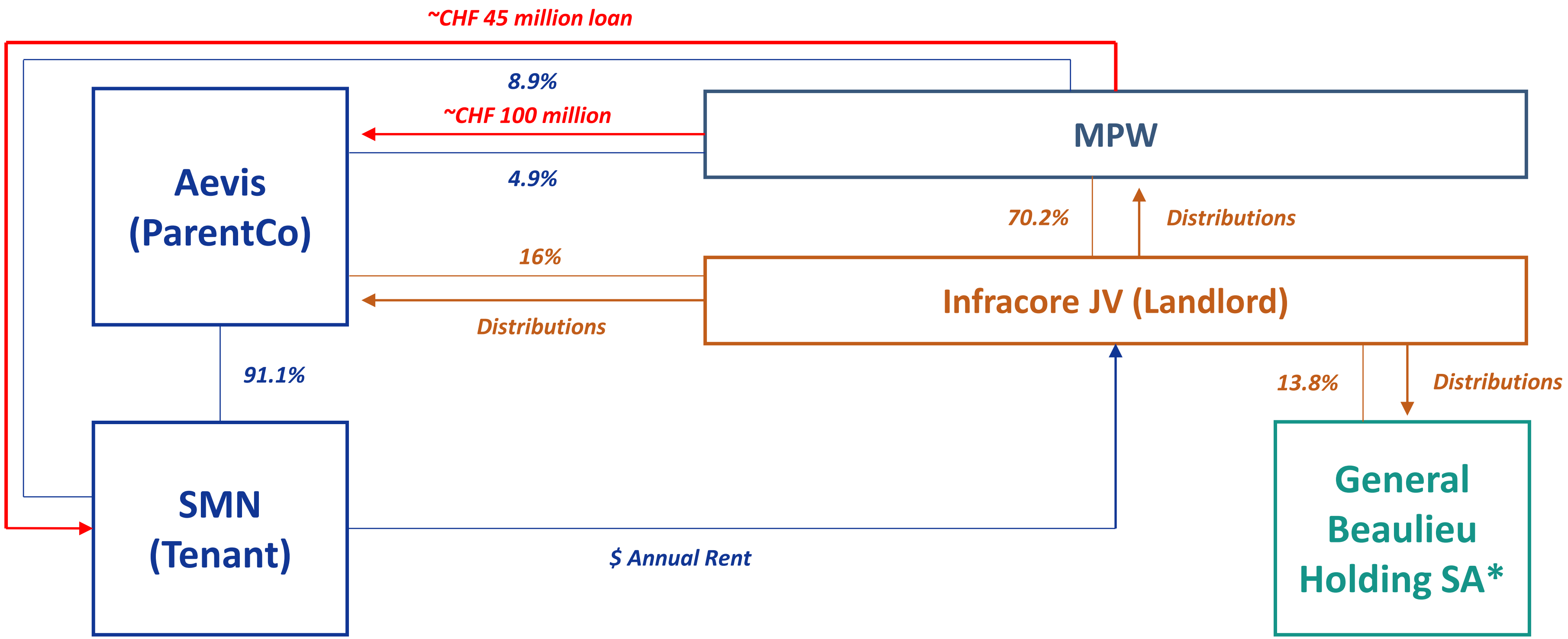
On April 16, 2021, we made a CHF 145 million investment in Swiss Medical Network, our tenant via our Infracore SA ("Infracore") equity investment.

On January 8, 2021, we made a $335 million loan to affiliates of Steward, all of the proceeds of which were used to redeem a similarly sized convertible loan from Steward's former private equity sponsor.

Operator	Investment as of December 31, 2023		Ownership Interest	Structure
PHP Holdings	$	699,535	49.0%	Includes a 49% equity ownership interest in, along with a loan convertible into PHP Holdings, the managed care business of Prospect. Both instruments are accounted for under the fair value option method, which resulted in a combined $45 million gain in Q3 and Q4 2023.
Steward Health Care		361,591	N/A	Loan, for which proceeds were paid to Steward's former private equity sponsor, is secured by the equity of Steward and provides for an initial 4% return plus 37% of the increase in the value of Steward over seven years.
International Joint Venture		225,960	49.0%	Includes our 49% equity ownership interest and a loan made for the purpose of investing in select international hospital operations. The loan carries a 7.5% interest rate and is secured by the remaining equity of the international joint venture and guaranteed by the other equity owner.
Swiss Medical Network		186,113	8.9%	Includes our passive equity ownership interest, along with a CHF 37 million loan as part of a syndicated loan facility.
Priory Group		163,837	9.9%	In order to close the 2021 acquisition of 35 facilities, we made a 9.9% passive equity investment and a loan to Priory (a subsidiary of MEDIAN) proceeds of which were paid to the former owner. The loan, which pays a variable rate, was sold in the first quarter of 2024.
Aevis		77,345	4.6%	Includes our passive equity ownership interest in Aevis, a public healthcare investment company. Our original investment of CHF 47 million is marked-to-market quarterly.

[10] | MPW DIRECTLY CAPITALIZED OPERATOR

HEDGEYE



As at 31.12.2022, the holders of share certificates and non-voting equity shares of Infracore SA are:

Total capital	
AEVIS VICTORIA SA	16.05%
Générale Beaulieu Holding SA*	13.79%
Medical Properties Trust, Inc.	70.16%

*owned 69.49% by AEVIS VICTORIA SA.

