

**1** STEWARD HEALTH CARE

# STEWARD HEALTH (EST. ~20% OF MPW CASH RENT)

- **November 2012** – CEO Ralph de la Torre, on the industrialization of the healthcare industry, described healthcare as “[becoming a commodity](#).” Further, “part of the maturation process is consolidation. It’s getting economies of scale and in many ways making it a commodity.”
- **2013**: Steward closed the pediatric unit at Morton Hospital in Massachusetts.
- **November 2014**: Steward [closed](#) Quincy Medical Center in Massachusetts, reneging on a 10-year “no close” agreement as part of a set of conditions negotiated with Attorney General Martha Coakley to get the Cerberus deal approved.
- **December 2015**: The Boston Herald [reported](#) that Steward’s financial condition had declined, and that “The system has increasingly relied on bank term loans to fund operating losses and capital expenditures...” Losses would only accelerate from there.
- **May 2016**: The Boston Globe [reported](#) Steward had declined to submit basic financial information to MA officials for the second year in a row. Steward was fined \$37,000 for missing the deadlines. Steward lost ~\$75 million from operations in 2014, ~\$55 million in 2013 and ~\$22 million in 2012.
- **10.3.16 –MPW closes first transaction**. Acquired 5 hospitals via a SLB for ~\$600 million + originated a ~\$600 million mortgage on 4 hospitals + acquired a ~\$50 million equity stake in the Steward OpCo. Steward management + Cerberus also acquired ~10.3 million shares of MPW at ~\$14.50/share, for proceeds of ~\$150 million to MPW.
- **9.29.17 – MPW closes second transaction**, financing the IASIS acquisition by Steward. Acquired 9 hospitals via SLB for ~\$700 million + originated a ~\$700 million mortgage on 2 hospitals + invested ~\$100 million for an additional equity stake in Steward. At this point MPW owned ~9.9% of Steward’s equity.

# STEWARD HEALTH (CONT'D)

- **3.1.18 - First clear sign that something was wrong in the relationship**, in Hedgeye's view. MPW "sold" St. Joseph's Medical Center ("SJM"), which it had just acquired via IASIS, to Steward for a mortgage note valued at ~\$148 million (no cash consideration). In July 2018 MPW cited this transaction in correspondence with the SEC as rationale for getting under the 20% threshold and not filing Steward's 2017 audited financial statements. MPW did not disclose, however, that it had already struck a "Mortgage Conversion Purchase Agreement" with Steward on 5.18.18. On 8.18.18, just three weeks after the response to the SEC, [MPW bought the asset back](#) from Steward by cancelling the mortgage + paying an estimated ~\$7.3 million of incremental cash to Steward.
- **2018** - Acquired 4 additional hospitals in MA leased to Steward via cancellation of ~\$616.4 million of mortgage loans + investment of additional cash.
- **May 2020 - Things really started getting weird**. MPW closed the "International Joint Venture" transaction with Steward and RDLT. MPW invested ~\$205 million (again, ~100% of the capital) for a 49% minority interest in the JV, RDLT + doctors received 51% essentially for free. The JV then acquired "assets" with a book value of ~\$27 million from Steward for ~\$200 million. These assets consisted of the OpCo operating three MPW-owned hospitals in Columbia + the Maltese concession. ~\$200 million of liquidity was effectively transferred from MPW's balance sheet to Steward's. Hedgeye believes this was intended for Steward's working capital needs and represented one component of a **broader recap of Steward**.
- **7.7.20 - MPW acquired 2 hospitals in Utah from Steward** for cancellation of the existing ~\$750 million mortgage + ~\$200 million of additional cash. Transaction was originally disclosed with 2Q20 earnings and described as a cash acquisition for ~\$200 million. MPW then disclosed in 10-Q filing on 8.7.20 that it had converted prior mortgage balance to fee simple interest. This implied a basis >\$2 million per bed, and effectively **injected ~\$200 million into the OpCo**. Hedgeye believes this was another component of a **broader recap of Steward**.

