14 February 2024

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 remember, Viceroy Research wrote to you and your office on February 2, 2023, summarizing our findings from a lengthy investigation into Medical Properties Trust ("**MPW**"), commenced on January 26, 2023. A full copy of our report, Medical Properties (dis)Trust ("**Report**"), subsequent updates/reports, and our letter to you dated February 2, 2023 can be found in the link below:

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

In case it was not obvious in our prior correspondence, we reiterate 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 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 and have been for years. This is no longer a secret, and 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.

Viceroy have written investigative case studies into various MPW transactions, which we believe are fraudulent, and should be scrutinized. 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 Health Care ("**Steward**"), which accounts for over 25% of MPW's cash revenues(which it has now stopped paying). A cursory glance at Steward's most recent (2021) 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 largest debtor, MPW absorbs the variability of Stewards financial performance. We have shown this is especially true as loans granted to Steward are not backed by "real" assets. It's noted that MPW also directly owns 9.9% of Steward's equity.

- Steward is, in substance and form, a subsidiary of MPW. Steward is MPW's major counterparty, and their operating activities are inextricably linked. It is not unreasonable to suggest that MPW's relationship with Steward influences the management and operating policies of Steward. If Steward's were consolidated under MPW, as we believe it should be according to ASC 810, this would have serious implications for MPW's status as a REIT.
- MPW has been ordered to produce Steward financial statements by the SEC. To date, MPW shareholders have not received the records they are entitled to.
- **We believe Steward is an off-balance sheet entity, and its exclusion from MPW's consolidated accounts is both a contravention of ASC 810, and largely misrepresents the underlying performance and tax status MPW.**

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

- An analysis of several key MPW tenants show that they are severely distressed and do not, and would not, have the ability to meet MPW's rent requirements if not for financial support from MPW. These round-tripped revenues have no economic substance, and serve the sole purpose of masking the financial distress of MPW's tenants.
- For example: on 4 January, 2024: MPW advanced a $60m loan to Steward, claimed to be "actively pursuing recovery of overdue rents", and simultaneously announcing it had agreed "upon a deferral of rents until asset liquidation or mid-year 2024". These three statements are mutually exclusive and nonsensical, and the surrounding transactions are typical of the uneconomic nature of the transactions MPW undertakes to supports its tenants.
- MPW's 4th largest tenant Infracore, has round tripped 94% of rent received on an "adjusted gross asset basis", back to its only tenant, Swiss Medical Network. This was done via its parent company and MPW's joint venture partner Aevis Victoria. Aevis Victoria also appears to be financially distressed: we note that whistleblowers have informed us that this round tripping scheme exists as a cash-pooling agreement.
- MPW's executive compensation plans encourage an aggressive, acquire-at-any-cost policy which ultimately aligns and incentivizes the a revenue round-tripping model.
- This round-tripping is typical of MPW's response to their tenant's predictable financial distress. We believe the volume of round-tripped revenue calls into question MPW's REIT status eligibility.
- The revenue round-tripping model is similar in nature to the Homestore scandal alleged by the United States Securities and Exchanges Comission:

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

▪ In addition to its mutually parasitic revenue round-tripping scheme, MPW also defers 20%-25% of revenues through its straight-line model. Given the obviously distressed nature of its tenants, the collectability of these revenues comes into question.

- Viceroy research believe that significant portions of MPW's accrued straight-line rent is not collectible absent financial assistance from MPW. These assets must be severely impaired to reflect income that is uncollectable.
- 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 and its top 2 tenants are not up to date on rent it is ridiculous that this standard has not correctly been applied.

Viceroy has identified various other transactions, spoken with various whistleblowers, and observed various managerial changes at MPW and Steward since the publication of our Report.

We firmly believe that you have consistently failed to act, in your capacity as auditor, to assure the financial statements of MPW are free of material misstatements, and to assure internal reporting controls are up to the standard required of a (formerly) >$10b listed entity. We await your audit opinion of MPW's 2024 financial statements with great anticipation.

These lapses in judgement on your part will be brought to the attention the PCAOB. We believe MPW's audit deserves intense scrutiny, a service we believe you are well equipped to perform.

We remain at your service 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
By email: Hillary.stanley@pwc.com