2 February 2023

ATT: Mr. Terry Sparks
Office Managing Partner – Audit & Assurance
PricewaterhouseCoopers LLP
569 Brookwood Village #851
Birmingham, AL 35209

By email: terry.sparks@pwc.com

Dear Mr. Sparks,

Medical Properties Trust, Inc.

As you may be aware, Viceroy Research published its findings from a lengthy investigation into Medical Properties Trust ("**MPW**") on January 26, 2023. A full copy of our report, Medical Properties (dis)Trust ("**Report**") and subsequent updates/reports can be found in the link below:

https://viceroyresearch.org/medical-properties-trust-research/

In summary, our Report highlights the following:

- MPW has engaged in billions of dollars of uncommercial transactions with its tenants and their management teams in order to mask a pervasive revenue round-robin scheme and / or theft.
- The value of MPW's assets, as a result of capitalizing these uncommercial transactions, are massively overstated.
- MPW engaged in an aggressive, debt-fueled roll-up strategy in order to affect these transactions. We believe the true value of MPW's LTV is closer to ~85%, creating enormous credit risk.
- Many of MPW's tenants are severely distressed. This precedes the need to engage in revenue round-robin transactions.
- Financial accounting gimmicks ensure MPW's management is incentivized to continue engaging in uncommercial transactions and possible fraud. These align with management incentive schemes.
- MPW is a REIT. By definition, it should now be investing with black-checks into related party JV ventures, its tenants, or any other purpose not within the parameters of a REIT.

Our Report also includes several investigative case studies into various MPW transactions, which we believe are fraudulent, and should be scrutinized. Of note: these transactions show that MPW is a subprime portfolio which has flourished in a zero rate environment despite catering, almost exclusively, to distressed tenants.

We highlight the following findings, which we believe pose great audit risk and deserve further scrutiny from your team:

- MPW and most of its major tenants enjoy a mutually parasitic relationship. We have evidenced over $2b, net, of uncommercial cash outflows capitalized in MPW's balance sheet and round tripped to MPW by counterparties: its tenants.
  - MPW has engaged in several uncommercial transactions with its major tenant, Steward Healthcare, which accounts for over 25% of MPW's cash revenues. A cursory glance at Steward's financials show that it is distressed, and would not have met its financial obligations to MPW were it not for financial assistance from MPW.
  - As its largest tenant, and as its largest debtor, MPW absorbs the variability of Stewards financial performance. This is especially true, as we have shown, as loans granted to steward are not backed by "real" assets. It's noted that MPW is also a direct owner in Steward to the tune of 9.9%.

- Steward is, in substance, a subsidiary of MPW, its major counterparty, and their operating activities are inextricably linked. It is not unreasonable to suggest that MPW relationship with Steward substantially influences the management and operating policies of Steward. When consolidated, Steward would have serious implications for MPW's status as a REIT.
- We believe Steward is an off-balance sheet entity, and it's exclusion from MPW's consolidated accounts is both a contravention of ASC 810, and largely misrepresents the underlying performance of MPW.

▪ Viceroy Research have highlighted numerous uncommercial transactions which substantiate our belief that MPW round-trips revenues. Round-tripped revenues provide no economic substance, and is disqualified per ASC 606.

- A cursory analysis of MPW's tenants show that they are severely distressed and do not have the ability to meet MPW's rent requirements if not for financial contributions from MPW. Round-tripped revenues have no economic substance, and serve for a sole purpose of masking financial distress of MPW's tenants.
- MPW's executive compensation plans encourage an aggressive, acquire-at-any-cost policy which ultimately aligns with a revenue round-tripping model.
- The volume of revenue round tripping must be scrutinized. We believe the volume of round-tripped revenue may call into question MPW's REIT status eligibility.
- The revenue round-tripping model is similar in nature to the Homestore scandal:

  https://www.sec.gov/litigation/complaints/comp17745.htm

▪ On top of its pervasive revenue round-tripping scheme, MPW also defers 20%-25% of revenues through its straight-line model. Given the nature of its tenants (being, distressed), the collectability of these revenues comes into question.

- Viceroy research believe that significant portions of MPW's accrued straight-line rent is not collectible unless with financial assistance from MPW. It must be severely impaired to reflect income that is collectable.
- Per ASC 842, revenues should be reversed and recorded on a cash basis going forward should tenants become "troubled". Given that some of MPW's tenants have even been in Chapter 11 in previous accounting periods, it is mid-boggling that this has not already been applied.

Viceroy have identified various other transactions, spoken with various whistleblowers, and observed various managerial changes at MPW & Steward since the publication of our Report. We intend to publish our findings, however we are also open to discussing these with PWC as a matter of urgency.

We believe MPW's audit deserves great scrutiny. Our team are happy to field questions or provide documentation which may assist in your audit.

Please do not hesitate to contact us via email at viceroy@viceroyresearch.com.

Yours faithfully

Viceroy Research Team

cc. Ms. Hillary Stanley
Head of Compliance - PWC
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