# STEWARD HEALTH (CONT'D)

- **2020** – Steward recorded ~\$400 million of relief revenue under CARES Act + received ~\$400 million of MAP advance payments.
- **1.7.21 – MPW funded ~\$335 million loan to entities controlled by RDLT to refinance out Cerberus.** I.e. MPW used its balance sheet to finance the change of control of its largest tenant in favor of that tenant's CEO. The loan was poorly disclosed and terms + classification as equity/debt have been retroactively changed. Loan secured by non-MPW equity and includes value participation feature.
- **1Q21** – Now under RDLT's control, MPW declared at least ~\$111 million in dividends out of Steward's cash to equity owners.
- **May 2021** – RDLT bought ~\$40 million AMARAL yacht.
- **8.1.21 – Another red flag.** MPW acquired 5 hospitals in Florida from Tenet and subsequently leased them to Steward. Transaction consisted of ~\$900 million SLB from MPW + ~\$200 million from Steward for the OpCo = ~\$1.1 billion total value. However, over ~3 subsequent quarters MPW funded ~\$200 million of “capex” to Steward for these 5 hospitals, or ~20% of initial deal value and roughly equal to Steward's share of the purchase price. Triple-net REITs should have zero capex. I.e., **Hedgeye believes MPW effectively “refunded” Steward for its share of the purchase price** and put up 100% of the capital to “buy EBITDA” into Steward. Hedgeye believes this was another component of a **broader recap of Steward**.
- **4Q21** – MPW announced ~\$170 million development of replacement Steward hospital for existing **Wadley Regional in Texarkana, TX**. Advanced ~\$57 million toward project managed by Steward-affiliated CREF entity. Project site sat unfinished with little activity for ~1 year. Hedgeye believes that a significant portion of the ~\$57 million advance was used by Steward for working capital purposes.
- **4.21.22** – Hedgeye publishes first short recommendation presentation on MPW, highlighting Steward's horrible financial condition + unaffordable leases + the need for MPW's ongoing financial support to stay alive as key risks.
- **2Q22** – MPW funded ~\$150 million term loan facility to Steward for working capital support.
- **4Q22** – MPW repeatedly denied making loans to Steward + involvement in ABL. Funded ~\$28 million working capital loan to Steward in the quarter. Hedgeye believes intra-quarter balance may have been higher.

# STEWARD HEALTH (CONT'D)

- **1Q23** – MPW advanced another ~\$50 million to Steward for working capital support.
- **1Q23** – Tenet litigation revealed Steward submitted “extreme financial hardship” application to CMS in 4Q22 to delay repayment of MAP advances. Management had been telling investors MAP fully repaid and Steward financial condition improving.
- **5.1.23** – Steward completed sale of Utah OpCos to Commonspirit. Aldag later preposterously claimed on earnings call that sale would result in higher coverage ratios at Steward.
- **May 2023** – Steward forced to post secured bond for ~\$25-30 million judgment in Tenet litigation, ahead of ability to appeal the ruling. Chancellor in Delaware Chancery Court highlighted Steward’s deteriorating financial condition and doubtful ability to pay as rationale for bond.
- **2Q23** – MPW deferred ~\$40-50 million of Steward rent via an A/R build.
- **July 2023** – MPW participated in Steward’s ABL refinancing process, validating thesis that the operator could not survive without MPW’s participation and ongoing financial support.
- **October 2023** – Earliest known time when Steward began setting up the Stewardship Health “managed care” entity.
- **11.9.23** – MPW filed 3Q23 10-Q, disclosed (1) Steward was late on September + October rent payments and (2) that the ABL loan was now an unsecured working capital loan “outside of the ABL.”
- **1.4.24** – MPW announced Steward had become a restructuring + funded ~\$60 million 2L TL ahead of likely BK filing.
- **1.25.24** – The WSJ reported [HERE](#) that Steward had hired restructuring advisors.