- On 4.16.21, **MPW invested ~$160 million (CHF 145 million) directly into SMN** via a direct ~10% equity stake and participation in syndicated TL facility.
- We estimate that this amount represented another ~3.5 years of initial cash rent owed back to Infracore.
- This brought **total investments into the Aevis and SMN OpCos at ~$209 million**, when excluding the initial 2019 investment which also flowed to Aevis.
- This **compares to a Hedgeye-estimated ~$252 million of total Infracore rental revenue over 2019-2023**.
- MPW currently owns ~8.9% of SMN.

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

[10] | "ENGINEERING" RECORDED EARNINGS

HEDGEYE

Taken together, MPW capitalized the OpCo entities with ~$209/$445 million excluding/including the initial investment. We estimate that this compares to total rent due to Infracore (at 100%) over 2019-2023 at roughly ~$252 million.

MPW cast outflows greater than rent revenue → capitalized the OpCo over time.

"NFFO" = ($1,490 + (70% x $8,611) = ~$7.5 million, or ~3.5% of total reported 4Q23 "NFFO."

(Amounts in 000s)

Period	Payor (From)	Payee (To)	Date	Amount ($000s) (1)	Description	Est. Rent at 100% ($000s) (1)
	MPW Investments in Infracore/Aevis/SMN					
2Q19	MPW	Aevis	5/28/19	236,500	Initial MPW investment in Infracore	
2Q19	MPW	Aevis	6/28/19	48,000	MPW acquires ~4.9% stake in Aevis	
2Q19	MPW	Infracore	6/24/19	49,950	Bridge loan to Infracore	
4Q19	Infracore	MPW	4/2/19	(49,950)	Repayment of bridge loan	
Subtotal - 2019				**284,500**		**51,132**
Subtotal - 2020						**53,687**
2Q21	MPW	Aevis	4/16/21	119,880	Acquired ~10% equity stake in SMN	
2Q21	MPW	SMN	4/16/21	41,070	Investment in syndicated TL	
Subtotal - 2021				**160,950**		**65,341**
Subtotal - 2022						**66,457**
Subtotal - 2023						**69,437**
Total (excl. Initial Investment)				208,950		252,367
Total (incl. Initial Investment)				445,450		252,367

Notes:
(1) Assumes 1.11 CHF/USD for 2019-2022, uses MPW results for 2023 Infracore rent revenue.

	MEDIAN(C)	Swiss Medical Network(D)
Total revenues(B)	**$ 32,116**	**$ 17,626**
Expenses:		
Property-related	$ 628	$ 824
Interest	12,891	5,208
Real estate depreciation and amortization	11,199	8,611
General and administrative	1,573	291
Income taxes	1,166	563
Total expenses	**$ 27,457**	**$ 15,497**
Net Income	**$ 4,659**	**$ 2,129**
MPT share of real estate joint venture	**50%**	**70%**
Earnings from equity interests	**$ 2,330**	**$ 1,490**

[10] | MPW'S BUSINESS MODEL TEMPLATE

HEDGEYE

- Acquire/invest in the real estate from former PE-owned health system. Dramatically overpay.
- Target funding amounts rather than lease affordability, "true" market values, etc.
- Capitalize the operator upfront/invest in the "WholeCo."
- Tenant experiences financial distress. Recap the operator with working capital via loans, advances, mortgage/loan conversions, "capex," deferrals and other non-commercial transactions. Never reduce rent!
- Continue recording tenant rent as "earnings," even if net cashflow to MPW is less/negative.
- Generally aggressive accounting - "financial engineering gone wrong."
- Go to extraordinary lengths to hide efforts and obfuscate operator performance.

Data Source: Company Reports, Hedgeye

[10] | ARE MARGINS IMPROVING? OR YET TO IMPROVE?

HEDGEYE

3Q23 Earnings Call – held on 10.26.23

Rosa Hooper: Sticking with Europe for a moment, **Swiss Medical Network continues to deliver strong performance, with margins improving year-over-year.** Swiss Medical continues to advance development of the Genolier Innovation Hub, a new, state-of-the-art, multi-tenant lab, training simulation platform and office space attached to their flagship acute care hospital.

Aevis Press Release – filed on 3.21.24

Swiss Medical Network, an operating subsidiary dedicated to healthcare, generated revenues of CHF 768.7 million, taking into account the deconsolidation of Réseau de l'Arc. On a like-for-like basis, revenues remained stable, with organic growth of 0.3%. **The overall increase in costs**, especially energy, personnel expenses and materials, heavily impacts margins, as the fixed medical and hospital tariffs do not allow for the inflation to be passed onto revenues. **This problem affects the entire Swiss healthcare sector, both public and private. Swiss Medical Network has initiated various cost-optimization measures in order to regain the margins achieved in 2022 by 2024.**

