



MPW Case Study – Springstone Texas

MPW commit \$35 million to complete a \$17 million build in McKinney Texas following sale-leaseback transaction with Springstone (49% owned by MPW).

PLEASE READ IMPORTANT DISCLAIMER – PAGE 4

February 7, 2023 – In Q2 2022, MPW committed \$34.6m in funding for a new facility in McKinney, Texas, which would be leased to Springstone LLC. MPW did not disclose that the site was also purchased from Springstone, who already lease 18 facilities from MPW.

Development Activities

During the 2022 second quarter, we agreed to finance the development of four new projects. One of these development projects is a behavioral health facility in McKinney, Texas with a total budget of approximately \$35 million. This facility will be leased to Springstone, LLC ("Springstone") pursuant to the existing long-term master lease. In addition, we agreed to finance the development of and lease three general acute care facilities located

Figure 1 – Extract from MPW Q3 2022 10-Q

At Q3 2022, MPW had outlaid \$1.14m on the project, with an estimated “rent commencement date” of Q1 2024.

Property	Commitment	Costs Incurred as of September 30, 2022	Estimated Rent Commencement Date
Steward (Texas)	\$ 169,408	\$ 57,911	4Q 2025
Ernest (Stockton, California)	47,700	43,785	4Q 2022
IMED (Spain)	46,159	11,809	2Q 2023
IMED (Spain)	41,577	29,182	3Q 2023
Springstone (Texas)	34,600	1,144	1Q 2024
IMED (Spain)	33,635	7,535	3Q 2024
	<u>\$ 373,079</u>	<u>\$ 151,366</u>	

Figure 2 – Q3 2020 supplemental information report

The Real Construction Costs & Property Appraisal

Project details of the Springstone facility were submitted to the Texas Department of Licensing and Regulation, which show estimated project costs to be \$17.5m.



Texas Department of Licensing and Regulation
Architectural Barriers Project Details Page

Project #: TABS2022008780 Registration Date: 1/7/2022

<https://www.tdlr.texas.gov/TABS/Projects/TABS2022008780>

PROJECT

Project Name: Springstone McKinney Hospital
 Project Number: TABS2022008780
 Facility Name: Springstone McKinney Hospital
 Location Address: 4650 West University Drive
 McKinney, TX 75071
 Location County: Collin

Start Date: 3/15/2022
 Completion Date: 3/15/2023
Estimated Cost: \$17,500,000
 Type of Work: New Construction
 Type of Funds: This project is privately funded, on private land for private use.
 Scope of Work: 72 Bed private psychiatric hospital with inpatient treatment outpatient therapy dietary pharmacy lab admin and support services
 Square Footage: 58,000 ft²

Figure 3 – Extract from TDLR¹

It is unfathomable that MPW has committed \$34.6m on the development of the Springstone facility given the estimated cost of development and market value of the development was only \$17.5m **as of July 2022**.

**MPW will pay over 2x the development cost of a new facility in McKinney.
Investors & creditors should demand an independent investigation into management conduct.**

¹ <https://www.tdlr.texas.gov/TABS/Search/Project/TABS2022008780>



Who did MPW purchase the property from?

A title search on the McKinney plot shows that MPW purchased the facility from Carrollton Springs, a Springstone subsidiary. It will be leased back to Springstone. This does not appear to have been disclosed.

The sale for \$2.95m took place in October 2021, more than 6 months before the deal was announced and is not included in MPW’s “costs incurred” figures², nor does it appear to form part of MPW’s capex commitment. It is astounding that MPW would acquire an empty lot from a tenant.

Deed History				
Deed Date	Seller	Buyer	Instr #	Volume/Page
10/19/2021	CARROLLTON SPRINGS LLC	MPT OF MCKINNEY-SPRINGSTONE LLC	20211020002147330	
09/07/2018	KAYASA FAMILY LTD	CARROLLTON SPRINGS LLC	20180907001128410	

Figure 4 – Extract Collins County Appraisal District³

MPW’s website facility search shows that Springstone is a tenant at 18 existing MPW properties.

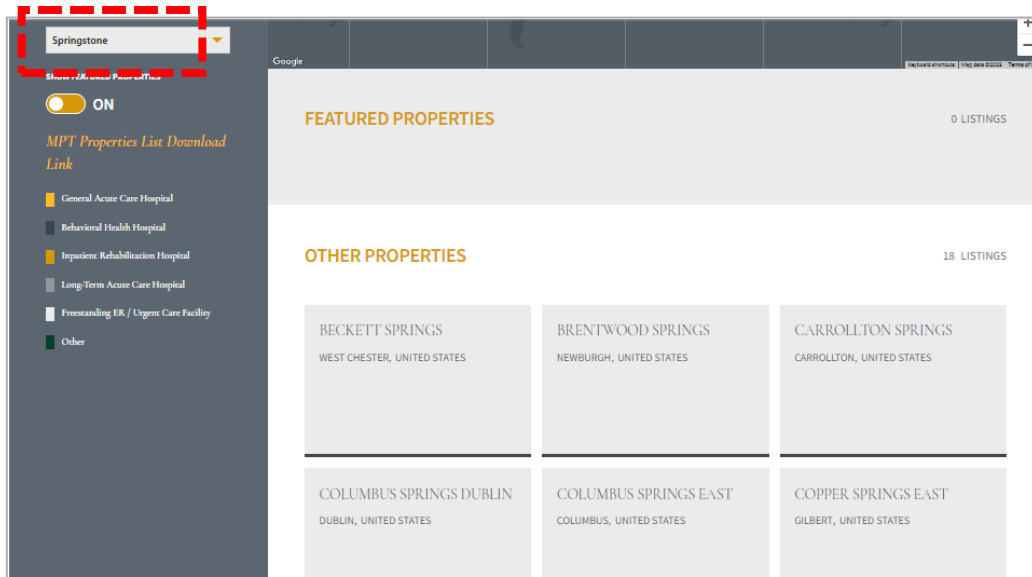


Figure 5 – Sample extract from MPW website

The cherry on top: MPW owns 49% of Springstone. It appears MPW is round tripping cash even between their own off-balance sheet JVs.

So just to wrap up our recent activities. Last week, we closed on our acquisition of 18 inpatient behavioral hospitals master leased to Springstone across several U.S. states for a total of \$760 million. These facilities are purpose-built behavioral hospitals in carefully selected communities and very well run, a unique portfolio that we have been observing for several years. We also invested \$190 million to own a 49% interest in the operator.

Figure 6 – MPW Q3 2021 conference call - Steven Hamner

We believe this outrageous overspend aligns with MPW’s pervasive revenue round-tripping model. The facts simply do not add up.

² <https://www.collincad.org/propertysearch?prop=2784249&year=2023#valuetable>

³ <https://www.collincad.org/propertysearch?prop=2784249&year=2023>



Key Takeaways

We reiterate our belief that MPW engages in pervasive revenue round-tripping schemes. It is clear that MPW intends to vastly overpay for this facility, with appraisals and state filings directly contradicting statements from MPW.

The tenant, Springstone, rents 18 other properties from MPW. We believe this overpayment is consistent with round-tripping behavior in order to assist Springstone in meeting its payment obligations to MPW.

When MPW overpays for this facility by 2x, it will capitalize these absurd overpayments, and proceeds to borrow more money to make more uncommercial investments.

Viceroy's full investigation of MPW's multiple transactions with Springstone and its management team will follow shortly.



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Viceroy encourage any parties with information pertaining to misconduct within Medical Properties Trust, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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