# KNOWN MPW INVESTMENTS IN STEWARD'S OPCO

Represents the aggregate known investment by MPW in Steward, outside of the original purchase price for the real estate, that was available to Steward for working capital purposes including of MPW's rent. **~\$1.2 billion = ~4.2 years of current annualized Steward cash rent.**

Amounts in 000s

Investment Type	Date	Amount (\$)	Notes
Equity Investment	Oct-16	50,000	- Initial equity investment in Steward.
Equity Investment	Sep-17	100,000	- Incremental equity investment in Steward; MPW equity stake up to ~9.9%.
SJM Transaction	Aug-18	7,362	- Cash portion of repurchase of hospital from Steward; incremental to mortgage cancellation. Estimated based on total cost per MPW's Schedule III.
MA Acquisitions via Mortgage Cancellation	2018	-	- Incremental cash portion unclear.
"Tranche 1" Loan	2018	10,000	- Funded Steward pharmacy improvement project.
"Tranche 3" Loan	2019	13,500	- Start-up costs related to Steward stepping in to operate Florence, AZ hospital.
Int'l JV Transaction	May-20	200,000	- Liquidity channeled, via off-balance sheet JV, from MPW's balance sheet to largest tenant Steward. Hedgeye believes intended for working capital purposes and one component of broader recap of Steward.
Steward Utah Hospital Acquisition	Jul-20	200,000	- Cancelled original ~\$750 million mortgage + paid incremental ~\$200 cash to Steward for fee simple interest in 2 Utah hospitals. Injected ~\$200 million into OpCo. Hedgeye believes another component of broader recap of Steward.
Florida Hospital "Capex"	3Q21-1Q22	214,038	- MPW invested ~\$200 million of "capex" into Steward for 5 former Tenet hospitals, effectively covering Steward's share of the purchase price for the OpCo and again putting up 100% of the capital. Hedgeye believes another component of broader recap of Steward as "bought in" EBITDA to Steward for "free."
Wadley Development	4Q21	40,000	- Hedgeye's estimate for share of ~\$57 million "advance" that went towards Steward's working capital needs.
Miami Hospital Purchase	Apr-22	60,000	- MPW acquired a vacant shell hospital in Miami from Steward, ~2 years (!) before scheduled to open.
"Tranche 5" - Working Capital Loan Facility	Apr-22	150,000	- MPW disclosed on 2Q22 earnings call that it had lent ~\$150 million to Steward "mandatorily repayable" from proceeds from Utah OpCo sale, yet ~\$50 million still outstanding. Hedgeye believes funded in April 2022.
"Tranche 6" Loan	Dec-22	28,000	- Working capital loan that MPW denied making throughout 4Q22-1Q23. Made concurrent to Steward ABL maturity and "interim extension." Hedgeye believes intra-quarter balance may have been larger.
"Tranche 7" Loan	1Q23	50,000	- Working capital loan made during 1Q23, claimed to be secured by future Steward business interruption insurance proceeds. Zurich litigation docket indicated most, if not all, of that available claim already realized.
Norwood Deferral	2Q23	40,000	- In 2Q23 MPW "deferred" Norwood's aggregate rent over non-operational period via an A/R accrual. Hedgeye views as offset against recorded consolidated rent from Steward.
ABL / "Tranche 8" Loan	3Q23	45,300	- Unsecured loan outstanding, originally represented as "ABL participation secured by Steward receivables and not an operating loan," then became "working capital loan outside of the ABL due to high likelihood of early repayment." Changes not disclosed until 3Q23 10-Q filing. Roughly equal to quarterly consolidated rent.
Steward 2L "Quasi DIP" Loan	Jan-24	60,000	- MPW advanced ~\$60 million in a 2L ahead of a likely Steward BK filing. Hedgeye believes (1) was planned during 4Q23 and (2) intended to "bridge" Steward working capital until filing.
<b>Total Est. MPW Investment in Steward OpCo</b>		<b>1,268,200</b>	