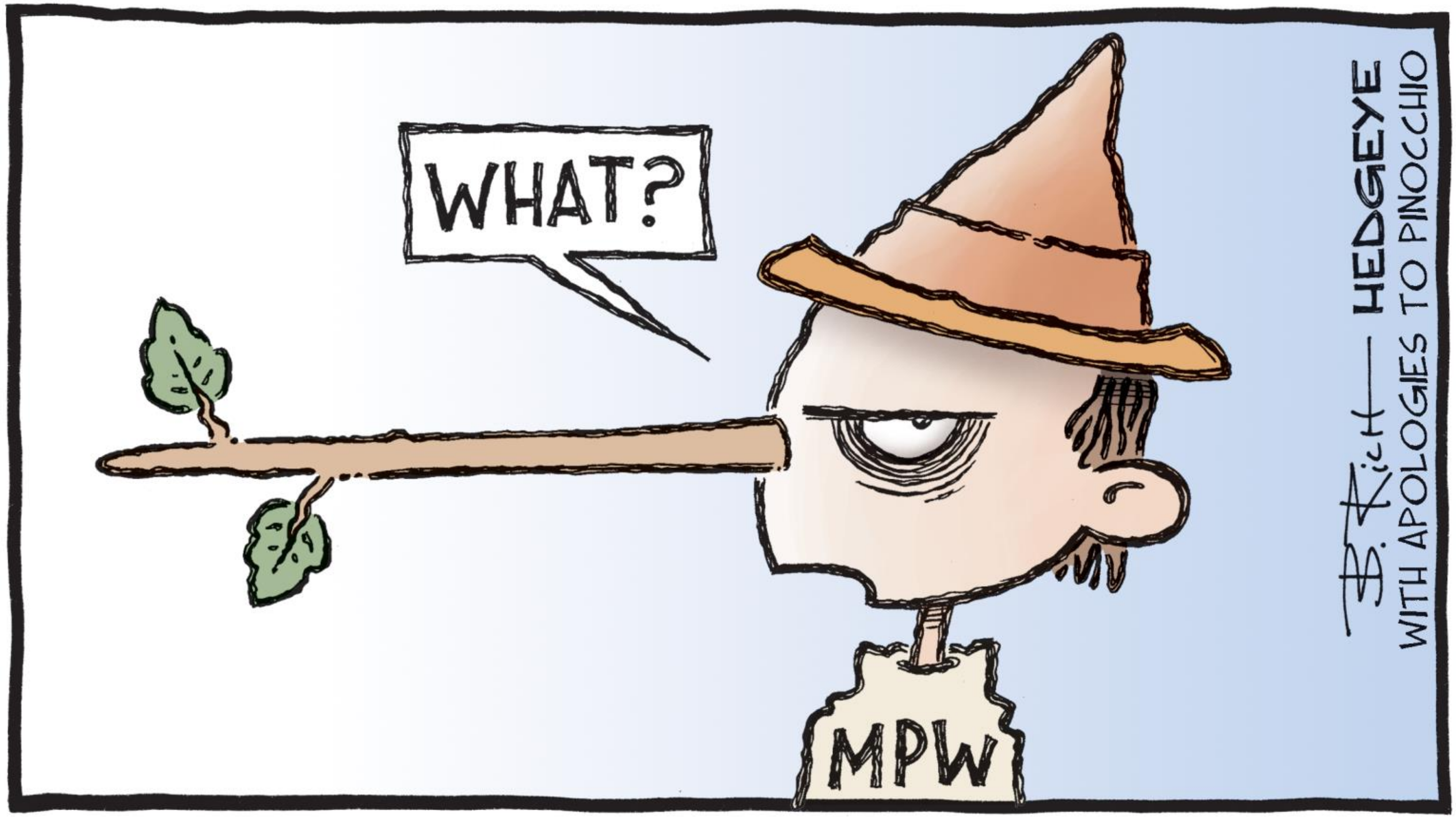
[10] | TO CONCLUDE SMN, MORE OF THE SAME...

HEDGEYE

- **Complex transaction**.
- SMN/Infracore was <u>**NOT**</u> **just a real estate transaction**.
- **MPW initially invested in the real estate**, this time via an acquisition of an interest in the PropCo JV.
- Indications of **potentially inflated real estate values**.
- **MPW capitalized the OpCo parent** Aevis.
- MPW further **directly capitalized the operator** SMN.
- **Net cash outflow/negative cash rent** to MPW over life of the investment to-date.
- MPW **recorded share of results as "NFFO" and "AFFO" earnings**, despite "negative sum game."

Data Source: Company Reports, https://viceroyresearch.org/, Hedgeye Estimates

[11] ASSORTED GOVERNANCE ISSUES



[11] THE NEW CORPORATE HQ IN BIRMINGHAM

HEDGEYE

- We originally wrote about this issue HERE on 2.13.23.
- MPW noted in its 2021 Annual Report that it had acquired ~50 acres in Birmingham, with plans to begin a new HQ beginning late-2022.
- We confirmed construction began in early-2023.
- MPW disclosed HERE an "initial budget estimate" of ~$150 million.
- Meanwhile, Birmingham Class-A asking rents were in the low-to-mid ~$20psf range. Vacancy was ~20%.
- This is a terrible misallocation of shareholder (and now bondholder) capital and misuse of resources, for a company that is liquidity- and capital-constrained.
- Rather than deploying capital on a non-yielding "vanity project," these funds should have been used to repay debt.

Data Source: https://www.medicalpropertiestrust.com/new-corporate-headquarters, Hedgeye

[11] | NO SEPARATION OF CHAIRMAN & CEO ROLES

HEDGEYE

Ed Aldag serves as both Chairman and CEO of MPW. The company has no intention of splitting the roles.

Proposal 1: Election of Directors

Director Nominees

Edward K. Aldag, Jr.

