



MPW – Tacit Admission of Securities Fraud

MPW's independent directors appear to rely on materially dated "independent" investigations in a futile attempt to claim "ignorance" of MPW's criminal conduct

PLEASE READ IMPORTANT DISCLAIMER – PAGE 3

October 15, 2024 – Late on October 14, 2024, Medical Properties Trust (“MPW”) issued a press release¹, signed only by the independent members of MPW’s Board. It states that the findings of an independent investigation conducted by Wachtell, Lipton, Rosen & Katz (“Wachtell”) completed in **February 2023** contradict widely reported and evidenced investigations into MPW’s fraudulent activities²:

1. The investigation identified no evidence that MPT **gratuitously** overpays its operator-tenants for real estate.
2. The investigation identified no evidence of **improper** round-tripping.
3. The investigation found no evidence of **improper** recognition of “uncollectable” rent through GAAP-mandated straight-line revenue recognition.
4. The investigation also found no evidence to substantiate the allegation that **MPT was required to consolidate Steward’s** financial results. The investigation concluded that **neither Manolete Health nor MPT has an ownership interest in any Malta** property or hospital.
5. The investigation yielded no evidence that **management manipulated acquisitions or other metrics to meet compensation targets**.
6. The investigation yielded **no evidence of concerns regarding management integrity**.

This is an **embarrassing and tacit admission of securities fraud by MPW**. In an apparent attempt to dismiss the new, devastating findings of the OCCRP & Boston Globe, **MPW’s independent directors have relied on the results of a ~2-year-old "independent" investigation to claim "ignorance" of MPW's criminal conduct**. This investigation, which was in hindsight a sham, will do little to indemnify MPW’s board from their obligations under the Sarbanes–Oxley Act.

The findings of the “no limitations or restrictions” investigation conducted by Wachtell (which are now almost 2 years old), have been thoroughly debunked by detailed reporting across various investigative journals, including the OCCRP, The Boston Globe, Wall Street Journal and The American Prospect. We note the following:

- The press release was only signed by independent directors and appears to have intentionally excluded executive board members. This strongly suggests that the entire press release is an attempt to absolve the independent directors of legal liability.
- As stated by MPW, the SEC views indemnification against Securities Act liabilities as against public policy and unenforceable³. Ignorance is not an accepted defense for incompetent directors of multi-billion-dollar frauds.
- Hundreds of millions of outstanding “straight line rent” has been reversed by MPW, as it is (objectively) uncollectable. Not only was Viceroy’s preliminary assessment of the quality of these assets correct, but we have been subsequently proven right by MPW’s own audit committee and by Steward’s bankruptcy investigation, against the findings of this independent investigation.
- Round-tripping transactions inherently have no economic substance. There is no exemption from the law for “proper” round-tripping. This is especially true for REITs claiming tax benefits.
- Wachtell found no evidence to substantiate Viceroy’s opinion that MPW should consolidate Steward, despite overwhelming evidence to support this opinion subsequently reported by the OCCRP, The Boston Globe, The Wall Street Journal and The American Prospect.

¹ <https://www.medicalpropiertiestrust.com/press-release?page=https://medicalpropiertiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-releases-findings-independent>

² Emphasis added by Viceroy Research

³ <https://www.sec.gov/Archives/edgar/data/1287865/000095014405013119/g98465a1posam.htm>



- The press release appears to intentionally dismiss the notion that MPW “intentionally” committed fraud with **qualifying language such as “gratuitously overpays” and “improper round-tripping”**.
 - **This strongly suggests that the purpose of the press release, published almost 2 years after the investigation’s conclusion, is to attempt to indemnify its signatories: MPW’s independent board.**
 - This myth has been thoroughly debunked by the WSJ, The American Prospect, the OCCRP and The Boston Globe.
- This investigation was concluded before Steward was bankrupt, and before the Maltese government-initiated investigations into the conduct of Steward Health Care International.
- The “independent” directors of MPW who signed this press release and address the letter to a “fellow shareholder” have been systematically selling shares in MPW