**[ 2 ] PROSPECT MEDICAL HOLDINGS**

# PROSPECT MEDICAL (EST. ~10-12% OF MPW CASH RENT IN 2022)

- **2007** – Prospect Medical Holdings (“PMH”) acquired Sam Lee’s Alta Healthcare Systems.
- **April 2008** – Alta forced to restate 2006 revenues, PMH canceled annual meeting, PMH had its stock delisted from the American Stock Exchange, PMH defaulted on loans and paid lender penalties. Despite all this, Lee became CEO of PMH.
- **2010** – Leonard Green acquired a 61.3% equity stake in PMH. Lee retained 20.2%, while David Topper received 14.9%
- **2012** – PMH distributed ~\$188 million across two dividend payments, financed by issuing high yield bonds. Leonard Green had already made back most of its original ~\$205 million investment at this point.
- **2012** – PMH acquired Nix Health System in San Antonio for ~\$48 million. Nix had been profitable and held a higher federal quality rating. Following the acquisition, Nix began losing money. Prospect shut down the entire system in 2019.
- **2013** – Acquired controlling stake in Roger Williams and Lady of Fatima hospitals in Rhode Island for ~\$45 million. Prospect committed to (1) ~\$90 million of capital improvements over 4 years, and (2) no additional dividend payments.
- **2015** – PMH spent >\$500 million to acquire one hospital in New Jersey, three community hospitals in Connecticut and a four-hospital system (Crozer) in Delaware County, Pennsylvania. PMH spent ~\$300 million on Crozer, including the real estate.
- **October 2015** – Leonard Green marketed PMH for sale. Bain Capital and CVC Capital Partners both bid ~\$1.2 billion for the system. The sale was put on hold after capital markets tightened.
- **2018** – Despite assurances made to the Rhode Island AG, Leonard Green prepared to issue a ~\$600 million dividend via a levered dividend recap. Moody’s lowered PMH’s credit rating. Green reduced the dividend to ~\$457 million.



# PROSPECT MEDICAL (CONT'D)

- **June 2018** – Leonard Green made second attempt at exit, but PMH sale process again collapsed.
- **January 2019** – Leonard Green had to make emergency ~\$41 million working capital loan to PMH amidst a cash shortage.
- **March 2019** – Moody’s downgraded PMH’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.”
- **8.23.19** – MPW acquired 13 hospitals for ~\$1.4 billion + originated a ~\$50 million mortgage loan on Foothill Regional + funded a ~\$112.9 million TL secured by the Rhode Island hospitals. MPW CEO Ed Aldag stated on 2Q19 earnings call that 100% of PMH’s debt would be retired from these proceeds, meaning risk was transferred onto MPW’s balance sheet.
- **October 2019** – Leonard Green sold its stake in PMH to Lee and Topper for just ~\$12 million in cash plus the assumption of ~\$1.3 billion in lease obligations. The ~\$12 million was paid by PMH, not the two executives.
- **May 2022** – MPW funded two ~\$50 million working capital advances to PMH. These were not disclosed at the time.
- **7.26.22** – MPW “papered” these existing advances onto Foothill Regional, bringing total mortgage debt outstanding to ~\$150 million on the property. CFO Steve Hamner signed the deed on 7.18.22. It was recorded on 8.9.22, the day MPW filed its 2Q22 10-Q, after the market closed.
- **8.3.22** – Hamner denied on the 2Q22 earnings call that any incremental loans had been made to “bridge” PMH. The May advances had not been disclosed anywhere at this point.
- **8.9.22** – MPW filed its 2Q22 10-Q and disclosed the “mortgage loan” for the first time in a footnote.
- **2.23.23** – MPW reported 4Q22 results, announced PMH had failed and stopped paying rent + moved tenant to cash accounting beginning with 1Q23.

# PROSPECT MEDICAL (CONT'D)

- **3.1.23** – MPW filed its 2022 10-K report, which stated “Until the 2022 fourth quarter, Prospect was current on its rent and interest obligations under the various agreements,” and “Mortgage loans were not delinquent with respect to principal or interest, other than for two months of interest on the Prospect loan.”
- **5.23.23** – MPW announced PMH restructuring transactions. Cancelled Foothill mortgage + Rhode Island TL. In Hedgeye’s view, disclosure here on accrued rent + interest was not consistent with above 10-K language.
- **8.8.23** – MPW reported 2Q23 results, including recording ~\$68 million of non-cash, non-recurring revenue for the “receipt” of preferred equity in Prospect Health Plan (“PHP”) Holdings, Inc. This consideration was contemplated to provide MPW its recovery on PMH upon sale of PHP. MPW included this income in AFFO, despite being non-cash and non-recurring.
- **8.18.23** – The WSJ reported [HERE](#) that MPW had recorded that consideration as received, despite the fact that the California DMHC had ordered a hold on the equity transfer transaction on 7.20.23. MPW halted their own stock on the same day to respond, accusing the WSJ of coordinating with HFs + timing the article with monthly options expiry. The transaction is still not approved.
- **9.10.23** – Hedgeye published its first note [HERE](#) questioning whether PMH had stopped paying contractual rent + interest earlier in 2022. This implies that there were material misstatements in the 2022 10-K regarding a 10%+ tenant.
- **9.14.23** – In our view, MPW responded.
- **10.26.23** – MPW reported 3Q23 results and recorded another \$13 million for the receipt of additional PHP preferred equity.
- **10.31.23** – Hedgeye obtained the actual executed PMH restructuring agreement, the contents of which confirmed our suspicions. We published a second deck [HERE](#).