Director since: 2004

Founder, Chairman, Chief Executive Officer, and President

Age: 59

Committees:
Investment (Chair)
Environmental and Social Risk

The Board believes that Mr. Aldag's posi
healthcare and REIT industries, make hi

Mr. Aldag launched our Company in 200
Properties Trust is the established leade
Western Europe, South America, and Au
approximately $20 billion, and the Comp
approximately 44,000 in its portfolio.

Mr. Aldag serves on the Board of Childre
Chairman of the Alabama Children's Hos
He also serves as a board member for M
Foundation, dedicated to increasing the
college, career and life readiness; the Ar
treat sports-related injuries; and serves a
Alliance. He is a guest lecturer at both th
("UAB") and part of the UAB President's
he was selected as a member of the Nat

Mr. Aldag was appointed as a board mer
Beaulieu Immobilière SA in June 2020, b

1Q22 Earnings Call – held on 4.28.22

Analyst: "… **Has the board discussed splitting the Chairman and CEO role?** We don't normally see that combined for a company of your size. So I'm curious **if that is something on the table to help improve the governance profile**. And if not, why not? Thank you."

Ed Aldag: "__________, we have discussions at the board level about all of our governance, all the relative governance points. If you read in the proxy statement **is described very well in there why the board is comfortable with me remaining as the Chairman and the CEO**. And remember that **I've been the Chairman and CEO since the company was founded**."

[11] | CFO ON THE BOARD

HEDGEYE

The CFO, who is also a co-founder of the company along with Ed Aldag, is a member of the BoD. This is highly irregular and a corporate governance "red flag." The CFO should be *accountable* to the BoD and the Audit committee, not serving on the BoD.

Proposal 1: Election of Directors

R. Steven Hamner

Director since: 2005

Founder, Executive Vice President, and Chief Financial Officer

Age: 66

Committees:
Investment
Risk

The Board believes that Mr. Hamner's position as a co-founder of our Company, and his extensive experience in the real estate and healthcare industries and in the corporate finance sector, make him highly qualified to serve as a member of our Board.

In August and September 2003, Mr. Hamner served as our Executive Vice President and Chief Accounting Officer. From October 2001 through March 2004, he was the Managing Director of Transaction Analysis LLC, a company that provided interim and project-oriented accounting and consulting services to commercial real estate owners and their advisors. From June 1998 to September 2001, he was Vice President and Chief Financial Officer of United Investors Realty Trust, a publicly traded REIT. For the 10 years prior to becoming an officer of United Investors Realty Trust, he was employed by the accounting and consulting firm of Ernst & Young LLP and its predecessors.

Mr. Hamner received a B.S. in Accounting from Louisiana State University.

[11] | NO “TRUE” LEAD INDEPENDENT DIRECTOR

HEDGEYE

The so-called “Lead Independent Director” is not truly “independent.” Stewart is a former officer of MPW and partner of Aldag & Hamner. He is on the Compensation Committee of the BoD. He also worked at the predecessor of law firm Baker Donelson.

Michael G. Stewart

Director since: 2016

Lead Independent Director

Age: 67

Committees:
Compensation
Environmental and Social
Ethics, Nominating and Corporate Governance

The Board believes that Mr. Stewart's legal background, and his extensive knowledge of healthcare, legal and corporate governance and addressing various healthcare issues, make him a valued advisor and highly qualified to serve as a member of our Board.

Mr. Stewart is presently a private investor. He served as Executive Vice President, General Counsel and Secretary of the Company from 2005 – 2010. Mr. Stewart formerly worked with law firms Berkowitz, Lefkovits, Isom & Kushner (now Baker Donelson) and Constangy, Brooks & Smith, having a law practice that encompassed corporate, healthcare, litigation, employment, and labor. Mr. Stewart also served as Vice President and General Counsel of Complete Health Services, Inc. (later, United Healthcare of the South). Throughout his professional career, he has provided private consulting services to physician groups and other healthcare providers. Mr. Stewart is the author of four novels that have been published by G.P. Putnam's Sons and Random House.

He is a graduate of Auburn University with a B.S. degree in Business Administration with an emphasis in Information Systems and received his Juris Doctorate degree from the Cumberland School of Law at Samford University.

Proxy Statement and Notice of 2023 Annual Meeting 5

[11] | OTHER BOARD RELATIONSHIPS

HEDGEYE

We have reason to believe that Ms. Pittman is a friend and former college sorority sister of CEO Ed Aldag's spouse at the University of Alabama.

Elizabeth N. Pitman

Director since: 2018

Independent Director

Age: 59

Committees:
Ethics, Nominating and Corporate Governance (Chair)
Risk (Chair)
Environmental and Social

The Board believes that Ms. Pitman's experience as a healthcare lawyer, and her experience providing counsel to publicly traded and privately owned hospitals and healthcare systems, make her highly qualified to serve as a member of our Board.

Ms. Pitman has been an attorney with Holland & Knight, LLP, formerly Waller, Landen, Dortch & Davis, LLP, known as leading provider of legal services to the healthcare industry, since 2015. From July 2013 to December 2013, she worked as corporate counsel for Vitera Healthcare Solutions, LLC, and prior to that, from October 2008 to July 2013, she served as general counsel at Success EHS, Inc., both providers of electronic health records and revenue cycle management solutions. Ms. Pitman has provided counsel to companies, hospitals and healthcare systems, surgery centers, physician groups and healthcare information technology companies on a variety of matters, including healthcare regulatory, privacy, data and cyber security compliance, technology licensing, and mergers and acquisitions.

