MPT Corrects the Record

In light of recent media attention on MPT following Steward’s decision to commence a Chapter 11 restructuring process, we believe it is important to share the facts about MPT’s business model and disclosures directly with all stakeholders:

- **MPT is a publicly traded REIT focused on long-term real estate investments in community hospitals.** MPT is neither a hospital operator nor a private equity investor. Every MPT investment transaction is designed to produce sustainable, long-term economic benefits for MPT and its shareholders, including many thousands of individual retail shareholders, public pension funds, and mutual funds. As an investor in hospital real estate, MPT’s strong interest is that each of the hospitals in which it invests remains open and serving its community.

- **Rent is virtually never the primary cause of financial stress for hospitals.** Rent payments under MPT’s hospital leases are calculated such that total annual rent payments by the operator to MPT represent only a small percentage (single digits) of the hospital’s total sustainable reimbursement revenue. Steward’s first day declaration filing with the U.S. bankruptcy court tells a clear story regarding the operational challenges and market trends that caused its current financial difficulties. These causes include patient mix and lagging reimbursement rates, declines in patient visits and revenue, the continued movement of inpatient services to outpatient settings, a tightening labor market and sharp increases in labor costs, and operational challenges in revenue cycle management. *Nowhere in its Chapter 11 materials does Steward cite rent as a core contributing factor to its financial stress.*

- **MPT’s rigorous underwriting process is focused on identifying characteristics that will appeal to the most experienced operators.** This approach has repeatedly been validated by transactions with hospital operators and sophisticated real estate investors. To address a few specific examples recently cited in the media:
  
  - *In Utah, three separate third-party transactions have provided validation for the valuation of MPT’s portfolio:*
    - In 2021, a proposed transaction with HCA placed a floor on the value of the Utah hospitals at MPT’s underwritten cost basis.
    - In 2023, CommonSpirit agreed to pay increasing annual rents that initially value the leased assets above MPT’s investment basis.
    - In 2024, MPT sold 75% of the interest in its Utah portfolio to a JV with a leading multi-billion dollar institutional asset manager for $886 million, fully validating MPT’s underwritten lease base of approximately $1.2 billion.

  - *MPT’s investment in an international joint venture with members of Steward management was underwritten based on pre-COVID expectations for profitability and value creation—as fully described in public filings and disclosures.*
The transaction presented MPT with an immediate opportunity to invest in South American hospital real estate, a market MPT had been evaluating for several years.

At the time of underwriting, MPT expected the platform’s hospital operations to become profitable, grow in value over time and facilitate additional opportunities to invest in global hospital real estate. However, like many other hospital systems around the world, pre-pandemic growth initiatives have not materialized as expected.

- **MPT has carefully constructed a well-diversified portfolio in terms of operators, care settings, and geographies.** MPT never “bet its future” on Steward. Quite the opposite actually – MPT has spent the past several years improving the diversity of its portfolio. At year-end 2023, Steward accounted for <20% of total assets versus 39.5% at year-end 2018.

- **MPT stands firmly behind the completeness and accuracy of its disclosures.** As detailed in Appendix II below, MPT has unfailingly disclosed each of its transactions as and when required under applicable securities laws. *Importantly, MPT does not control how sellers of hospital real estate choose to spend their sale proceeds or characterize transactions.* As such, recent media attention regarding Cerberus’ convertible note is simply inaccurate:
  - As disclosed in its 2021 10-K filing, MPT loaned money to affiliates of Steward, the proceeds of which were used to redeem a convertible note from Cerberus.
  - This fact pattern is validated in Steward’s filings with the bankruptcy court.
  - And contrary to what the media has implied, there is nothing unusual about operators deciding to use cash sale proceeds to reduce other liabilities.
Appendix I: Causes of Steward's Financial difficulties

In their own words, Steward’s financial difficulties are directly attributable to the following factors, none of which have anything to do with its rent obligations:

51. From 2017 to 2021, the number of Steward’s operating hospitals grew by 30, equal to a 300% growth. Although Steward’s accelerated growth strategy brought many benefits, it has also presented challenges, particularly with respect to each of the 2017 acquisitions, given that this was the Company’s first attempt at large-scale growth and integration. As just one example, although the facilities acquired in Utah were high performing and profitable, the Company was confronted with a highly competitive market that was largely controlled by an existing vertically-integrated hospital operator that controlled a majority of market share, and after careful consideration, the Utah properties were ultimately sold in May 2023. As another example, the Company experienced material unforeseen costs associated with certain acquisitions, including material information and technology integration issues that touched on all parts of the business, as discussed further below.