**3** PRIORY

# PRIORY (EST. ~7-8% OF MPW CASH RENT)

- **12.30.20** – Acadia Healthcare announced sale of U.K. operations to Waterland Private Equity for ~£1.1 billion.
- **1.6.21** – MPW announced financing of Priory transaction via ~£800 million “secured interim acquisition loan” to Waterland, to be converted to SLB upon selection of the properties. I.e., price determined ahead of asset selection. MPW also provided ~£250 million “bridge loan” to Waterland to acquire the OpCo. MPW again put up 100% of the initial capital for the transaction.
- **1.7.21** – MPW priced ~\$711 million follow-on equity offering, with proceeds used to partially fund transaction.
- **1.15.21** – MPW entered into ~\$900 million interim credit facility and borrowed ~\$700 million to partially fund 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 incremental ~£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 in a syndicated 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).
- **December 2022** – MPW curiously acquired 6 Priory assets from a third party in December 2022 for ~\$280 million at an estimated mid-single-digit initial cash cap rate. At the time MPW’s unsecured bonds were yielding ~10%.
- **April 2023** – Despite MPW’s liquidity situation deteriorating rapidly, MPW acquired 5 additional assets directly from Priory in a SLB transaction for another ~\$55 million. This SLB injected more capital directly into Priory.
- **April 2023** – MPW also acquired 3 additional facilities from sister company MEDIAN for ~\$77 million, which MEDIAN used to pay down its RCF.
- **October 2023** – Hedgeye published work showing that (1) Priory’s rent is not covered with cash flow, and (2) MPW overpaid by approx. ~2x.

**[ 4 ] SWISS MEDICAL / INFRACORE**

# SWISS MEDICAL / INFRACORE (~3-4% OF MPW'S TOTAL ASSETS)

Another case where MPW invested more capital in the OpCo post-initial acquisition than it has received back as rent or distributions.

- **5.27.19** - MPW acquired a ~46% stake in Swiss healthcare company Infracore SA from majority shareholder Avis Victoria SA for ~\$236.5 million. Infracore is the PropCo. Swiss Medical Network (“SMN”), a subsidiary of Avis, is the OpCo tenant of Infracore.
- **6.28.19** - MPW acquired a ~4.9% equity stake in Avis, parent of SMN the tenant operator to Infracore, for ~\$48 million. To the best of our knowledge this was the first MPW investment in the OpCo.
- **6.24.20** - MPW funded a CHF 45 million secured loan to Infracore the PropCo, which was fully repaid on 12.2.20.
- **12.29.20** - MPW invested an additional ~\$230 million and increased its equity ownership stake in Infracore to ~70%. These amounts were paid to third-party Baloise Holding AG.
- **4.16.21** - MPW invested an incremental ~\$160 million in SMN, the OpCo tenant to Infracore. We estimate this consisted of a ~\$110 million investment for ~10% of the equity in SMN + a ~\$50 million participation in a syndicated loan facility.
- So taken together, Hedgeye estimates **~\$208 million of liquidity invested by MPW in the OpCo parent and its subsidiary SMN as tenant to Infracore post initial investment in the real estate**. We estimate current annualized cash rent at Infracore of ~\$60 million (at 100%). This means that Infracore's total cash rent received from the point of MPW's acquisition until now should have been roughly ~\$210 million ((~\$45 million starting + ~\$60 million current) / 2 x 4). **~\$208 million of liquidity invested in the OpCo vs. \$210 million of total cash rent, of which MPW's share is currently ~70%**. This excludes MPW's initial investment which also went to Avis as parent of SMN.
- **= More of the same...**

**[ 5 ] SHASTA REGIONAL MEDICAL CENTER**

# SHASTA REGIONAL MEDICAL CENTER (“SRMC”)

No longer an MPW tenant, but resurfaced by MPW after 2Q22 [HERE](#) as a case study in “successful re-tenanting” of a hospital. The case study is **filled with blatant lies and misrepresentations**.