Ms. Pitman earned a B.S. in Accounting from the University of Alabama and a Juris Doctorate from the University of Alabama School of Law.

4 Proxy Statement and Notice of 2023 Annual Meeting

[11] DISAPPEARING CEO WORK EXPERIENCE

HEDGEYE

"Guilford Capital Corporation" no longer shows up as prior work experience in CEO Ed Aldag's bio, beginning with the 2021 Proxy Statement. Why? It now appears as though he had ZERO prior work experience pre-MPW. What happened at Guilford Capital?

Edward K. Aldag, Jr.

Chief Executive Officer and President (since 2003)
Chairman of the Board of Directors (since 2004)

Age 56

Director since 2004

Committees:
Investment

The Board believes that Mr. Aldag's position as the founder of our Company and his extensive experience in the healthcare and REIT industries make him highly qualified to serve as Chairman of our Board of Directors.

Mr. Aldag served as Vice Chairman of our Board of Directors from August 2003 until March 2004 and as our Secretary from August 2003 until March 2005. Prior to that, Mr. Aldag served as an executive officer and director with our predecessor from its inception in August 2002 until August 2003. From 1986 to 2001, Mr. Aldag managed two private real estate companies, Guilford Capital Corporation and Guilford Medical Properties, Inc. Mr. Aldag served as President and as member of the board of directors of Guilford Medical Properties, Inc. Mr. Aldag was the President of Guilford Capital Corporation from 1998 to 2001, served as Executive Vice President and Chief Operating Officer from 1990 to 1998, and was a member of the board of directors from 1990 to 2001. Mr. Aldag serves on the board of Children's of Alabama, one of the nation's leading hospitals for children and as a director and a member of the investment committee of the Alabama Children's Hospital Foundation. He also serves on the board of Mitchell's Place, benefitting children with autism, and as a member of the executive committee of the Birmingham Business Alliance. In 2017, Mr. Aldag was selected as a member of the national advisory board of governors for NAREIT, the National Association of Real Estate Investment Trusts. Mr. Aldag received his B.S. in Commerce & Business from the University of Alabama with a major in corporate finance.

2 Proxy Statement and Notice of 2020 Annual Meeting

Edward K. Aldag, Jr.

Chief Executive Officer and President (since 2003)
Chairman of the Board of Directors (since 2004)

Age 57

Director since 2004

Committees:
Investment

The Board believes that Mr. Aldag's position as the founder of our Company and his extensive experience in the healthcare and REIT industries make him highly qualified to serve as Chairman of our Board.

Mr. Aldag launched Medical Properties Trust, Inc. (NYSE: MPW) in 2003 as the nation's only real estate investment trust (REIT) focusing exclusively on hospitals. Today, Medical Properties Trust is the established leader in the hospital REIT sector, with approximately 430 facilities across the United States, Western Europe, South America, and Australia. Under Mr. Aldag's leadership, MPT's assets have grown to approximately $20 billion and the Company has become the second largest U.S.-based owner of hospital beds, with more than 43,000 in its portfolio.

Mr. Aldag serves on the board of Children's of Alabama, one of the nation's leading hospitals for children, and as a director and member of the investment committee of the Alabama Children's Hospital Foundation. He also serves as a board member for Mitchell's Place, benefitting children with autism; the Birmingham Education Foundation, dedicated to increasing the number of students in Birmingham City Schools that are on the path to college, career and life readiness; the American Sports Medicine Institute, which works to understand, prevent and treat sports-related injuries; and serves as a member of the executive committee of the Birmingham Business Alliance. He is a guest lecturer at both the University of Alabama and the University of Alabama at Birmingham (UAB) and part of the UAB President's Campaign Leadership Cabinet for a $1 billion campaign. In November 2017, he was selected as a member of the national advisory board of governors for Nareit (the National Association of Real Estate Investment Trusts).

Mr. Aldag was appointed as a board member of Infracore SA in May 2019 and as a board member of Générale-Beaulieu Immobilière SA in June 2020. A native of Eufaula, Alabama, Mr. Aldag is a graduate of the University of Alabama, where he majored in finance.

2 Proxy Statement and Notice of 2021 Annual Meeting

[11] | CHILDREN OF NEOS IN MANAGEMENT POSITIONS

HEDGEYE

Anderson Aldag, son of CEO Ed Aldag, is/was a Manager of Acquisitions. Claude Plaskett, son-in-law of Ed Aldag, also is a Manager of Acquisitions. Stephanie Hamner, daughter of CFO Steve Hamner, is a Manager of Int'l Acquisitions. All had quotes in the 2021 Annual Report.