X	Filing Date	Trade Date	Ticker	Insider Name	Title	Trade Type	Price	Qty	Owned	ΔOwn	Value	1d	1w	1m	6m
	2024-10-09 18:00:03	2024-10-09	MPW	Stewart Michael G	Dir	S - Sale	\$5.46	-32,780	221,245	-13%	-\$178,979				
	2024-09-19 18:01:37	2024-09-18	MPW	Pitman Elizabeth N	Dir	P - Purchase	\$6.01	+8,087	76,740	+12%	+\$48,603				
	2024-08-27 18:44:14	2024-08-27	MPW	Thompson C Reynolds III	Dir	S - Sale	\$4.38	-20,530	54,637	-27%	-\$89,621				
	2024-08-15 18:34:16	2024-08-15	MPW	Pitman Elizabeth N	Dir	S - Sale	\$4.98	-10,025	68,653	-13%	-\$49,925				
	2022-04-08 17:24:58	2022-04-07	MPW	Hammer R Steven	EVP, CFO	S - Sale	\$21.04	-285,000	1,061,214	-13%	-\$5,996,400				
	2022-04-01 17:26:47	2022-03-30	MPW	Aldag Edward K Jr	COB, Pres, CEO	S - Sale	\$21.33	-615,000	3,467,208	-15%	-\$13,117,950				
	2022-03-10 17:32:42	2022-03-10	MPW	Stewart Michael G	Dir	S - Sale	\$20.26	-6,000	214,436	-3%	-\$121,590				
	2021-08-03 17:06:04	2021-08-02	MPW	Stewart Michael G	Dir	S - Sale	\$20.88	-4,800	214,884	-2%	-\$100,224				
	2021-03-31 16:22:45	2021-03-30	MPW	Aldag Edward K Jr	COB, Pres, CEO	S - Sale	\$21.21	-710,000	3,251,167	-18%	-\$15,059,100				
	2021-03-18 16:43:24	2021-03-17	MPW	Hanna James Kevin	VP, Controller, CAO	S - Sale	\$21.32	-33,000	69,679	-32%	-\$703,590				
	2021-02-25 18:10:24	2021-02-24	MPW	Hammer R Steven	EVP, CFO	S - Sale	\$22.49	-250,000	1,792,688	-12%	-\$5,622,500				
	2020-11-05 17:06:20	2020-11-04	MPW	Stewart Michael G	Dir	S - Sale	\$19.11	-6,300	213,756	-3%	-\$120,393				

Figure 1 – MPW Insider Market Transactions, last 4 years⁴

- The investigation was completed in February 2023, 1 month before MPW filed its baseless and malicious claims against Viceroy.
- MPW waited almost 2 years while the company’s market cap fell by more than half to mention the existence or detail of this ‘independent’ report. It speaks to its content that the best use of Wachtell’s investigation appears to be to provide cover for insiders.
- The press release seems to have been written in a rush, raising questions of whether the independent directors are trying to get in front of bad news.
 - The press release incorrectly refers to Steward Health Care and Steward Healthcare.
 - The press release incorrectly refers to independent director C Reynolds Thompson as “G Reynolds Thompson”.

The press release is an indirect admission of securities fraud. If the independent directors stand firmly behind management, it is in a desperate attempt to shelter themselves from the impending avalanche shareholder lawsuits, congressional letters, bad press and investigations by federal authorities.

In the interest of shareholder transparency, legal expense justification and comedy, we call for the release of the findings of Wachtell’s investigation in full, given their purported commitment to transparency. We believe it will be either intentionally blind, hopelessly narrow in scope or both. Viceroy will seek this document in discovery.

Investors should seek their immediate resignation of MPW’s board & management, and request a truly independent investigation into their misconduct. Readers cannot ignore the level of devotion and worship placed on the “management of Medical Properties Trust”, and shareholders should no longer defend a management team that does not care about them at all.

Sunlight is the best disinfectant, and MPW's poison has left scarce room for executives to hide.

⁴http://openinsider.com/screener?s=mpw&o=&pl=&ph=&ll=&lh=&fd=1461&fdr=&td=0&tdr=&fdlyl=&fdlyh=&daysago=&xp=1&xs=1&vl=&vh=&ocl=&och=&sic1=1&sicl=100&sih=9999&grp=0&nfl=&nfh=&nil=&nih=&nol=&noh=&v2l=&v2h=&oc2l=&oc2h=&sortcol=0&cnt=100&page=1#google_vignette



Attention: Whistleblowers

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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