➤ **MPW Claim #1:** “Shasta Hospital in Redding, California is a **good example** of what can happen **when an operator's parent, not MPT's lessee, gets into financial stress and even enters bankruptcy.**” – CFO Hamner, 2Q22 Earnings Call

➤ **Facts:**

1. **5.23.08** – MPW issued a default notice to SRMC, LLC, the lessee, not HPA the parent.
2. **8.25.08** – MPW issued additional default notice to SRMC, LLC.
3. **9.17.08** - MPW issued additional default notice to SRMC, LLC.
4. **September 2008** – SRMC, LLC failed to make September rent payment.
5. **September / October 2008** - MPW funded ~\$8 million of emergency working capital loans to SRMC, LLC.

➤ **MPW Claim #2:** “**Our hospital real estate was being operated at an attractive EBITDAR coverage ratio** even when the parent company, who was our guarantor, was deeply insolvent. **Because of the facility level profitability** and because our leases almost always mandate that our lessee is a special purpose entity, creditors may not attach our real estate assets or pursue facility operations other than secured receivables.” – CFO Hamner, 2Q22 Earnings Call

➤ **Facts:**

1. **September 2008** – SRMC, LLC (not the parent company) represented to MPW that the **hospital lacked sufficient funds to continue operating**.
2. **September 2008** – MPW subsequently made an initial ~\$3 million emergency loan funding (of the above ~\$8 million) to permit SRMC, LLC to continue operating.

➤ **MPW Claim #3:** In **October 2008**, the replacement operator paid MPT \$12 MM in cash **for the right to immediately assume the lease** at an increased lease base. – MPW 2Q22 Investor Update

➤ **Facts:**

- **The \$12 million was not paid or received immediately, but paid to MPW nearly two years later in 2Q10.**
- **The \$12 million was actually a negotiated settlement of a cash flow participation agreement** with new operator Prime, “due to the uncertainty of cash flows over the next nine years, and the time value of money.” The \$12 million was **NOT paid to MPW for the right to immediately assume the lease**.



**[ 6 ] M/C HEALTHCARE**

# M/C HEALTHCARE LLC / MCLEOD HEALTH

An example of MPW extending a credit line / capitalizing the new operator. The following is sourced from the Alecto bankruptcy docket, which disclosed that Alecto owned 100% of M/C Healthcare LLC.

- **April 2008** – MPW acquired Marlboro Park Hospital and Chesterfield General Hospital in SC for a combined ~\$16.6 million.
- **5.6.14** - Ed Aldag disclosed on 1Q14 call that tenant Community Health (CYH) would not be renewing the lease upon expiration in early-2015.
- **March 2015** - CYH announced that it had sold the OpCo entities to **M/C Healthcare**. CYH's 1Q15 10-Q report disclosed that M/C Healthcare paid ~\$4 million for the entities on 3.31.15.
- **4.1.15** - According to Chesterfield County records, **M/C Healthcare granted a promissory note in favor of MPW in an amount equal to the original principal balance of ~\$5.3 million. I.e., MPW lent ~\$5.3 million to M/C Healthcare, which was acquiring the OpCos for ~\$4 million from CYH and would be MPW's new tenant in the facilities.** To the best of our knowledge, this loan to the OpCo was **never disclosed by MPW.**
- **5.7.15** – On 1Q15 call Ed Aldag said, “McLeod Health has entered into an LOI to lease our two South Carolina facilities and we hope to have this transaction completed by early summer.” On the same earnings call Steve Hamner said, “Yes. **We would not expect the interim rent to change, certainly change significantly if and when we finalize negotiations with McLeod...**” in response to a question as to whether MPW would receive the same rent.
- **3Q15** - Per McLeod's financial statements, **cash lease payments for the Chesterfield General were set at ~\$1 million annually, or even lower adjusting for the ~\$2 million TI allowance from MPW. The Marlboro facility in Bennettsville remains vacant to this day.** So just to recap, that **represents an estimated ~75% reduction in cash rent paid to MPW,** after the company publicly stated there would not be a significant rent change. **To the best of our knowledge MPW never updated that disclosure.**