- "**Hospitals aren't easy to operate**, and they're **not easy to underwrite**. **MPT has the healthcare expertise and experience** to assess opportunities and to act." – **Anderson Aldag**

- "Acute care hospitals are the hub. You see the rise of telehealth and strip-center medical clinics, but none of those are possible without the crucial infrastructure of general acute care hospitals that serve the patients with greatest need and coordinate the delivery of care throughout the rest of the care network." – **Anderson Aldag**

- "A lot of other real estate investors have tried to emulate what MPT was doing when the company first started, but **they've realized it's not as easy as MPT makes it look**. The company started with an innovative investment thesis. The sale-leaseback structure that we most often use offers mutual, long-term benefits to both MPT and its tenants. And while it was often used in other industries, **it was not being utilized in high acuity healthcare. The MPT founders were pioneers in bringing the concept to hospitals**." – **Anderson Aldag**

- "Other real estate investors may try to invest in hospitals along with other property types, but **they lack the special competency and dedication that investing in hospitals requires**. By focusing just on hospitals, **MPT is an expert**. And when your primary resource for capital understands your business, it makes it a lot easier to work together." – **Claude Plaskett**

- **"If those (Priory) facilities went away**, mental health **care would suffer**… We've seen all over the world an increase in demand for mental health services, and that's a trend that will continue in the U.K. and elsewhere." – **Stephanie Hamner**

[11] | ISSUES WITH THE COMP PLAN

HEDGEYE

Element	Description	Objective
Base Salary	Based on duties, experience and internal pay equity	Provides a fixed level of cash compensation to attract and retain talented executives
Annual Cash Bonus	50% Normalized FFO per Share 20% EBITDA/Interest Expense	Aligns our executives with near-term financial goals and strategic priorities, which for 2022 included Normalized FFO growth and managing leverage
	10% ESG Initiatives	For 2022 as we remain focused on the importance of ESG for both internal and external stakeholders, we continued to include the achievement of ESG initiatives in our annual cash bonus program as standalone assessment criteria
	20% Qualitative Performance	Given that the majority of our compensation is based on pre-established metrics and goals, allows for a subjective assessment of performance on a more holistic basis and considers factors that may not be quantifiable
Time-Based Shares	Vest ratably over 3 years	Promotes retention and aligns executives with stockholders
Performance-Based Shares	30% FFO per Share Growth	Rewards executives for meaningful FFO per share growth in both the short- and long-term. Achievement of these goals requires significant accretive growth on an annual and cumulative basis
	40% EBITDA	Ensures that executives are focused on profitability and stockholder value creation through EBITDA growth in both the short-term and long-term periods
	30% Acquisitions	Motivates our executives to execute our growth strategy that involves making accretive acquisitions to achieve portfolio growth that would not be achieved through a simpler organic growth model focused only on leasing spreads
	Absolute and Relative TSR Modifier	Adjusts payouts to align with long-term stockholder returns on both an absolute and relative basis

- MPW **targets dollar volume of acquisitions** for long-term incentive comp via performance-based shares. Incentivizes:
  - Becoming an "asset aggregator."
  - Potentially paying the highest price, aka "the winner's curse."
- No true cash-based or investment return (ROIC, etc.) modifiers on that acquisition activity.
- MPW's version of "NFFO" and EBITDA receive the benefit of significant, order of magnitude higher straight-line rent and other non-cash revenue.
- Higher prices paid → also higher NFFO and EBITDA, all else the same.
- Compensation pulled out upfront, longer-term challenges (credit, cash flow, adverse selection, etc.) remain.
- **Asymmetrically favors management, to the detriment of shareholders, bondholders and other stakeholders at the health system-level.**

Data Source: https://medicalpropertiestrust.gcs-web.com/static-files/35cce8b0-b7dc-46c1-bb4c-6a3cd68cf5a1, Hedgeye

[11] | ISSUES WITH THE COMP PLAN (CONT'D)

HEDGEYE

If MPW had not (1) booked all the unpaid 2022 PMH rent and (2) added back 4Q22 PMH impairments/write-downs to "NFFO," these targets would not have been met. Underneath the surface cash flow continued to collapse.

Compensation Discussion and Analysis

The 2022 cash bonus plan metrics are set forth in the following chart:

Performance Metric	Weighting	Threshold	Target	Maximum	2022 Achievement
Normalized FFO Per Share Encourages focus on profitability as measured by the most frequently used REIT earnings measurement on a per share basis; mitigates the risk of non-profitable acquisitions or other low-quality growth	50%	$1.79	$1.82	$1.85	**$1.82**
Target Normalized FFO per share represents an approximate 11% increase over the 2021 cash bonus target and a 4.0% increase over 2021 results as compared to 2.76% for US Healthcare REITs.(1)(2)					
EBITDA/Interest Expense Ratio Motivates management to maintain financial health and a low cost of capital	20%	3.5x	3.7x	3.9x	**4.3x**
The 3.4x target ratio was established based on our historical strategies and debt levels as publicly disclosed during recent years.					
Environmental, Social and Corporate Governance Encourages management to prioritize and execute on annual ESG initiatives	10%	Compensation Committee's Assessment			**Achieved Annual ESG Initiatives**
ESG accomplishments include (i) improved MSCI rating to BBB, (ii) ranked by Modern Healthcare as one of the best places to work for millennials, (iii) engaged multiple advisors to assist in our ESG strategy and environmental data collection and (iv) hired a dedicated ESG professional.					
Qualitative Performance Review Represents indicators of the executive's success in fulfilling his responsibilities to the Company and in executing its strategic business plan	20%	Compensation Committee's Assessment			**See Below**
See below for additional detail on the Compensation Committee's review of qualitative performance.					

[11] | ISSUES WITH THE COMP PLAN (CONT'D)

HEDGEYE

Even in 2022, a year in which the company lost its cost of capital and ability to grow externally on a value-accretive basis, MPW completed >$1 billion of investments to hit the maximum payout target.