52. The Company also faced significant external challenges that ultimately led Steward to suffer financial difficulties and commence these chapter 11 cases. **First**, like many hospital operators, the COVID-19 pandemic (i) caused a sharp decline in elective patient visits while simultaneously accelerating the switch of services from higher-margin inpatient settings to lower-margin outpatient settings, which resulted in a significant and ongoing decline in net patient revenue, and (ii) required a significant increase in fixed costs, driving significant reductions in earnings and liquidity. **Second**, the healthcare labor market has substantially tightened in the wake of the COVID-19 pandemic, leading to materially higher labor costs for the Company while
inflationary pressures have also strained the Company’s cash position. The cost of labor has increased by over 24% from 2019 through 2023 nationally. **Third**, certain operational challenges in revenue cycle management and lagging, industry-wide reimbursement rates have resulted in lower net patient revenues and thus lower collections.

53. **COVID-19 Pandemic.** COVID-19 caused an onslaught of negative macroeconomic trends and operational challenges to the Company’s clinical enterprise that depressed its earnings and eroded its liquidity. The Company’s emergency medical clinicians and anaesthesiologists experienced sharp, overwhelming, and localized surges of COVID-19 patients early in the pandemic. These surges were characterized by high patient mortality rates, unclear clinical protocols, and unknown infection risk, all putting unsustainable stress on the clinical teams and support staff. Simultaneously, the Company lost approximately 10% of patient visits—and associated revenue—from the end of 2019 to the end of 2020 as the country and the states implemented various shelter-in-place policies in 2020 and 2021. In 2020, the COVID-19 pandemic contributed to a decrease of approximately $1.4 billion in revenues and approximately $618 million of earnings before interest, taxes, depreciation, amortization, and rent (“EBITDAR”) compared to 2019. COVID-19 continued to have an impact on revenue in 2021—from 2019 to 2021, revenue decreased by approximately $580 million, and EBITDAR decreased by $221 million. The Company’s total patient visits sharply declined in the wake of the COVID-19 pandemic. Although patient visits have rebounded in part, total patient days and discharges have failed to fully recover and remain below 2019 levels, in part due to fears of hospitals prompting patients to seek outpatient rather than inpatient treatment.

54. **Labor Costs and Inflationary Pressures.** The COVID-19 pandemic left in its wake a nationwide health care labor shortage directly affecting the healthcare services sector.
This has created significant upward pressure on clinician wages and salaries, along with the general inflationary pressure increasing the cost of equipment and other supplies necessary to run Steward’s medical centers. Consistent with Steward’s ongoing commitment to high quality patient care and to ensuring access to services, Steward has increased clinician wages to retain employees and remain competitive with the post-COVID “new normal.” Clinician wages and premium labor spend to ensure all facilities were adequately staffed totalled approximately $3.4 billion in 2022 as compared to $2.9 billion in total spend in 2019. Although overall inflationary pressures have eased, the market for clinician services continues to be extremely competitive as the nationwide clinician shortage continues.

55. **Reimbursement and Volume Trends.** In recent years, industry-wide reimbursement rates have not kept pace with increasing hospital costs due to inflation. Historically, approximately 69% of Steward’s gross patient service revenue has been attributable to government program healthcare coverage. Steward thus relies significantly on non-negotiable government reimbursement payments and other governmental funding to fund operations. During 2023, these government-funded programs provided reimbursement rates between 13-20%, as compared to approximately 30% for non-government programs. As a result, any decrease or delay in the amount or frequency of such payments and funding has a direct, adverse impact on Steward’s financial position.

56. In addition, the Debtors experienced working capital challenges resulting from the Company’s acquisition of the South Florida facilities. In the summer of 2022, the Company’s South Florida facilities transitioned to a different revenue cycle management platform—however the implementation of this transition was challenging as technical issues in the new platform led to a severe backup in billing and accounts receivable collections. Upon
identifying the issue, the Company engaged outside advisors to identify and remediate the issues and redirected substantial resources from other areas of the business to the Miami market, which caused a strain on the entire enterprise, thus causing a backlog of claims across the Company’s system.

Appendix II: Relevant MPT Disclosures

Utah Sale-Leaseback

2020 Form 10-K (p. 41)
Q3 2020 Form 10-Q (p. 17)
Q2 2020 Form 8-K (Ex. 99.1 Earnings Press Release)

International Joint Venture

2020 Form 10-K (p. 41)
Q2 2020 Form 10-Q (p. 14-15)
Q2 2020 Form 8-K (Ex. 99.1 Earnings Press Release)

Steward Investment Loan

2021 Form 10-K (p. 74)
Q1 2021 Form 10-Q (p. 15)
Q1 2021 Form 8-K (Ex. 99.1 Earnings Press Release)