	FFO per Share Growth		EBITDA (in millions) ($)		Acquisitions (in millions) ($)	
	2022	2024	2022	2024	2022	2024
Threshold (50%)	2.00%	4.00%	$ 1,475.0	$ 1,550.0	$ 500.0	$ 1,500.0
Target (100%)	4.00%	8.00%	$ 1,487.5	$ 1,575.0	$ 750.0	$ 2,250.0
Maximum (200%)[(1)]	6.00%	12.00%	$ 1,500.0	$ 1,600.0	$ 1,000.0	$ 3,000.0

(1) Mr. McLean's maximum is 150% of target.

Performance is measured over the three-year performance period and shares are earned based on the three-year performance goals listed above. To further strengthen alignment with our stockholders, any earned shares are subject to both an absolute and relative TSR modifier. One-half of the earned shares will be adjusted between 75% to 125% based on relative TSR performance between the 25th percentile to the 75th percentile, and one-half of the earned shares will be adjusted between 75% to 125% based on absolute TSR performance between 0% and 6% per annum.

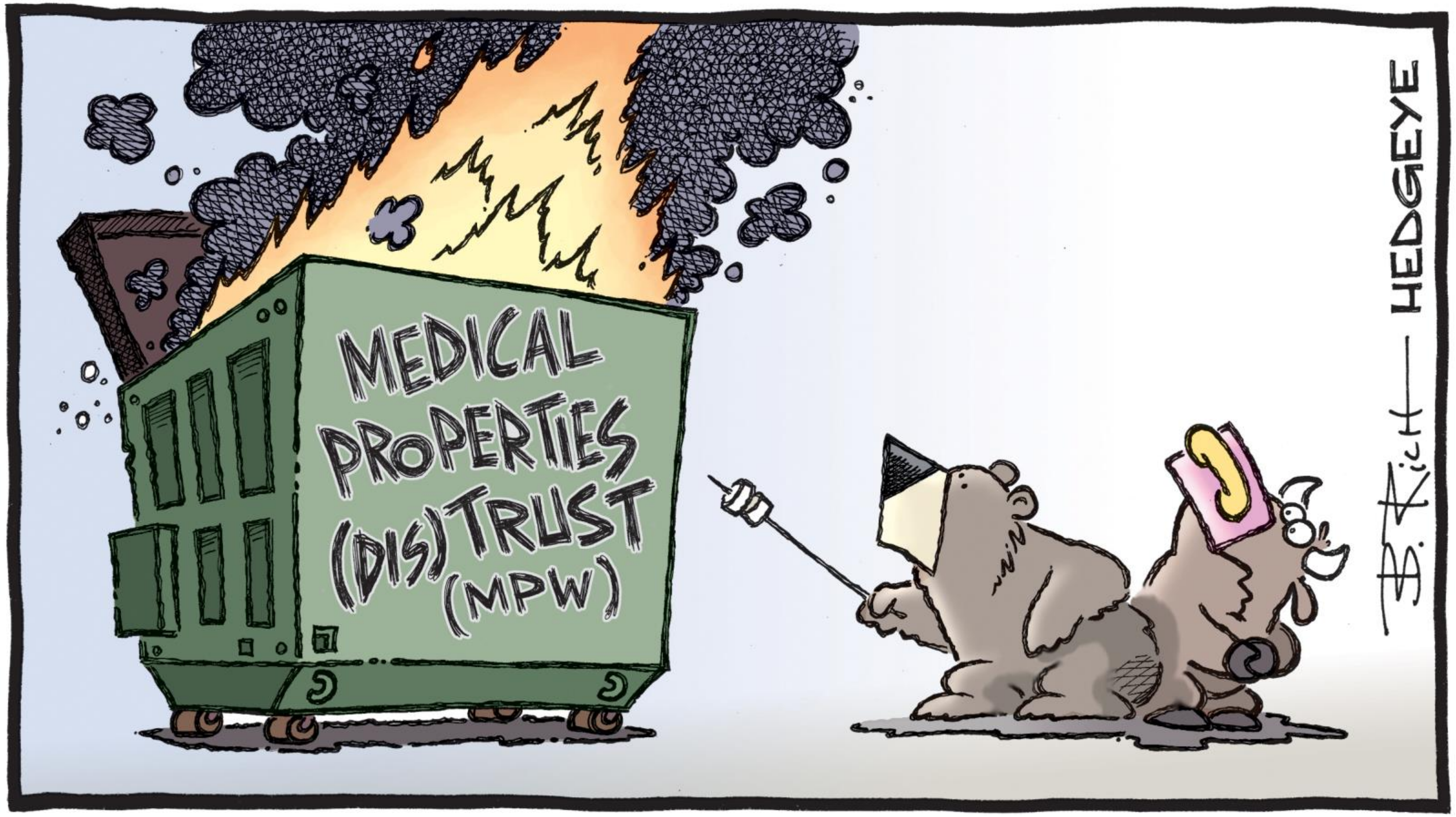
To track the milestone progress during the performance period and to incentivize the consistent execution of our strategy and business plan, up to one-third of the target award may be earned at the end of 2022. The Compensation Committee believes that using one-year and three-year goals creates a balanced program that ensures that management remains focused in both the short-term and the long-term to drive consistent market-leading growth.

How We Determine Annual Equity Awards

Equity compensation is a critical component of our executive compensation program that directly aligns our NEOs' long-term interests with our stockholders and provides additional retention for our executives. Grants were approved in January 2022 based on the following considerations:

› Our consistent and significant performance achievements over both the short- and long-term periods:

- Strong earnings growth including an approximate 34% cumulative annual growth in net income since the beginning of 2020
- Year-over year growth in Normalized FFO per share[(1)] of 4.0% as compared to 2.76% median growth at U.S. Healthcare REITs[(2)]
- Closed on $1.1 billion in new investments during 2022 and $13 billion since the beginning of 2019
- Ten consecutive years of annual dividend growth, with a 3.8% compound annual growth rate


MEDICAL
PROPERTIES
(DIS)TRUST
(MPW)
HEDGEYE

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Thank You! Have Your Friends & Colleagues Check Out Hedgeye

RISK MANAGEMENT | KEITH MCCULLOUGH CEO & FOUNDER @KEITHMCCULLOUGH
PM at Carlyle-Blue Wave Partners, Magnetar Capital, Falconhenge Partners, and Dawson-Herman Capital Management.

MACRO | DARYL JONES DIRECTOR OF RESEARCH @HEDGEYEDJ
Sector Head for Basic Materials at HIG Capital's hedge fund, Brightpoint Capital.

GAMING, LODGING AND LEISURE | SEAN JENKINS @HEDGEYEGLL
Industry veteran with nearly a decade of experience covering Gaming, Lodging, Leisure. Head of GLL Research at Hedgeye. Former Senior Analyst at Hedgeye specializing in Lodging & Leisure services.

RETAIL | BRIAN MCGOUGH @HEDGEYERETAIL
Co-founder of Hedgeye with 30 years of experience covering retail. He was Executive Director at Morgan Stanley, ran the consumer franchise at Copper Arch Capital, and was Director of Investor Relations at Nike.

RESTAURANTS, CANNABIS | HOWARD PENNEY @HOWARDWPENNEY
20+ years experience. While at Morgan Stanley he was ranked #1 by Institutional Investor (Restaurants). Howard has covered Tobacco, Alcohol, Food, and Beverage companies for nearly two decades.

CONSUMER STAPLES | DANIEL BIOLSI @HEDGEYE_STAPLES
Daniel has two decades of experience on the buy side and sell side primarily covering Consumer at Glenhill Capital, Stelliam, North Sound, Weiss, Peck & Greer, and Lehman Brothers.

HEALTHCARE | TOM TOBIN @HEDGEYEHC
Head of Healthcare Investments at Dawson-Herman Capital Management, joined after working as an analyst at W.P.Stewart.

MACRO, FINANCIALS, HOUSING, PAYMENTS, CRYPTO | JOSH STEINER @HEDGEYEFIG
Two decades on the sell side and buyside. #1 Ranked Institutional Investors Mortgage & Specialty Finance Team at Lehman Brothers. Financials Long/Short Equity Analyst at Millennium Partners and Amaranth Advisors.

INDUSTRIALS, MATERIALS | JAY VAN SCIVER @HEDGEYEINDSTRLS
Jay has over two decades of experience covering cyclicals, and was the Industrials & Materials analyst at Brown Brothers Harriman, a cyclicals analyst/desk head at Labranche, and partner at L/S fund Bishop & Carroll Capital Partners.

COMMUNICATIONS | ANDREW FREEDMAN @HEDGEYECOMM
10+ years experience covering TMT. Head of Communication Services at Hedgeye. Former Senior Analyst covering Healthcare IT.

SOFTWARE | ANDREW FREEDMAN, FELIX WANG @HEDGEYESOFTWARE
Andrew & Felix, analysts with over a decade of experience each, have teamed up with software analyst Nick Balch to provide differentiated & data-oriented Technology sector idea generation.

GLOBAL TECHNOLOGY | FELIX WANG @HEDGEYETECH
15 years of experience covering TMT/consumer. Coverage includes consumer tech/China, semis, hardware & AI. Featured on Bloomberg, Sina Finance, Sohu, Barron's and Fast Money

MACRO, CRYPTO, HOUSING | CHRISTIAN DRAKE @HEDGEYEUSA
Covers U.S. Macro, Crypto & Housing, Owned Integrated Performance, LLC, A Human Performance Consultation Company

DEMOGRAPHY | NEIL HOWE @HOWEGENERATION
Renowned authority on generations and social change in America. Neil is an acclaimed bestselling author and speaker.

MACRO POLICY | JT TAYLOR @HEDGEYEDC
Former Managing Partner of Kemp Partners in Washington, DC and led the policy research team at Pelorus Research in London.

REITS | ROB SIMONE @HEDGEYEREITS
Ranked II REIT team at Evercore ISI, most recently Dir. of Bus. Development at Paramount Group (NYSE: PGRE) a New York-based office REIT

TELECOM & MEDIA POLICY | PAUL GLENCHUR @HEDGEYETECHLAW
Leading telecommunications policy specialist with a combined legal and industry background. Former attorney for the FCC. Member of the American Bar Association Section on Antitrust Law.

HEALTH POLICY | EMILY EVANS @HEDGEYEEEVANS
Worked at JC Bradford helping to bring securities to market for healthcare related projects.

CAPITAL ALLOCATION | DAVID SALEM @DSALEMINVESTOR
Founding CEO & CIO of The Investment Fund for Foundations (TIFF) and Partner at GMO. Harvard JD/MBA.